STRATEGIC REPORT

A description of our business model, markets and strategy.

OUR FOUR-POINT INVESTMENT CASE

OUR BUSINESS PHILOSOPHY CENTRES ON THE NEED TO INVEST TO SUPPORT LONG-TERM GROWTH WHILST DRIVING SHORT-TERM FINANCIAL PERFORMANCE

In practical terms, this means we continually focus on: consultant and business productivity; strategic investment where we see clear opportunities for growth while maximising profitability; cash generation and returns to shareholders.

We believe there are four simple and compelling reasons to invest in Hays.

1.

The breadth of our business model across sector and contract type

- We have built a global platform with unrivalled scale, balance and diversity.
- We have exposure across Permanent, Temporary and Contractor recruitment markets at a scale which is unique amongst our peers.
- We focus on execution in each of our local markets delivered by the best people, sector-leading technology, recruitment tools and a world-class single brand.
- We have strong and experienced operational and senior regional management teams across the Group.
- We focus on developing and delivering the best services and products for clients and candidates, meeting their evolving needs.

Sectors
20

Countries
33

2.

Our balanced exposure to both mature and structural growth markets

- Many of the 33 countries across our global platform represent clear structural growth opportunities, where the use of agencies such as Hays to source skilled employees is a relatively new practice.
- 43% of our Group net fees are generated in these structural growth markets which include places such as Germany, Latin America and Japan, where the first-time outsourcing of the recruitment of skilled staff is a key long-term opportunity.
- The remaining 57% of net fees come from more mature markets, such as the UK, the US and Australia, where the use of agencies is a long established practice in the skilled jobs market. In these markets, activity levels are more driven by the stage of the economic cycle.

Group net fees

57%
Mature markets

43%
Structural growth markets

3.

Our ability to deliver superior financial performance through the cycle

- The scale and balance adds relative resilience to our earnings throughout the economic cycle and contributes to the outperformance of our business versus the peer group.
- We aim for a mix of exposures across different countries, job types and contract forms. Despite this existing balance we remain focused on further diversifying our earnings and building scale across our existing global platform.
- Having exceeded £200 million of operating profit in FY17, we believe we are well positioned to continue to drive further material profit growth.

FY17 operating profit
£211.5m

Earnings per share
9.66p

4.

Our potential to generate significant cashflow and dividends

- As well as our ability to drive material profitable growth, we are a highly cash-generative business, with a clear set of free cash flow priorities.
- These include ongoing investment in the development of the business, maintaining a strong balance sheet and delivering a sustainable and progressive dividend policy.
- Having achieved the targeted core dividend cover of 3.0x earnings, our core dividend will now grow in line with EPS.
- We ended the year with a net cash position of £112 million. As previously disclosed, it is our intention to distribute to shareholders any free cash flow generated over and above £50 million, assuming a positive outlook.
- Therefore, in addition to a material increase in core dividend, we also propose a special dividend of 4.25 pence per share, subject to shareholders' approval.

Net cash
£111.6m

Core dividend per share
3.22p

BALANCE, SCALE AND DIVERSIFICATION ARE WHAT SETS HAYS APART AND DRIVES PERFORMANCE

1

Balance

Unrivalled scale, balance and diversity...

2

Scale

...the best people, sector-leading technology and a world-class brand...

3

Geographic diversification

...delivers the best solutions for clients and candidates...

4

Sectorial diversification

...a relatively resilient financial performance in tougher economic times...

5

Contract form diversification

...and positions the Group for future growth.

THE GLOBAL JOBS MARKET

People building their careers, companies finding the talent to grow and develop – that's what Hays is at the centre of.

In 2017 globally we helped over 300,000 people find their next Permanent job or Contract assignment, and worked with over 30,000 clients to grow their own businesses by finding the skilled talent they need.

This is the core of our business. The ways in which we do it may be changing, as the way people choose to work or the technologies they use to access the job market or seek to interact with us naturally evolve.

What remains constant though is the art of matching the right person to the right job.

Mega trends

We identify four mega trends which are likely to influence the future shape and direction of the world of work and therefore how we manage our business and develop our strategy.

1. More, and varied ways of building a career
More on page 8

2. Skills shortages and businesses' demands for flexibility
More on page 10

3. Structural market growth and evolving client demands
More on page 12

4. Emergence of new, and evolving, technologies
More on page 14

OUR MARKET

SENTIMENT AND CONFIDENCE LEVELS OF CANDIDATES AND BUSINESSES ARE OFTEN INFLUENCED BY THE ECONOMIC OUTLOOK

The stage of the macroeconomic cycle and outlook, and prevailing sentiment in each of our markets, have a direct and often significant impact on activity levels within our business. This can be both positive and negative, particularly with respect to the confidence levels of businesses to invest in hiring, and candidates to move jobs. We call this 'job churn', and it is the primary driver of activity in the short term.

Asia Pacific

In brief:

- Overall business confidence levels improved in Australia and the economy benefited from a ramp up in investment in the private sector
- China saw further good economic growth as the country continues its transition towards a domestic consumption-led economy
- Economic conditions in the rest of Asia remained broadly resilient

The macroeconomic picture in Australia improved as the year progressed. This was initially supported by government spending on public projects and infrastructure and then followed by a ramp up in private sector investment, including marginal improvements in the resources-driven parts of the economy. This led to a general improvement in business confidence. Consumer confidence remained stable, despite concerns over an overheated residential property market, along with moderate wage inflation and rising cost of living. Business sentiment in Asia was broadly resilient with good growth in China and mixed conditions in other markets. This was despite the fact that the banking sector continued to be subdued.

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Continental Europe & Rest of World

In brief:

- Improving economic conditions in Europe, no impact from Brexit. Cleared political hurdles including French elections
- The US also enjoyed a strong economic performance

Conditions in Europe were supportive during the year and, despite much speculation, sentiment was not impacted by the UK's decision to leave the European Union. Economic growth across Europe was broad-based, benefiting from stronger labour markets, rising incomes, looser fiscal policy and accommodative monetary policy measures from the European Central Bank. This helped strengthen consumer and business confidence in a year during which the Eurozone had to clear a number of political hurdles, including the Dutch and French general elections. In the US, the election of President Trump in November 2016 did not have a major impact on sentiment in our markets and the strength of the US economy led the US Federal Reserve to raise interest rates three times over the year.

More information page 30

UK & Ireland

In brief:

- UK market sentiment was significantly impacted by the outcome of the UK Referendum on EU membership
- Relatively high inflation and low wage growth persisted across the year
- A snap General Election resulting in a hung parliament created further uncertainties

Our financial year began just after the UK voted to leave the European Union. This was an unexpected outcome and dominated the economic and market backdrop for a large part of the year. The value of sterling dropped significantly on the news and the Bank of England quickly moved to cut interest rates to a record-low 0.25%. However, resilient economic indicators and high levels of consumer confidence contributed to a better than expected overall economic backdrop in the first half of the year. During the second half of the year, weakness in Sterling started to translate into higher inflation which, coupled with low levels of wage growth, impacted on consumer spending. In the latter part of the year a snap General Election was called which resulted in a hung parliament and political instability, as the UK started negotiating the terms of its departure from the European Union.

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The competitive environment

We are leading global recruiting experts focusing on the segment of the recruitment market referred to as professional, 'white collar' skilled or specialist recruitment. The salary of the candidates we place ranges from circa £20,000 to £130,000 p.a. and we operate across 20 different areas of specialism, including white collar professions such as Accountancy & Finance and IT, and more technical disciplines such as Engineering, and Construction & Property.

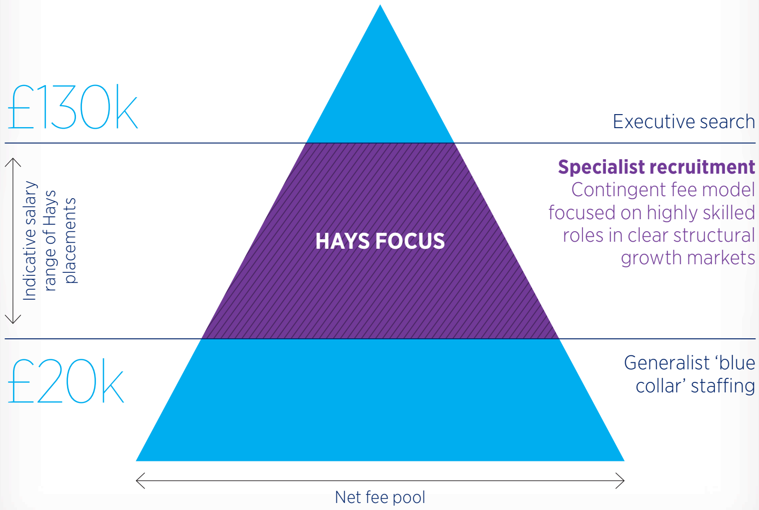
The competitive landscape across most of our markets is extremely fragmented and characterised by a large number of companies, which are often very small and focus on local, niche markets, and with a few large global players.

Despite the fragmented nature of the industry, in the majority of our markets the main competition we face is from in-house recruiting teams within the HR function of corporates. While we estimate that in more mature markets like the UK or the US around 80% of addressable skilled jobs are filled via recruitment agencies, in less mature markets like Germany that figure is only around 20% according to our analysis. The first-time outsourcing of the recruitment of professional staff is therefore a key driver of growth in many of our businesses.

The main UK-listed specialist recruitment businesses we identify are PageGroup, Robert Walters and SThree, all of which have varying exposures and business mix, but do have a presence in many of the markets in which we operate. Despite this, they do not have the scale of Hays' operations especially in some of the more technical recruitment markets such as Construction & Property or in some of the structural-growth markets like Germany. We also identify many other competitors across each of our local markets. These include larger, so called 'generalist' recruiters such as Adecco, Randstad and Manpower, who also have operations in the specialist recruitment space, but are predominantly focused on the lower-salary 'blue collar' segment of the market. There are also several other sector or region-specific businesses such as KForce in the US or Amadeus FiRe in Germany.

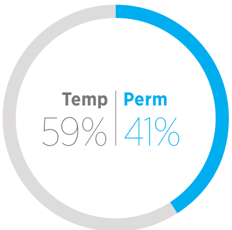
We have deliberately built a business that is well-balanced and exposed to both mature, cyclical markets and emerging structural markets. In FY17 57% of our net fees were generated in mature markets and 43% in more immature markets compared to 83% and 17% respectively 10 years ago. Immature markets have significant structural growth opportunities and are less impacted by the economic cycle. We believe this balance, as well as our mix of Temporary, Contractor and Permanent recruitment combined with genuine scale across a range of 20 specialist areas and 33 countries, is unique to the specialist recruitment space, adds relative resilience to our business model through the economic cycle and acts as a genuine differentiator in our industry.

The global recruitment market

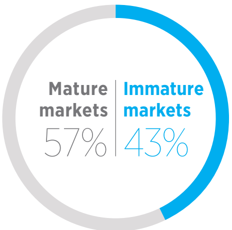


In FY17 59% of our fees came from the Temp and Contracting market, although this is weighted towards three countries where Hays has a market-leading position: Germany, Australia and the UK. In most of the other countries in the Group we have historically been predominantly Perm focused, however where market conditions and local legislation have allowed it, we have successfully been pursuing a strategy to build a meaningful Temp and Contractor business, which today represents one-third of our business outside of the three core markets.

Contract type 2017



Market exposure 2017



"Despite the fragmented nature of the industry, in the majority of our markets the main competition we face is from in-house recruiting teams."

MEGA TREND 1

MORE, AND VARIED WAYS OF BUILDING A CAREER

For many skilled candidates, the ‘job for life’ has largely come to an end. There is an increasing appetite to embrace a more flexible, contract style of working or project roles, with candidates seeking interesting, often highly paid non-Permanent roles enabling them to build their career flexibly, as opposed to working their way up a single corporate ladder. The non-Perm businesses are becoming an increasingly important part in many more of our markets.

The rise of the digital economy has not only driven the creation of new job types in niche areas but it has also enabled greater mobility of experienced workers who can provide their skills as independent contractors on a more flexible basis.

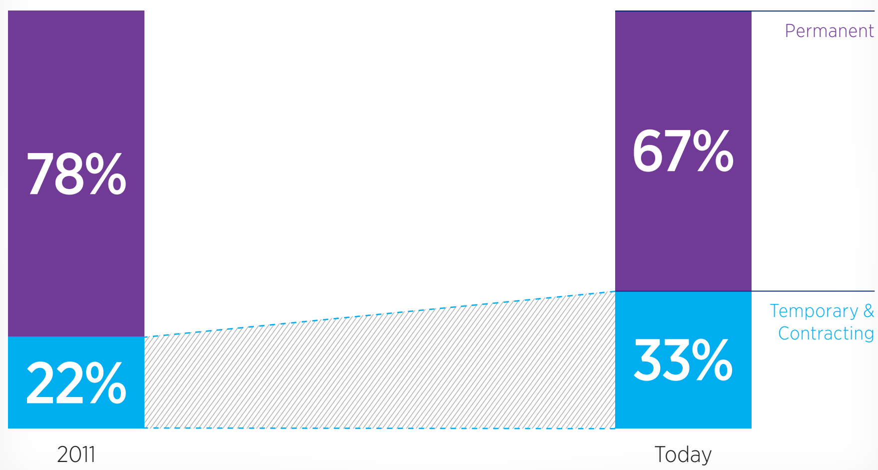
This, combined with less restrictive legislation in many countries and the secular shift away from a ‘job for life’ towards building a successful ‘portfolio career’, is why we believe Contracting is a key structural growth market and has become one of our fastest-growing business sectors.

What this means for us

We have made further strategic progress rolling out our market-leading IT Contracting business from Germany into other markets where we believe the model can be successful, including Canada, France and Japan. This, coupled with the established IT Contracting business we have in the US, means we are at the forefront of this evolving market trend.

We now have more than 60,000 Temps and Contractors on assignment all around the world. Despite this, the vast majority of skilled roles in the countries we operate in consist of traditional Perm positions, with non-Perm penetration rates still in the single digits. We believe this segment of the specialist recruitment market will become an increasingly important part of the make-up of modern workforces. Our aim is therefore to build further scale to be able to offer a truly globally integrated service by capitalising on increased candidate global mobility, increased non-Perm market penetration rates and by leveraging cross border client relationships.

Group ex-UK/Germany/ANZ(1)



(1) Percentage of net fees.
(2) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

"The projects Hays offered were a good match for my profile, experience and lifestyle."

Bernhard Ott
Senior Clinical Professional

+6%(2)
Group LIfe Sciences growth in 2017

CONTRACTING IN LIFE SCIENCES: A CANDIDATE'S JOURNEY

In 2017 Life Sciences has been one of the fastest growing specialisms in our market-leading German business. Part of this success was due to the roll out of our German IT Contracting model into other specialisms, including Life Sciences, capitalising on the trend for more flexible project-based work emerging in these markets. Key to helping our candidates structuring their careers as a series of projects is a deep understanding of their goals and an ongoing supportive relationship.

Bernhard Ott is a senior clinical professional specialising in pharmaceutical quality management and quality assurance. We have worked with Bernhard since 2012, placing him across some of the largest global pharmaceutical companies, from Merck to Novartis, where he provided GCP and GMP quality assurance services. As the end of each project approached, we would meet Bernhard to discuss his future plans, ambitions and availability and match these with suitable assignments, helping him structure the next leg of his career. "The projects Hays offered were a good match for my profile, experience and lifestyle. I can always count on professional preparation ahead of interviews and, if required, a close assistance during ongoing projects. Some of the projects Hays placed me on were extended beyond their initial period and my consultant handled that in a structured and professional manner. To sum up five years of cooperation, I would recommend Hays as a trusted partner and I look forward to continuing working with them."

MEGA TREND 2

SKILLS SHORTAGES AND BUSINESSES' DEMANDS FOR FLEXIBILITY

A key challenge that many of our clients across the world are increasingly facing, is adding flexibility to their skilled workforce to enable them to respond to fast-changing market conditions and access the skilled labour they need, when they need it. Employing skilled people on a contract or project basis injects more flexibility in their cost base and enables them to benefit from a workforce with a wide portfolio of relevant experience as and when they need it.

For an increasing number of businesses therefore, Contract and Temporary workers make up an increasingly important part of their skilled workforce.

What this means for us

The challenge of sourcing highly skilled, compliant contractors willing to take up a new role remains, and in a world where these types of workers are often in short supply, our role is becoming increasingly important. We act as intermediary for highly skilled professionals searching for shorter-term vacancies, enabling our clients to tap into scarce talent pools of flexible workers and helping them to manage and shape their skilled Temp and Contractor workforces.

We see our non-Perm business as a higher-value source of earnings, more resilient to the cycle and our clients increasingly see us as the go-to experts who help them interpret and manage the risks and obligations that are required with managing a contingent workforce. This means that we are continually growing market share in places like Germany as well as establishing new client relationships across Europe, Asia and the Americas. We bring the expertise of our existing Temp and Contractor businesses and offer our clients clarity in what is a difficult and a complex area by helping them navigate the intricate Temp and Contractor regulations as they evolve.

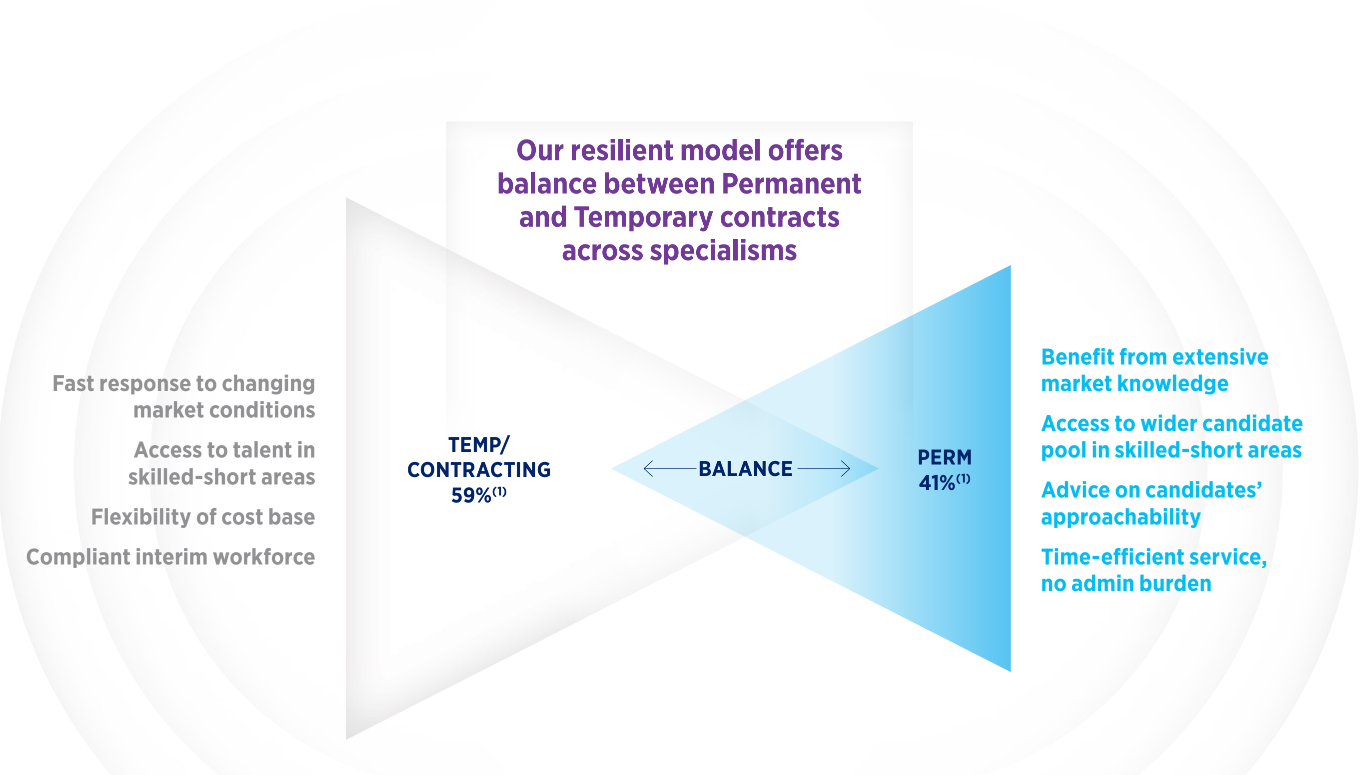
What employers said were their challenges for 2017

Skills shortages
77%

Competition from other employers
45%

Salary levels
42%

Source: Hays UK Salary & Recruiting Trends 2017 Guide



(1) Represents proportion of Group net fee income.

"Hays has been a company that I have depended on for many years to source talent."

Laurence Halabut
Chief HR Officer, Toyota Financial Services

DELIVERING FLEXIBLE WORKFORCE SOLUTIONS IN AUSTRALIA

The strong, long-lasting relationships we build with our clients across the world enable us to better understand their needs and to offer them tailored workforce solutions to match their evolving requirements. Over the past five years, in Australia, we have been a key recruitment partner to Toyota Financial Services (TFS), the financial services arm of Toyota Motor Corporation, which operates worldwide across over 30 countries. One of their biggest workforce challenges we have helped them with over these years has been finding and recruiting skilled employees and contractors across various divisions, from contact centre roles to niche technology and project management positions.

More recently Hays was appointed TFS's Managed Service Provider (MSP), looking after their contingent workforce and also Recruitment Process Outsourcing (RPO) provider, helping TFS finding the skilled employees they needed for their Permanent hiring. We deployed a dedicated onsite management team and implemented a suite of technologies which immediately provided tangible benefits, including more flexibility in their labour cost base, increased compliance, better visibility of contingent workforce and improved quality and speed of hire.

Laurence Halabut, Chief HR Officer at TFS, noted: “Hays has been a company that I have depended on for many years to source talent. Their knowledge of the business along with the successful partnership we have, continues to create a positive impact on the delivery of various projects at Toyota Financial Services.”

MEGA TREND 3

STRUCTURAL MARKET GROWTH AND EVOLVING CLIENT DEMANDS

Most professional recruitment around the world is still done by in-house HR teams, with many immature markets, as well as some more mature economies, increasingly opening up to the concept of outsourcing specialist recruitment. Amongst certain client groups we continue to observe a shift towards increased levels of centralised procurement, mostly seen in large corporates. Our services must be tailored to these different client needs, whether it is first-time outsourcing or providing different specialist recruitment delivery models.

What this means for us

We have existing scale in both mature, cyclical and less mature structural-growth markets. We have been building a strong presence in markets like Germany which, despite being a developed economy, has a low penetration rate when it comes to the outsourcing of recruitment services for skilled, professional roles. Therefore, notwithstanding our market-leading position, we still see many growth opportunities as more businesses start to outsource their recruitment of skilled labour. Aside from Germany, many international specialist recruitment markets represent clear structural growth opportunities and our aim is to continue to open up these markets where the majority of recruitment is still performed by in-house HR teams. We see this as a key factor contributing to driving our growth over-and-above the economic cycle by capitalising on first-time outsourcing.

As well as investing to capitalise on these structural-growth opportunities, we work with our clients, whether SMEs or large corporates, to tailor our services to meet their different needs.

The way we provide these services has to adapt to new business practices and evolving client demands. Examples include increased levels of centralised procurement mainly in large corporates. In response, we have developed suitable hub-like delivery models that match our clients' needs for efficient recruitment processes at scale, in the most effective and appropriate way. For instance we offer Managed Service Provider (MSP) services, where we manage Temp and Contract workforces on an outsourced basis, as well as Recruitment Process Outsourcing (RPO) services, where we manage all Permanent recruitment processes on behalf of clients. Together, these MSP and RPO services sit under our Hays Talent Solutions business, and represent c.15% of our net fees. We also continue to invest in developing new tools and resources to provide first-class large-scale HR services.

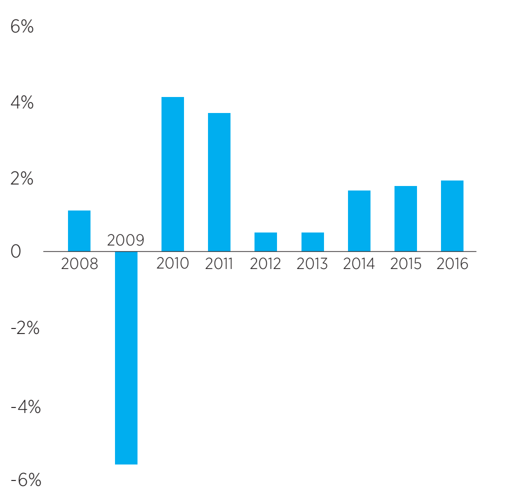
For example, to help clients of any size tracking all aspects of their contingent workforce we offer technology-enabled solutions like our 3 Story Software, a cloud-based vendor management and workforce management software.

Investing to build a market-leading business

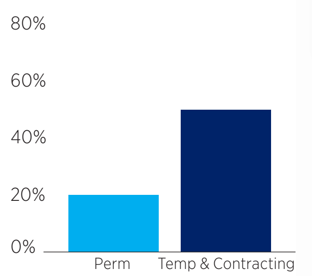
The German Market

Despite being a developed economy, Germany has a low penetration rate when it comes to the outsourcing of specialist recruitment services. This structural-growth opportunity, means that in the past five years alone we increased our Germany operating profits organically by c.35%, even though over the same period German GDP grew at an average of just over 1%.

German GDP growth rate(1)

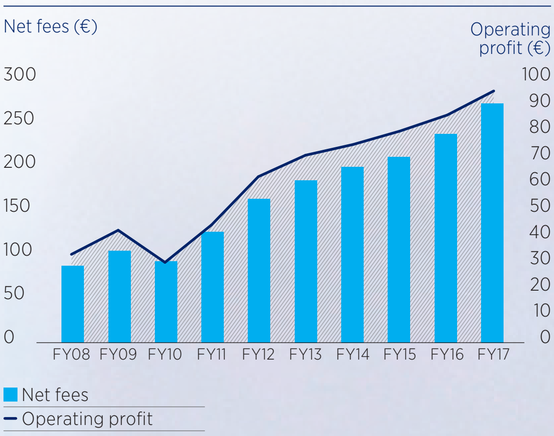


Outsourcing levels of skilled recruitment in Germany(2)

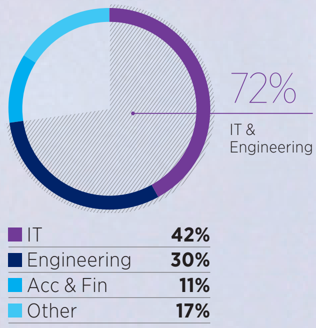


(1) Source: World Bank.
(2) Hays Management estimate.

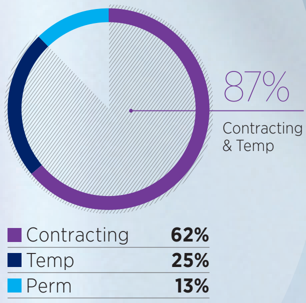
Historic profile of Hays Germany



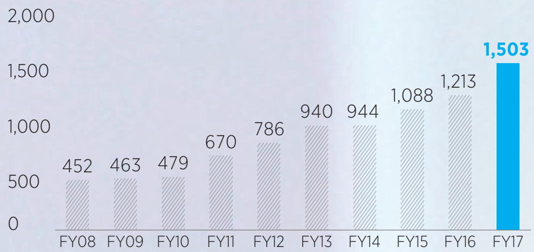
Net fees by Specialism



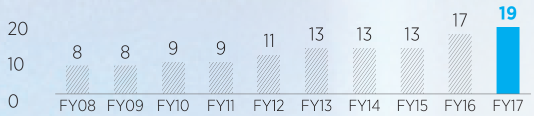
Net fees by contract type



Number of consultants



Number of offices



BUILDING A MARKET-LEADING BUSINESS IN GERMANY

Hays entered the German market in 2003 by acquiring a small IT Contracting business, Ascena, which at the time was making €3 million operating profit. Despite Germany being a developed economy, many of the skilled, professional roles are still filled by in-house HR departments, with a relatively low proportion being outsourced to specialist recruitment firms. Over the past 15 years we have witnessed a structural shift towards more outsourcing of skilled labour and we have invested aggressively ahead of the curve, building a business with over 1,500 consultants. We have also diversified our service offering across contract types and specialisms, whilst still expanding our core, world-class IT Contracting business. This means that we now have a truly market-leading business which in 2017 generated €94 million in operating profit, a CAGR of 27.5% since the acquisition of Ascena. Germany still represents a unique structural opportunity for us and our focus remains on cementing and enhancing the breadth and scale of our operations as the market continues to open up to first-time outsourcing of skilled roles.

Operating Profit CAGR 2003–2017

27.5%

Operating profit

€94m

MEGA TREND 4

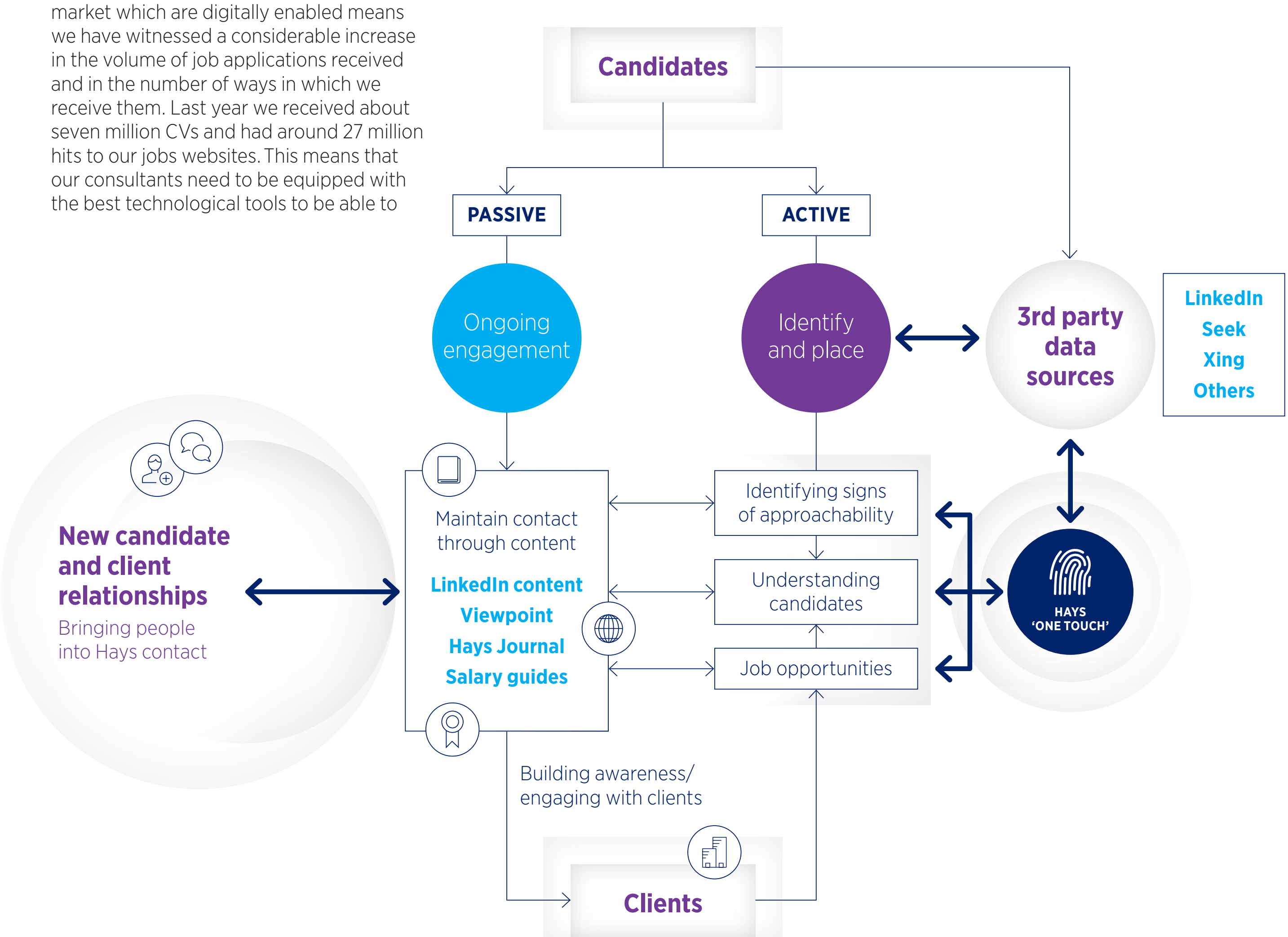
EMERGENCE OF NEW, AND EVOLVING, TECHNOLOGIES

Technology is in many ways transforming how people work, enabling remote working and impacting on how clients and candidates engage and interact with the jobs market and with Hays. Also, almost every area of the jobs market is becoming increasingly digitally enabled and the digitalisation of both supply and demand creates vast quantities of data to be analysed and put to use.

What this means for us

Clients and candidates interact with us in multiple and evolving ways using various channels, and it is part of our philosophy to recognise and quickly respond to these trends. The emergence of new routes to market which are digitally enabled means we have witnessed a considerable increase in the volume of job applications received and in the number of ways in which we receive them. Last year we received about seven million CVs and had around 27 million hits to our jobs websites. This means that our consultants need to be equipped with the best technological tools to be able to cope efficiently with this substantial increase in velocity and complexity of data. However, successfully sifting through large amounts of data to find the right candidate for a job is not enough anymore, as it may not be easy to then persuade them to apply for that vacancy if they were not already planning a job move. This is why we use a variety of content engagement tools to build and curate ongoing relationships with current and potential candidates, providing them with insightful information relevant to their industry and their interests. At the same time, we have ongoing collaborations with third-party platforms like LinkedIn, SEEK and Xing. This allow us to examine large amounts of data generated by their users' activity on a regular basis, to gain a clear understanding of the individuals, their skills and experience.

Ultimately, our aim is to extrapolate meaningful data patterns and develop these into an 'approachability index', a measure to gauge how open to job opportunities a potential candidate is likely to be. By understanding these signals of candidate approachability, it becomes possible to find the right moment to suggest vacancies to people and because trust has already been built via our engagement marketing activities, they may be more open to an approach. Our sector-leading technology and collaborations ultimately help us drive growth by improving our consultants' productivity. We also have an Innovation team which is tasked with assessing the technology landscape, identifying new industry trends, opportunities and threats and building partnerships with key emerging players.



TECHNOLOGY AND USE OF DATA

The amount and variety of data that is being generated in our industry has increased exponentially over recent years. Capturing, analysing and making sense of this wealth of data remains a strategic imperative as we continue to adapt and respond to a world where many of our candidates' profiles have moved onto various social media platforms. At the same time, we recognise that data must be managed in an integrated manner with our own proprietary database, OneTouch, to give us a competitive edge. This is why we ensured that OneTouch was built not only to be fully integrated internally within our business, but that it would also have the ability to interact and connect with external platforms, as they emerge and evolve.

Interpreting data from our own database, together with our ability to harness valuable insights from our relationships with external platforms, is increasingly becoming part of our value proposition to our clients.

With this in mind, the protection of candidate personal data and client confidential information remains at the heart of our business. We have systems and processes in operation to best ensure that this information is held and transferred, where appropriate, in a secure manner. We recognise the importance of complying with all relevant data protection and privacy laws in each of our local markets.

CVs received in 2017

7m

Hits on Hays' websites

27m

CHIEF EXECUTIVE'S REVIEW

OUR BUSINESS PHILOSOPHY CENTRES ON THE NEED TO INVEST TO SUPPORT LONG-TERM GROWTH

"We ended the financial year with £112 million of net cash, our strongest balance sheet for many years."

Alistair Cox
Chief Executive, Hays plc

Our Chief Executive, Alistair Cox, discusses the Group's performance in 2017 and looks ahead to our areas of focus for 2018 and beyond.

Q. How would you describe Hays' financial performance this year?

A. I am very pleased at how we performed this year. We grew our global net fees by 6%[1], and delivered £211.5 million of operating profit. That's at the top end of the market's range of expectations and well above the levels we might have expected as we started the year. We also converted those profits into £217 million of operating cash flow, representing a strong cash conversion rate of 103%. Consequently, we ended the financial year with £112 million of net cash, our strongest balance sheet for many years. That result, combined with the continuing supportive market outlook as we enter the new year, has enabled the Board to propose both an 11% increase in the core dividend, as well as a special dividend of £61.6 million in line with our distribution policy. This represents a key milestone in the development and progress of our business and is testament to the significant cash generation potential of the model we have built. My first priority for uses of that cash is always to reinvest in the business and there are many examples of that, some detailed below. Following on from our investment programme, our second priority has long been to eliminate our net debt and build a net cash position of around £50 million, and that has now been achieved. The final use of cash is to distribute to shareholders, via a long-term sustainably covered core dividend, supplemented when appropriate with a special dividend. The strong results we have delivered this year have now allowed us to put in place this final piece of our cash strategy.

Turning to our individual businesses, the backdrop was positive in the vast majority of our markets throughout the year. Three-quarters of our net fees are derived outside the UK and, at £170 million, our non-UK profits reached all-time record levels. This has stood us in good stead with the non-UK markets being supportive throughout the year. We saw further clear structural growth in the demand for our services in markets across Continental Europe and Latin America, and Europe in particular delivered an excellent performance from what is now our biggest region, with fees increasing 12%(1). Asia was more mixed, particularly in those markets more exposed to Financial Services. However we ended the year with positive momentum across the region. The more mature markets including North America and Australia were encouraging and we saw a marked improvement in Australia over the course of the year, delivering our third-best-ever annual result from that business.

Q. Within that overall Group performance, did you see an impact on your UK business following the outcome of the EU Referendum?

A. In the UK, our financial year started immediately after the EU Referendum. That introduced a significant level of uncertainty into the market and we saw a marked step down in activity in the weeks following the Referendum, especially within our UK private sector Perm business. However, activity levels stabilised over the summer and autumn months and we saw modest improvement as the year progressed, exiting the year with the private sector back in modest year-on-year growth, albeit over the full year fees for the UK & Ireland were down 7%(1) and profits fell 21%(1). As we enter our new year, the UK market remains subdued but the business is set up appropriately to meet current demand and we will be quick to react to any future market movements.

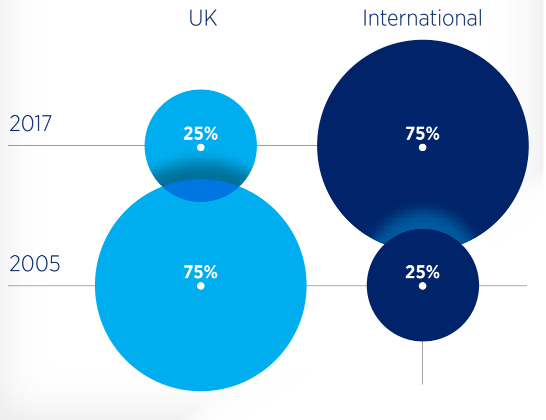
Q. You are now four years into your five-year plan period. Where does this financial performance leave you against your objectives?

A. Back in 2013 we outlined our five-year aspiration to broadly double our operating profits from what was then £125 million, towards £250 million. Clearly there were, and continue to be, many factors which could influence our ability to deliver this, including the economic backdrop, currency fluctuations and our own ability to execute on our plans. However, despite all of these factors, I am happy to say that four years into the plan period, we are broadly where I hoped we would be at this stage. Operating profit has increased from its base of £125 million to £211.5 million this year – representing a CAGR of 14% over the past four years. Indeed, our cumulative profit growth of c.£86 million over the plan period to date is significantly more than that of any of our UK listed peers. Understandably, in a business as globally diverse as ours, we have faced headwinds and tailwinds during the plan period. The UK business has faced challenging conditions recently, as discussed above. Offsetting this however, we've seen continued strong profit growth in our German business, where profits increased 9%(1) this year to £80.5 million, making Germany our biggest profit contributor at the Group level. Similarly, the Australian business has delivered strong growth this year, rebounding after a difficult few years post the downturn in the mining industry. Elsewhere around the world, there are many examples of significant outperformance versus original expectations. Asia and Europe in particular have increased their profit contribution significantly versus 2013 levels. France is an excellent example of that, having more than doubled in the past four years and surpassing our 2018 aspiration of £10 million operating profit a year early.

"Three-quarters of our net fees are derived outside the UK and that has stood us in good stead with the non-UK markets being supportive throughout the year."

Alistair Cox
Chief Executive, Hays plc

Diversification and internationalisation of the Group



Let's not lose sight though that our 2018 aspirations were never designed to represent any kind of 'peak' for the potential of our business. Far from it. In fact, I see significant further growth opportunities ahead in many businesses including Germany, France, the US and across Asia to name just a few. That's an exciting future and with this thought in mind, we will be hosting an investor event in November 2017 at which we will outline our financial and strategic aspirations for the next phase of growth and development in our business.

Finally, our strong performance has strengthened our balance sheet to the best position we have enjoyed for many years. Five years ago, we had a net debt position of £133 million. Today that debt has been eliminated and we have built a net cash position of £112 million. Our business is inevitably impacted by the cycle, so I believe our current debt-free balance sheet is the most appropriate structure to face this inherent cyclicality. We are able to distribute significant returns to shareholders after we have invested in the business, yet also retain strength and flexibility to react to whatever the economic cycle may throw at us.

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

CHIEF EXECUTIVE'S REVIEW CONTINUED

"In the past five years alone, we have grown German operating profits by £29 million, making this now our biggest business by profits in the world."

Alistair Cox
Chief Executive

Q. What were your primary areas of strategic focus in the year and what progress was made?

A. Alongside our financial aspirations, we also had the clear strategic objective to materially diversify where our profits are made, and to reinforce and enhance our business in a world which is constantly changing.

Over the years we have built a truly global business with operations in 33 countries, and geographic diversification is a key pillar of our strategy. With this network in place, we are now focused on building scale and critical mass across this platform as many of our countries offer significant potential to build sizeable businesses that in time will sit alongside Germany, Australia and the UK as major profit contributors. Germany itself was a modest-sized business a decade ago. In the past five years alone, we have grown German operating profits by £29 million, making this now our biggest business by profits in the world. In a similar vein we have made excellent progress in France where we just delivered over £10 million of operating profit, making France the fourth biggest country by profits in the Group.

We are also investing to diversify our income in other ways too. As Temporary and Contracting roles become increasingly prevalent in many parts of the world, we are building the proportion of our business which is generated from non-Perm jobs. This sector provides greater resilience against the economic cycle and greater visibility of earnings, as well as being a high growth market. Finally, the world of work continues to evolve at a rapid pace. For example, we have seen the recent emergence of whole new job categories, especially in the technology sector as data science, cyber security, digital marketing and mobile development have become important skills in the business landscape. Consequently we have invested in building our own services in these new sectors, ensuring that our services are as relevant for the future markets as they have been for the more traditional.

All of this is done with the clear aim of making our business as resilient as possible, and to ensure we have a core value proposition which can thrive for years to come. This has been our focus across the past four years, and once again underpinned our approach this year, and I'd identify three specific areas to discuss.

Firstly, we continued to organically invest in consultant headcount in order to support growth in supportive and improving markets, such as Australia, where headcount was up 15% year-on-year and France, where it was up 12%. At the same time, we continued to invest aggressively to support the long-term structural-growth opportunity that exists for the recruitment of skilled people in markets like Germany, where headcount was up 24% and Latin America where we have 7% more people than a year ago across our four country businesses.

Secondly, we made further good progress in rolling out our IT Contracting business, which has been so successful within Germany over many years, to other countries. Notable successes in this respect have been France, Canada, and Japan. These are countries that, five years ago, derived only 19% of their fees from non-Perm recruitment, and that was largely in the short-tenure Temp market. Fast forward to today however and they are 30% Temp and Contracting, a significant proportion of which comes from placing long-term, high skilled, high salary contractors. It's undoubtedly been a key driver of recent success in each case – and will remain a key focus area of growth going forward.

Thirdly, we remain focused on building scale in our US business, following the acquisition we made there in late 2014. The business we acquired, Veredus, was 100% focused on the IT space, with a platform of 120 consultants across 10 offices. Today, we've launched a successful Construction & Property specialism, built out our pre-existing, but small, Life Sciences business and built scale in Perm recruitment. We now have 200 consultants across 12 Hays US offices and we continue to believe that this market represents a massive growth opportunity for our business. We will therefore continue to invest organically to build scale, complementing local hires with internal transfers from the rest of the Hays business globally. We will selectively open new offices where we see the opportunity to do so and we will invest in and support the growth of the core, legacy IT Contracting business.

Alongside these areas of focus in our core business, our brand awareness remains a priority. We continue to establish Hays as one of the most recognised, high profile brands in the recruitment industry. Through our role as the Official Recruitment Partner of Manchester City, the Hays brand and messaging receives extensive broadcast exposure in over 200 countries. Last season, viewings of Manchester City's home games, where Hays receives highly visible brand exposure, reached almost 150 million. Manchester City also share Hays' content across their digital channels and social platforms which, last season alone, provided us with close to 100 million impressions across the likes of Facebook, Twitter and China's Weibo. We continue to lead the industry on LinkedIn too, with over 1.8 million followers, placing us as one of the top 30 most followed companies in the world. The Hays Journal, a global, bi-annual publication for HR and recruitment professionals, is now into its seventh year and recognised as a leading authority of issues and trends impacting the global world of work. One of the most significant benefits of establishing a leading brand profile is evidenced by the fact that, over the past year, we have engaged through our marketing and consultant communications with over 290,000 client contacts and over 820,000 candidates with whom we had no prior contact or relationship.

Q. Technology and technological change is something that is spoken about a lot in the context of the recruitment industry. What are your thoughts on this and how are you approaching this issue?

A. I think it's hard to find an industry in the world that isn't going through some sort of transformation or seeing the impact of new technologies in how they operate, either for good or bad. The specialist recruitment industry is certainly no different. In our case, the emergence of new technologies, especially digital and web-based, is having an impact on the way we do business, as well as the way our clients and candidates are seeking to do business with us and interact with the jobs market.

Having said that, our core value creating processes and core function, placing great, skilled candidates into their next jobs and helping businesses secure the scarce talent they need to continue to grow, has not changed, even if the way we go about it, or the way our clients and candidates expect that service to be delivered, has evolved over time.

While there are many strands to this issue, and technologies evolve quickly, our philosophy has always been clear. We seek to innovate and build collaborations that will allow us to fully understand all of the changes taking place, ensuring we are at the forefront of our industry and meaning we can best mitigate any risks that may emerge and at the same time ensure we are positioned to capitalise on any new opportunities to develop, enhance or protect our own core business.

Central to this approach are the many relationships we've built with digital and technology companies which we believe are relevant to our operations and markets and where we see clear mutual benefit in working together. Examples include our long-established relationship with LinkedIn, which continues to yield significant benefit in terms of the productivity and efficiency of our people. In Australia, we collaborate with SEEK, the largest jobs board and recruitment data company in the market. Again, there is clear mutual benefit. Between each company's dataset, we cover around 90% of the professional people in Australia, meaning that we have unrivalled insight into the local candidate market. This insight allows us to ensure our interactions with those candidates are as effective and valuable to them as possible, improving their experience and improving our own efficiency in getting the best, most relevant list of candidates to our clients as quickly as possible.

Another area of change relates to data. Specifically, the amount and type of data we need to handle as a business which has increased dramatically over recent years. As a result, it is essential that we equip our people with the tools and skills they need to use and interpret this data in the most effective way possible. We have invested in search tools to enable real-time, targeted searches for the best shortlist of candidates for a specific role as and when they need to. We worked with Google to embed their search tools within our database to do just that. Equally, we are focused on what the power of data can do to make us better at what we do and provide a better service to both our clients and candidates. Knowing which candidates are most approachable for a particular role, or which candidates are currently active in the jobs market, can mean we have higher quality interactions with people, again generating better quality candidate shortlists and more efficient processes for ourselves and our clients. With this in mind we've invested in our own internal resource, hiring specialists in Data Marketing and Analytics, and we continue to invest to keep abreast of new and emerging business models, technologies and routes to market which are relevant to our industry. We have a dedicated Innovation team in place to monitor what is being developed so we can ensure we are positioned to respond accordingly in whatever way we believe makes most sense. This includes small investments into businesses or seed capital companies which we believe can be beneficial or additive to our core business, as well as building our own in-house test products and innovative services to respond to changes in certain parts of our market.

Our approach in all of these areas is driven by a central belief that the world of technology is changing and will continue to bring change to the way we need to do business. By building and nurturing relationships and collaborations and investing in our own capabilities, we can best understand these changes, fully capitalise on the many opportunities that arise and understand and mitigate any risks or threats that may emerge.

Q. What do you see as your biggest opportunities looking ahead to 2018 and what risks are you concerned about?

A. The vast majority of our markets around the world are supportive, and the outlook is positive. As such we will remain focused on investing in front-line recruitment consultant capacity to drive growth wherever we see opportunities to do so. At the same time, we will support the long-term growth opportunities that exist in many parts of the business. This will again be largely through organic investment in headcount, as well as selective office expansion in specific markets such as Germany and the US where we see the most significant long-term growth potential.

The biggest risk we see over the coming year is in the UK, where uncertainties regarding the macroeconomic and political outlook are likely to remain throughout the period in which the UK negotiates its exit from the EU. This could have a detrimental impact on candidate confidence to move jobs, or business confidence to invest and take on new staff. The impact on this could be reduced volumes of placements in our UK business and therefore reduced fees. That said, we are encouraged by the resilience we currently see in the UK, which continues to be broadly sequentially stable overall. Forward visibility remains limited and outlook uncertain, but as ever we will monitor activity levels closely.

Overall, our core business model remains robust and the outlook for specialist recruitment is positive. Last year, we helped over 300,000 people find their next job, and over 30,000 companies to hire talented people into their business. Helping businesses to grow and people's careers to flourish is a core function within society and this is something we're very proud to do. We continue to see the emergence of new job types and new ways of working in many markets around the world, which present opportunities for our business and the first time outsourcing of the recruitment process in places such as Germany continues to drive growth. We expect that we will see further change and evolution, for example in the form of technological change, increased compliance or changing regulatory environments. We will embrace these changes as they will continue to present us with opportunities to grow as well as create risks or threats. Where they do, we will continue with our approach of innovation and collaboration to ensure we preserve and enhance our business. We see significant long-term growth prospects for our business, and remain focused on positioning Hays to fully capitalise on them in the years ahead.

Alistair Cox
Chief Executive

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

OUR STRATEGY

CLEAR, WELL-ESTABLISHED STRATEGIC PRIORITIES TO DELIVER OUR LONG-TERM AIMS

Our ultimate aim is to be the undisputed leader in global specialist recruitment. As we build towards this, we have a set of four, long-established strategic priorities which remain unchanged throughout the various stages of the economic cycle. As well as being interlinked with each other, they are informed and driven by our aims, as well as by the long-term mega trends we identify in our marketplace, described on page 5.

See our business model page 22
Read about our KPIs page 26
Read about our risks page 36
Read more on our remuneration page 58

Strategic priority

Materially increase and diversify Group profits

Build critical mass and diversity across our global platform

Invest in people and technology, responding to change and build relationships

Generate, reinvest and distribute meaningful cash returns

What we achieved in FY17	Focus FY18	Link to relevant KPIs
– Four years into the five-year plan to broadly double and diversify the Group's profits, we remain in line with where we expected to be at this stage, having increased operating profit by a further c.£30 million in FY17 to £211.5 million – Our profit growth this year has been driven by exchange rate gains and a record profit performance by our international business, which more than offset a decline in the UK, primarily caused by the negative impact that Brexit has had on clients' and candidates' confidence – In FY17 our non-UK business generated record levels of operating profit, accounting for 80% of the Group's profits, up from 35% 10 years ago	– We will continue to focus on driving net fee and profit growth in our international businesses, where markets remain supportive overall. Amongst these, we see the biggest opportunity for profit growth coming from Germany, and we will continue to invest organically in this business – While the UK navigates the uncertainties created by the negotiations to leave the EU, we will continue to monitor underlying activity levels closely and manage our cost base throughout the business to best protect profitability	1 Like-for-like net fee growth 2 Proportion of Group net fees generated by our international business 4 Basic continuing earnings per share growth 6 Like-for-like net fees per consultant 7 Conversion rate
– Further diversified our exposure across contract types, continuing to invest organically in our Temp/Contracting business, which now represents 59% of Group net fee income – Increased non-UK headcount by 16% year-on-year, including Germany up 24%, USA up 20% and Australia up 15% – Material increase in the percentage of non-Perm net fees generated in the Group, excluding the UK, Germany and Australia (from 22% in 2011 to 33% in 2017) – Global office network stands at 250, of which 152 are non-UK	– We will continue to focus on organic growth and further investment in headcount where conditions are supportive – Further expand the percentage of net fee income generated outside of our largest businesses (the UK, Germany and Australia) – Drive further growth in our Temp/Contracting business in new/existing markets, including France, Japan, Canada and the US	1 Like-for-like net fee growth 2 Proportion of Group net fees generated by our international business 3 Headline international net fee base
– Continued to develop mutually beneficial relationships across a range of areas, including collaborations with SEEK in Australia, Xing in Germany, LinkedIn and Google, amongst others – Invested in further developing our own capabilities within our Data Analytics and Digital Marketing function, which has been working alongside our existing Innovation function and Corporate Development teams – Completed phase one of the project to automate our German back office, ensuring it is fit for purpose in a growing Contractor business, and could drive further profit efficiencies in our business – We have hired a net 786 people and internally promoted over 2,000 of our employees	– We will continue to explore and develop relationships and partnerships with external organisations, to enable us to better understand, respond to and capitalise on new opportunities and/or threats – Further develop our internal capabilities and expertise in terms of Data Science and Data Analytics, to improve our business efficiency and service to clients and candidates – Continue to evolve and shape our offering to meet changing clients' needs by providing alternative and innovative delivery models, supported by the latest technologies and tools	5 Employee engagement 6 Like-for-like net fees per consultant
– Good profit growth and a strong underlying cash performance, ending the year with a net cash balance of £111.6 million – In line with our dividend policy, having reached our targeted core dividend cover of 3.0x EPS this year, we increased the core dividend by 11%, with a full year dividend of 3.22 pence per share. Additionally, in line with our excess cash returns policy, having built a net cash position above £50 million, we propose a special dividend of 4.25 pence per share to supplement the core dividend, subject to shareholder approval	– We will maintain core dividend cover at 3.0x earnings, and intend to grow the core dividend in line with growth in earnings. Should future earnings fall, the core dividend will be protected and unchanged – We will maintain a net cash buffer of around £50 million and it is our intention that any free cash flow generated over and above this level will be distributed to shareholders, provided our market outlook is positive	1 Like-for-like net fee growth 4 Basic continuing earnings per share growth 8 Cash conversion

See pages 26 and 27

OUR BUSINESS MODEL

A GLOBALLY INTEGRATED PLATFORM WITH LOCAL EXPERTISE

We believe that having a balanced exposure within and between our markets is key to driving superior and resilient financial performance, and better results for our clients, throughout the economic cycle.

We have a business with scale, breadth and diversity of exposure, which is built to take into account the mega trends driving change in our industry, the short-term market movements we experience and positions us to work towards our long-term aims and strategy.

A balanced and diverse model

We have deliberately and strategically built a business which is balanced and diverse.

Within our network of 33 countries, we have exposure to both more cyclical, mature markets such as the UK and more immature, structural growth markets such as Germany. We are exposed to the Temporary, Contractor and Permanent recruitment markets and have long-established scale and expertise in 20 specialist areas of skilled employment.

We are predominantly private sector-focused, but also serve public sector clients in some markets. Within our portfolio of services, we work on one-off placements for SMEs and global multinationals as well as contract-based higher volume recruitment for our larger clients.

The balance, breadth and scale of our business is unique in the world of specialist recruitment.

This is a key differentiator, and we believe it is important as it makes our business and its earnings relatively more resilient to today's ever-changing macroeconomic and political landscape.

Exposure to mature and less-mature markets

Structural-growth markets are those where the use of agencies like Hays to source skilled candidates is a relatively new practice. Traditionally in these markets, this recruitment is undertaken by companies themselves, using hiring teams within their own HR functions. A key driver of our growth is therefore the first-time outsourcing of this recruitment to third parties. This means that these markets are relatively less cyclical by nature, and less driven by the prevailing economic backdrop, or short-term sentiment.

More mature markets are those where the use of agencies is a well-established, long-standing norm. Here, clients will use agencies to help them fill roles in the majority of cases. As such, these markets tend to be more cyclical in nature, with activity levels dependent far more on the amount of job churn occurring at any particular time. That is, the confidence of clients to replace leavers in their businesses, or hire extra people, and the confidence amongst candidates to move jobs.

Balanced exposure across markets
Breadth of expertise

Net fees by clients

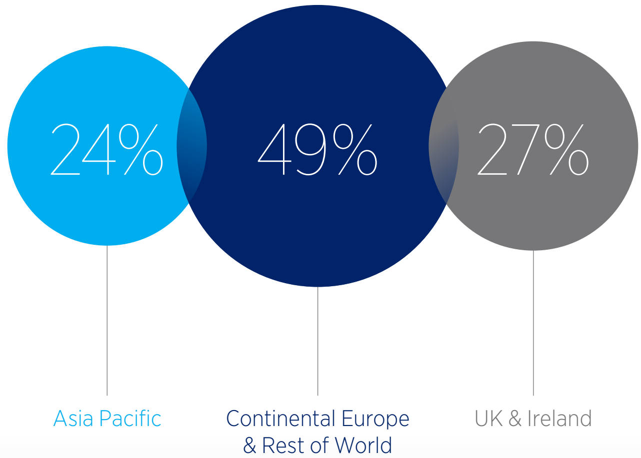
Top 40	Other clients
c.15%	c.85%

Net fees by specialisms

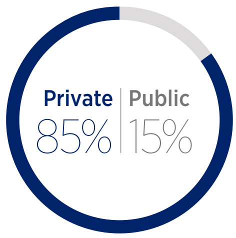
IT	21%
Accountancy & Finance	15%
Construction & Property	15%
Engineering	9%
Office Support	7%
Other*	33%

* Major specialisms within Other include: Banking Related (7%), Life Sciences (5%), Sales & Marketing (4%) and Education (3%).

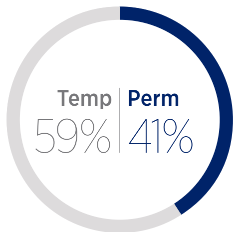
Net fees by Geography



Contract type



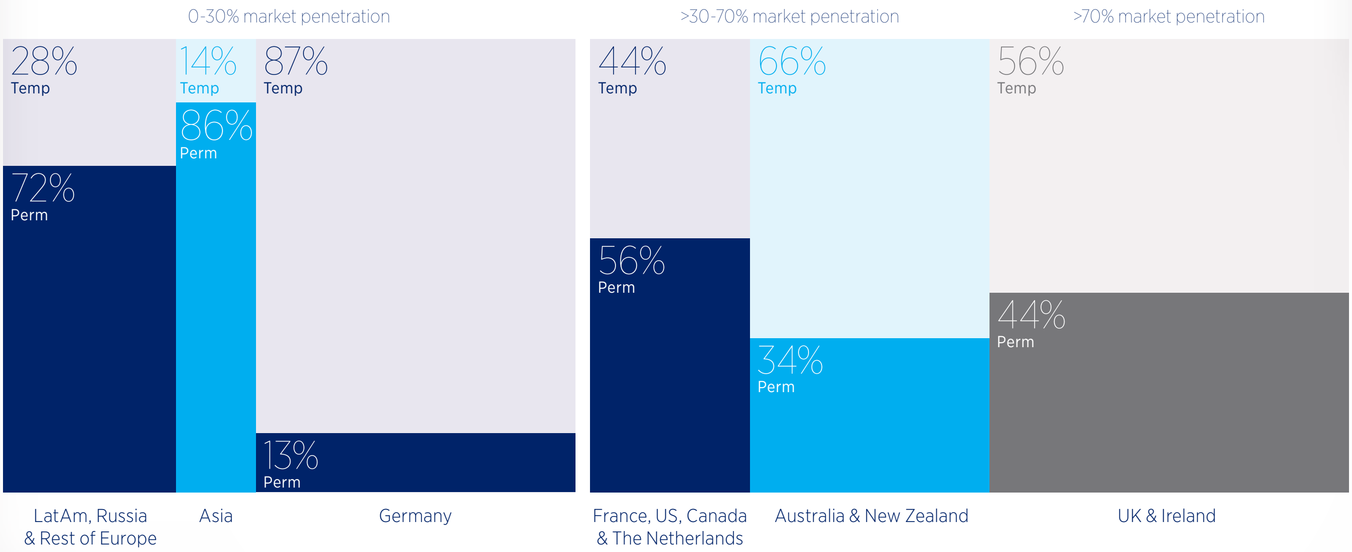
Contract type



Net fees by geography, type and market maturity

Structural/immature
43%

Cyclical/mature
57%



CREATING VALUE FOR ALL STAKEHOLDERS

We earn fees primarily on a contingent basis, when we successfully place a candidate in a role with a client. These fees, paid by the client, are derived as a percentage of the candidate's pay.

Our consultants develop long-term relationships with clients and candidates to understand their local markets and are equipped with the latest technology, tools and data to match candidates to roles.

We understand the needs and challenges of our clients and candidates locally and employ the power of our integrated global business to meet them quickly and effectively.

A balanced and diverse model

What we need to make our business model work.

People and culture

Our people
Hays is the ultimate people business and as such the ability to attract, develop, enable and retain the very best consultants and managers in our industry is vital to our success. We aim to create an exciting and vibrant work environment and we work continuously to provide our people with attractive career paths that will make them experts in their fields.

Society
We believe that what we do makes a big difference to the world around us. We help hundreds of thousands of people every year to secure the next leg on their personal career journey, and companies source the skilled employees they need to grow. This all contributes to the wider growth and success of the economies and communities in which we operate.

Brand, technology and data

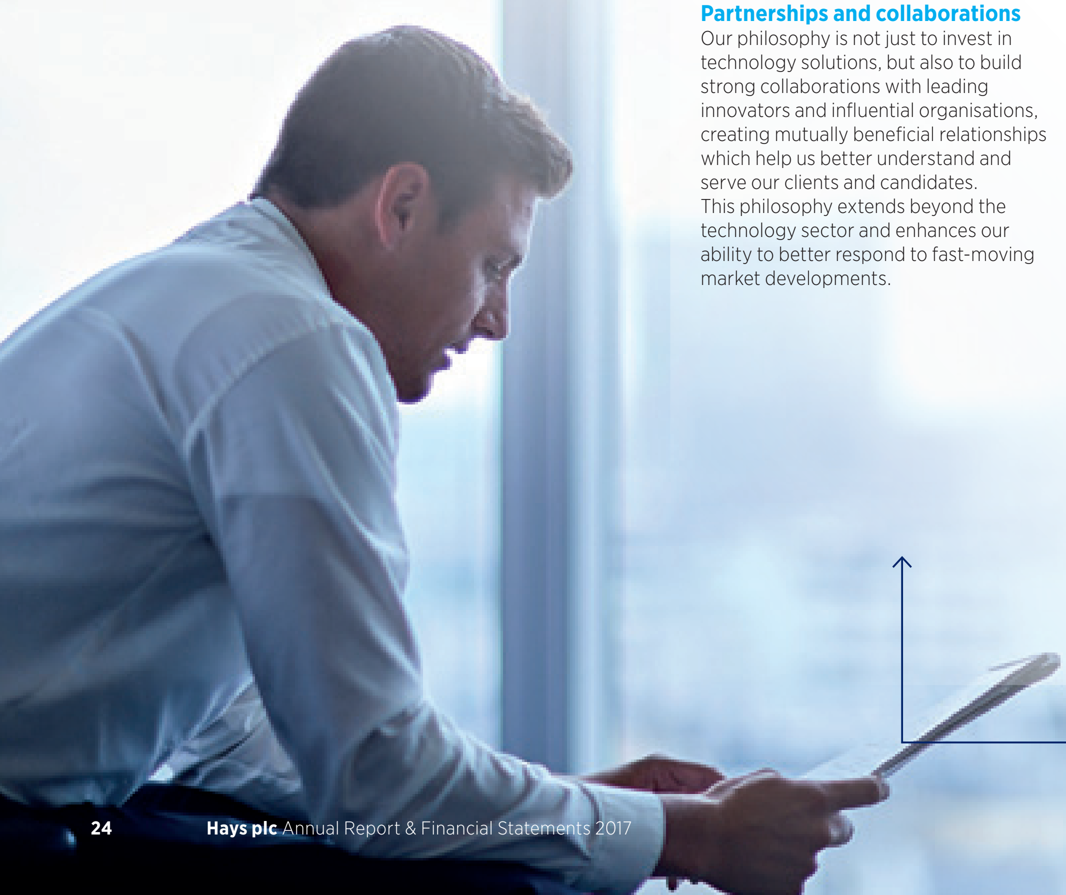
Brand
Our reputation as a world-leader in the specialist recruitment market is supported and reinforced by our world-class global brand, which is consistent in each of our markets around the world. We constantly focus on building wider recognition and awareness of Hays as a market leader both through partnerships with other organisations and by building a portfolio of high quality and respected publications that demonstrate the thought-leadership credential of Hays and our people.

Technology and data
We have built a sector-leading global technology platform that is able to interact with other applications and third-party technologies. This, together with our investment in data science and digital marketing capabilities, enables our consultants to make sense of the vast amount of data generated in today's world, source real-time, accurate information on their market and ultimately to get the best candidates to clients faster than anyone else.

Relationships

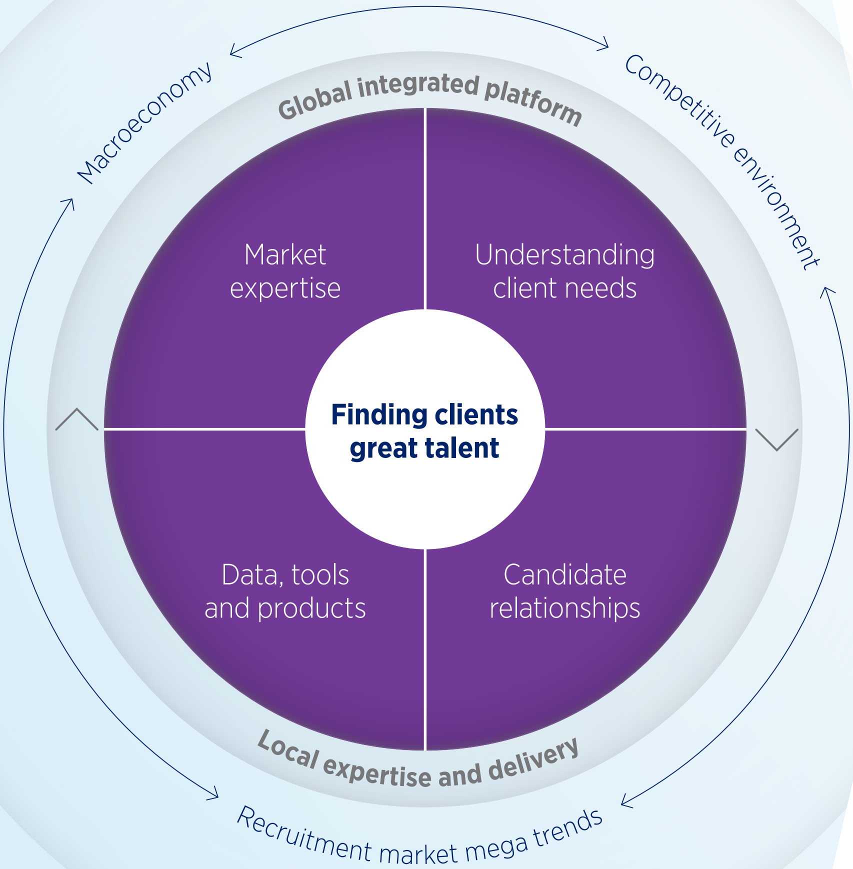
Partnerships and collaborations
Our philosophy is not just to invest in technology solutions, but also to build strong collaborations with leading innovators and influential organisations, creating mutually beneficial relationships which help us better understand and serve our clients and candidates.
This philosophy extends beyond the technology sector and enhances our ability to better respond to fast-moving market developments.

Client and candidate relationships
Forming and maintaining strong relationships with our clients and candidates is at the heart of what we do. Our extensive engagement marketing programme offers them industry-leading content, with the aim of helping them succeed in their careers and source the right talent for their business. This also includes making connections with people who are not yet clients or candidates and building a relationship which would make them more likely to be open to future approaches.



How we create value

As the ultimate people business, everything we do is focused on placing the right people into the right roles.



Capital reinvestment

Our priority for free cash flow remains to fund the Group's investment and development.

Stakeholder benefits

The value we create not only generates returns for our shareholders, but also for our other stakeholders.

Clients

We work closely with our clients to help them find the skilled people they need to drive growth in their businesses. We work with thousands of companies every year, with no single client representing more than 1% of Group net fees.

Number of clients	Private/Public sector
>30,000	85:15

Candidates

We help candidates securing their next Perm job or Temp/Contracting assignment. We connect our candidates with the world of work through an array of events, debates, seminars and networking opportunities across our network of 33 countries.

2017 Perm placements	2017 Temp/Contracting assignments
70,000	240,000

Employees

We invest a significant amount of time and effort to ensure Hays is a great place to work. We offer our consultants the best training to become experts in their market and develop their careers, along with the best technology and tools in the industry to enable them to be as productive and successful as possible.

2017 Internal promotions	2017 Formal training days
2,162	2,322

Shareholders

We are working towards our objective of building the world's pre-eminent specialist recruitment business and in doing so we aim to create long-term sustainable value for our shareholders. The breadth, scale and balance of our business model, together with our industry-leading operating leverage, allow us to deliver superior financial performance through the cycle. This, combined with our focus on working capital management and the cash generative nature of our business, means we have the potential to generate meaningful shareholder returns as our business grows.

2017 EPS growth	2017 total dividends pay-out
14%	£108.3m

KEY PERFORMANCE INDICATORS

Our long-term aim is to be the undisputed leader in global specialist recruitment. Along the way, we are focused on delivering well-diversified, profitable and cash-generative net fee growth.

We measure our progress in this respect, as well as against our areas of operational focus, using a series of KPIs.

Measured against our strategy
We clearly link each of our KPIs to our four strategic priorities:

Materially increase and diversify Group profits

Build critical mass and diversity across our global platform

Invest in people and technology, responding to change and build relationships

Generate, reinvest and distribute meaningful cash returns

Strategic priorities page 20

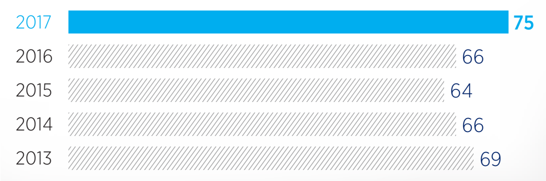
1. Like-for-like[1] net fee growth (%)

Measure
How the Group's business is developing and growing over time, measured as net fee growth on a constant currency basis.

Progress made in 2016–17
Good net fee growth of 6%, primarily driven by our International businesses. The rate of growth slowed versus last year due mainly to slower growth in the UK.

Link to relevant strategic priority

2. Proportion of Group net fees generated by our international business (%)

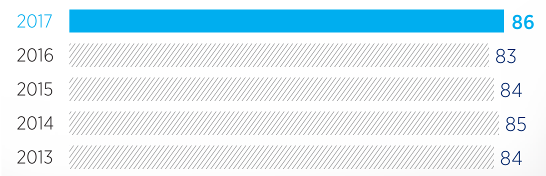


Measure
The Group's relative exposure to markets which are typically more immature and underpenetrated than the UK, calculated as the percentage of non-UK net fees.

Progress made in 2016–17
75% of Group net fees were generated outside of the UK this year, led by a material increase in net fees coming from our Australian and German businesses and exchange.

Link to relevant strategic priority

5. Employee engagement (%)

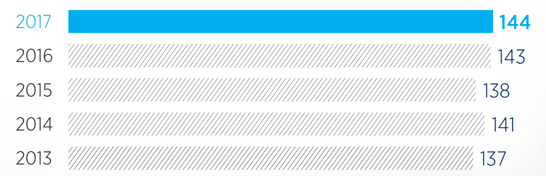


Measure
Based on the results of our internal employee engagement survey which tracks their sense of belonging, discretionary effort, personal motivation and job satisfaction.

Progress made in 2016–17
Over 80% of our employees again engaged in our annual TALKback survey this year, reflecting our continuous efforts to focus on employee training, retention and effectiveness.

Link to relevant strategic priority

6. Like-for-like net fees per consultant (£000s)



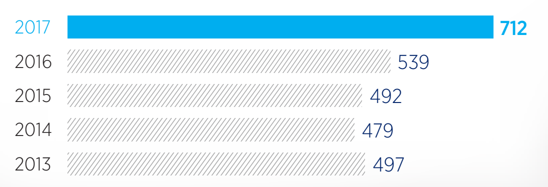
Measure
The productivity of the Group's fee earners. Calculated as total Group net fees divided by average consultant numbers.

Progress made in 2016–17
Group like-for-like[1] net fees per consultant increased 1% in the year. In APAC consultant productivity increased by 2%, driven by operating leverage and strong profit growth in Australia.

Link to relevant strategic priority

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

3. Headline international net fee base (£m)



Measure

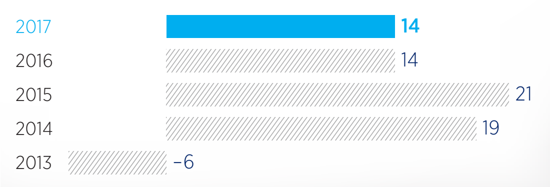
The absolute scale of the non-UK businesses in net fee terms (Asia Pacific and Continental Europe & RoW).

Progress made in 2016–17

The largest component of the growth in international fees was exchange; additionally, like-for-like[1] net fees in the international business grew by 11% in the year, where we saw an acceleration of growth in Australia and strong, broad-based growth across many European markets, including Germany and France.

Link to relevant strategic priority

4. Basic continuing earnings per share growth (%)



Measure

The underlying profitability of the Group, measured by the Earnings per share of the Group's continuing operations.

Progress made in 2016–17

Basic earnings per share increased by 14% to 9.66 pence, reflecting the Group's higher operating profit, partially offset by the higher effective tax rate.

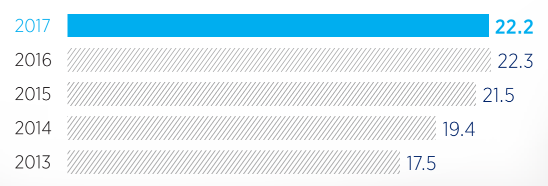
Link to relevant strategic priority

Why we have chosen these KPIs

We have chosen a range of KPIs which are both financial and non-financial. They are focused on the overall Group financial performance, as well as changes we are making within the Group, such as the internationalisation of the business. As well as growth, we measure KPIs which illustrate the efficiency of our operations, such as the Conversion Rate and Cash Conversion.

As we work towards our aims, and the shape and size of our business or our strategic priorities evolve, then our KPIs will evolve too.

7. Conversion rate (%)



Measure

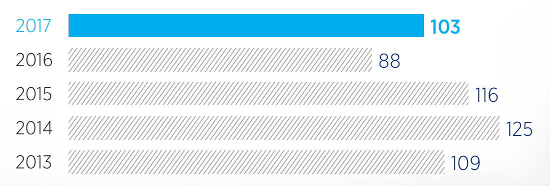
Calculated as operating profit divided by net fees. Measures the Group's effectiveness in managing our level of investment for future growth and controlling costs.

Progress made in 2016–17

Despite the material slowdown in our UK business, our conversion rate was broadly flat at 22.2% as a result of strong international net fee growth, exchange gains, the ongoing benefit of our largely automated back-office platform and our continued strong control of operating costs.

Link to relevant strategic priority

8. Cash conversion (%)



Measure

The Group's ability to convert profit into cash. Calculated as cash generated by operations as a percentage of operating profit from continuing operations.

Progress made in 2016–17

103% cash conversion was a result of good working capital management throughout the year, especially considering the strong growth in our German and European Contracting business, which are relatively working-capital intensive.

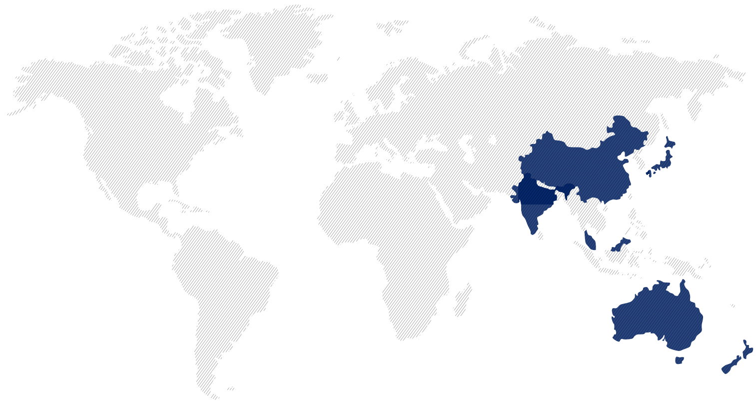
Link to relevant strategic priority

DIVISIONAL OPERATING REVIEW

OUR ORGANISATIONAL STRUCTURE IS SIMPLE AND IS BUILT AROUND THREE REGIONS GLOBALLY

Within this structure, our 6,884 consultants operate from 250 offices in 33 countries – an unrivalled footprint in specialist recruitment.

ASIA PACIFIC



Consultants
1,336
2016: 1,210

Offices
50
2016: 49

Net fees (m)
£230.9
2016: £176.1

Operating profit (m)
£69.3
2016: £50.2

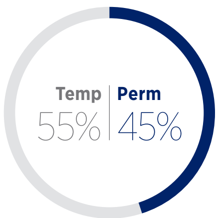
Net fees by specialism

Construction & Property	**22%**
Accountancy & Finance	**13%**
IT	**12%**
Office Support	**10%**
Banking	**10%**
Sales & Marketing	**6%**
Other	**27%**

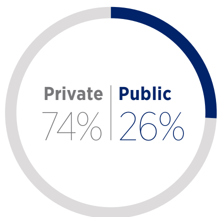
Net fees by country/sub-group

Australia	**72%**
Japan	**8%**
New Zealand	**6%**
China	**5%**
Hong Kong	**4%**
Singapore	**3%**
Malaysia	**2%**

Net fees by contract type



Net fees by sector



Acceleration of growth in Australia driven by the Temp & Contracting business; Asia tough but broadly stable

In Asia Pacific, net fees increased by 31% (9% on a like-for-like basis[1]) to £230.9 million and operating profit increased 38% (up 10% on a like-for-like basis[1]) to £69.3 million, representing a conversion rate[3] of 30.0% (2016: 28.5%). The difference between actual and like-for-like growth rates was primarily the result of the significant appreciation in the average rate of exchange between the Australian Dollar and Japanese Yen versus Sterling during the year, which increased net fees in the division by £36.5 million and operating profits by £13.0 million.

In Australia & New Zealand net fees were up 11%[1] and operating profit was up 14%[1]. Our Perm business grew by 8%[1] and Temp, which represented 66% of net fees in the year, grew by 13%[1]. In Australia net fee growth accelerated to 13%[1], driven by improved activity in the private sector, up 14%[1]. Growth was broad-based across all regions and most specialisms. New South Wales and Victoria, which together accounted for 57% of Australia net fees, were up 14%[1] and 16%[1] respectively, and ACT (Canberra) also delivered a strong performance, with net fees up 13%[1], driven by the continued strength in our public sector business, up 11%[1]. Elsewhere, we saw Queensland and Western Australia returning to growth, up 15%[1] and 7%[1] respectively, while net fees in South Australia increased by 8%[1]. At the specialism level, we delivered strong 13%[1] growth in Construction & Property, our largest specialism in Australia and increased net fees by 23%[1] in IT and by 8%[1] in Accountancy & Finance. Net fees in New Zealand were down 4%[1].

In Asia, which accounted for 22% of the division's net fees, trading conditions remained tough, although they stabilised in the second half of the year. As a result, net fees were flat[1] and operating profit down 18%[1] to £6.5 million. China, our second largest business in Asia, delivered excellent net fee growth of 15%[1] and Hong Kong also grew 15%[1]. Offsetting this, net fees in Japan decreased 7%[1] and Singapore declined by 24%[1], in part due to continuing challenging conditions in the banking markets.

Consultant headcount in the Asia Pacific division increased by 10% year-on-year. Consultant headcount in Australia & New Zealand increased by 12% and in Asia it was up 7%.

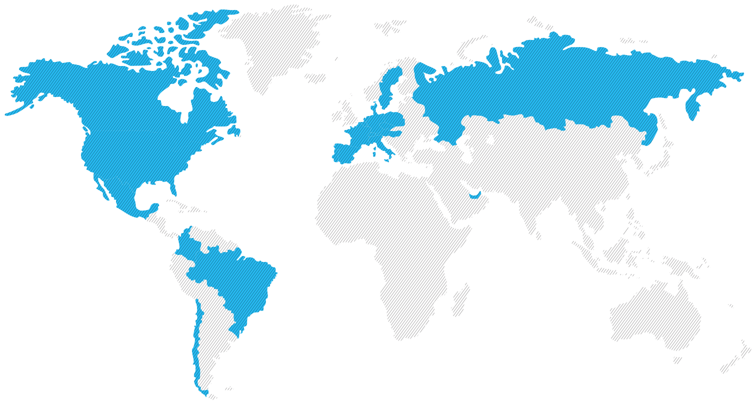
Operating performance

Year ended 30 June	**2017**	2016	Actual growth	LFL growth[1]
Net fees (£m)	**230.9**	176.1	31%	9%
Operating profit	**69.3**	50.2	38%	10%
Conversion rate[2]	**30.0%**	28.5%		
Period-end consultant headcount[3]	**1,336**	1,210	10%	

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.
(2) Conversion rate is the proportion of net fees converted into operating profit.
(3) Closing consultant headcount as at 30 June.

DIVISIONAL OPERATING REVIEW CONTINUED

CONTINENTAL EUROPE & REST OF WORLD



Consultants
3,600
2016: 3,034

Offices
102
2016: 103

Net fees (m)
£470.8
2016: £362.5

Operating profit (m)
£100.7
2016: £78.7

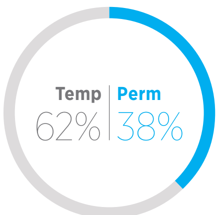
Net fees by specialism

IT	**32%**
Engineering	**19%**
Accountancy & Finance	**13%**
Construction & Property	**9%**
Life Sciences	**7%**
Sales & Marketing	**5%**
Other	**15%**

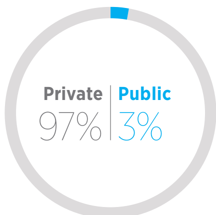
Net fees by country/sub-group

Germany	**49%**
France	**12%**
Benelux	**7%**
USA	**7%**
Switzerland	**4%**
Canada	**4%**
Other	**17%**

Net fees by contract type



Net fees by sector



Record performances in Germany and France; strong, broad-based growth in rest of the division

In Continental Europe & RoW, we delivered strong net fee growth of 30% (12% on a like-for-like basis[1]) to £470.8 million, driving operating profit growth of 28% (7% on a like-for-like basis[1]) to £100.7 million. The difference between actual and like-for-like growth rates was primarily the result of the significant appreciation in the average rate of exchange between the Euro versus Sterling during the year, which increased net fees in the division by £56.1 million and operating profits by £15.4 million. The conversion rate[3] of the division stood at 21.4% (2016: 21.7%), marginally down on the prior year as we continued to significantly invest in new consultant headcount, notably across several continental European markets, including Germany and France, as well as in the US.

Germany, which represented 49% of the division's net fees, delivered strong growth of 14%[1] and a record net fee performance in the year. This was underpinned by strong growth across Contracting and Temp, which together grew by 13%[1], while Perm net fees grew by an excellent 27%[1].

Net fees in our market-leading IT & Engineering business, which represented 73% of German net fees, grew by 15%[1]. We also saw strong growth in our newer specialisms, particularly Accountancy & Finance, which grew 14%[1], Life Science, up 23%[1] and Sales & Marketing, up 47%[1]. As we continue to work towards our strategic objective of building further material scale in Germany, we invested significantly in consultant headcount, which was up 24% year-on-year. Despite this level of investment, and the negative impact of three less working days in the year, our profit performance was good, up 9%[1] to £80.5 million.

Across the rest of the division, net fees were up 11%[1] and operating profit increased to £20.2 million. This was driven by a strong performance across Europe, including France, our second-largest business in Europe, which delivered a record performance with net fee growth of 16%[1] and operating profit in excess of £10 million. In addition, we delivered strong growth of over 10%[1] in 10 further European countries, including The Netherlands, up 12%[1], Spain, up 12%[1] and Poland where net fees increased by 20%[1].

In the Americas net fees grew by 7%[1]. Within this we delivered good growth in the USA, up 7%[1], Canada, up 5%[1] and Brazil, where we grew 10%[1], despite continued challenging market conditions. Elsewhere, Colombia grew 29%[1], while net fees in Mexico were flat[1] among more mixed market conditions.

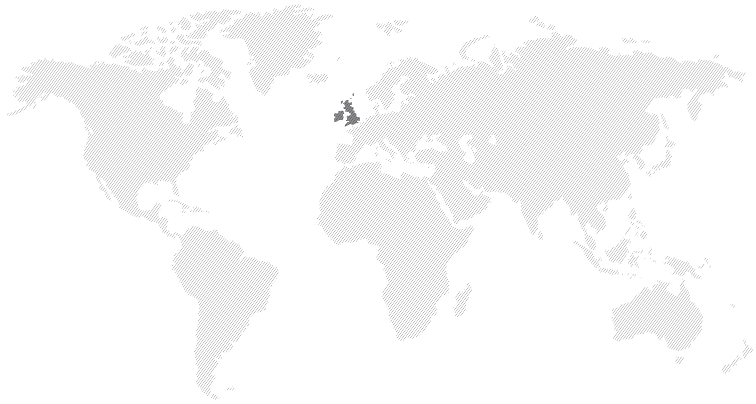
Consultant headcount in the division increased by 19% year-on-year, including increases of 12% in France and 24% in Germany, where our consultant headcount now exceeds 1,500.

Operating performance

Year ended 30 June	**2017**	2016	Actual growth	LFL growth[1]
Net fees (£m)	**470.8**	362.5	30%	12%
Operating profit	**100.7**	78.7	28%	7%
Conversion rate[2]	**21.4%**	21.7%		
Period-end consultant headcount[3]	**3,600**	3,034	19%	

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.
(2) Conversion rate is the proportion of net fees converted into operating profit.
(3) Closing consultant headcount as at 30 June.

UK & IRELAND



Consultants
1,948
2016: 2,024

Offices
98
2016: 100

Net fees (m)
£252.9
2016: £271.7

Operating profit (m)
£41.5
2016: £52.1

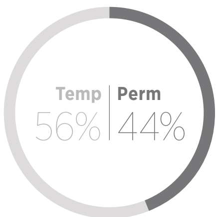
Net fees by specialism

Accountancy & Finance	22%
Construction & Property	20%
Office Support	11%
Education	10%
IT	9%
Banking	8%
Other	20%

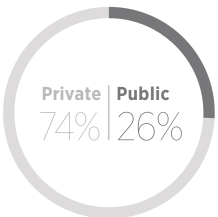
Net fees by country/sub-group

London	34%
North & Scotland	27%
Midlands	17%
Home Counties	10%
South West & Wales	8%
Ireland	4%

Net fees by contract type



Net fees by sector



Conditions overall challenging but broadly sequentially stable, with continued signs of modest improvement in the private sector

In the United Kingdom & Ireland net fees decreased 7%(1) to £252.9 million. This reduction in net fees took place primarily in the first half of the financial year, following the outcome of the UK Referendum on EU membership. Having already taken early action in the last financial year to adjust the cost base of the business in response to changing market conditions, our consultant headcount as of June 2017 was down a further 4% year-on-year, all by natural attrition. Operating profit was £41.5 million, down 21%(1), representing a conversion rate(3) of 16.4% (2016: 19.2%).

Following a marked step-down in Perm activity levels immediately after the EU Referendum, the UK Perm business stabilised and ended the year down 6%(1), as despite modest signs of improvement in the second half, client confidence remained subdued. Net fees in our private sector business, representing 74% of the division, were down 5%(1), but we exited the year with moderate underlying growth. Our Temp business was down 8%(1) primarily as a result of continuing challenging conditions in the public sector, down 13%(1), exacerbated by the uncertainties created by the implementation of the IR35 regulations during the year.

All regions traded broadly in line with the overall UK business, with the exception of London, which was down 10%, and Scotland & Northern Ireland, where net fees were down 1%. Ireland delivered strong net fee growth of 14%(1).

At the specialism level, Accountancy & Finance, our largest business in the division, was down 3%(1), while Construction & Property and Office Support were down 5%(1) and 3%(1) respectively. Net fees in IT and Education decreased 14%(1) and 11%(1), as they both continued to be negatively impacted by the sharp decline in the public sector market.

Operating performance

Year ended 30 June	**2017**	2016	Actual growth	LFL growth(1)
Net fees (£m)	**252.9**	271.7	(7)%	(7)%
Operating profit	**41.5**	52.1	(20)%	(21)%
Conversion rate(2)	**16.4%**	19.2%		
Period-end consultant headcount(3)	**1,948**	2,024	(4)%	

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.
(2) Conversion rate is the proportion of net fees converted into operating profit.
(3) Closing consultant headcount as at 30 June.

FINANCIAL REVIEW

RECORD LEVELS OF INTERNATIONAL PROFIT AND FIRST SPECIAL DIVIDEND

"We have proposed the payment of the Group's first special dividend, of £61.6 million, to supplement a core dividend which has itself increased by 11%."

Paul Venables
Group Finance Director, Hays plc

Performance highlights

Operating profit up 17% to £211.5 million, driven by exchange rate gains and International profit growth

Sector-leading conversion rate[3], the proportion of net fees converted into operating profit, broadly stable at 22.2%

Consultant headcount up 10%, with significant investment in markets such as Europe and Australia, partially offset by reductions in the UK, all through natural attrition

Strong underlying cash performance with 103% conversion of operating profit into operating cash flow. Year-end cash position of £111.6 million

Strong EPS growth of 14%, reflecting the Group's higher operating profit, partially offset by the higher effective tax rate

Proposed increase in full-year core dividend of 11% to 3.22p per share and special dividend of £61.6 million (4.25p per share), resulting in total dividend pay-out of £108.3 million (2016: £41.7 million)

Increase in Group net fee income[1]
+6%
2016: +7%

Increase in operating profit[1]
+1%
2016: +13%

Conversion rate[3] of Group net fees into operating profit
+22.2%
2016: +22.3%

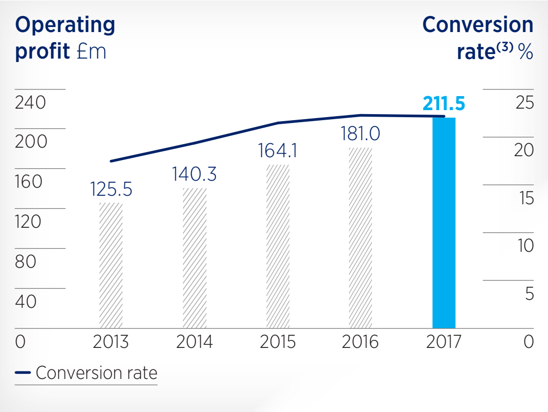
Group consultant headcount up 10% year-on-year
6,884
2016: 6,268

Introduction

Turnover for the year to 30 June 2017 was up 20% (8% on a like-for-like basis[1]) and net fees increased by 18% (6% on a like-for-like basis[1]). The difference between the like-for-like growth in turnover and net fees is primarily due to the higher growth in our Temp business versus Perm.

Operating costs were 18% higher than prior year, primarily due to the impact of movements in foreign exchange rates. On a like-for-like basis[1] costs were 7% higher, primarily due to the 10% investment to increase Group consultant headcount and to a rise in commission payments in line with the increase in net fees.

Operating profit increased by 17% (1% on a like-for-like basis[1]). Exchange rate movements increased net fees and operating profit by £93.7 million and £28.9 million respectively, as a result of the significant appreciation in the average rate of exchange between the major currencies to which the Group has exposure versus Sterling, most notably the Australian Dollar and the Euro. Currency fluctuations remain significant sensitivities for the Group.



The Group's conversion rate[3] was broadly stable at 22.2% (2016: 22.3%) primarily as a result of favourable exchange rates and improvements in our international businesses, offset by a significant reduction in UK operating profit.

Foreign exchange

Currency movements versus Sterling provided a material benefit to our reported performance. Over the course of the year to June 2017, the total impact of exchange movements on net fees and operating profit was £93.7 million positive and £28.9 million positive respectively.

Fluctuations in the rates of the Group's key operating currencies versus Sterling continue to represent a significant sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the Australian Dollar and Euro impacts net fees by £1.0 million and £3.2 million respectively per annum; and operating profits by £0.4 million and £1.1 million respectively per annum.

The rate of exchange between the Australian Dollar and Sterling over the year ended 30 June 2017 averaged AUD 1.6836 and closed at AUD 1.6952. As at 29 August 2017 the rate stood at AUD 1.6327. The rate of exchange between the Euro and Sterling over the year ended 30 June 2017 averaged €1.1642 and closed at €1.1406. As at 29 August 2017 the rate stood at €1.0764.

The impact of these material movements in foreign exchange rates means that if we retranslate the Group's full-year operating profit of £211.5 million at current exchange rates, the actual reported result would increase by c.£12 million to c.£223 million.

Strong growth in International Temp and Perm, partially offset by UK decline

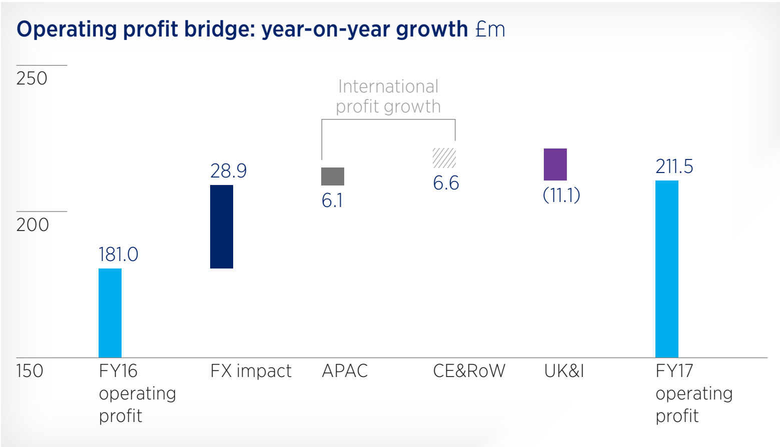
Net fees in Temp, which incorporates our Contracting business and represented 59% of Group net fees, increased by 7%[1]. This comprised a volume increase of 8% and an increase in mix/hours worked of 1%, partially offsetting this, underlying Temp margins[4] were down 30bps at 16.4% (2016: 16.7%), primarily due to mix and a reduction in Temp margin in our Australia and UK markets.

Net fees in Perm increased by 4%[1], all driven by volume, with good, broad-based growth in International businesses, partially offset by declines in the UK.

Movements in consultant headcount

Consultant headcount ended June 2017 at 6,884, up 10% year-on-year. In Asia Pacific, consultant headcount was up 10% year-on-year, within which Australia was up 15% and Asia up 7%. In the UK & Ireland, following the early pre-emptive actions we took in 2016 to reduce our headcount in response to declining market conditions, the division's consultant headcount was down a further 4% in the year, all by natural attrition. In Continental Europe & Rest of World (CE&RoW) we increased consultant headcount by 19% year-on-year, including continued material investments in Germany and France, our two largest businesses in the division, where headcount was up 24% and 12% respectively. Over the past six months, Group consultant headcount was up 4% (versus December 2016).

"Currency movements versus sterling represented a material benefit to our reported performance."



Operating performance

Year ended 30 June	2017	2016	Actual growth	LFL growth[1]
Turnover[5]	£5,081.0m	£4,231.4m	20%	8%
Net fees[2]	£954.6m	£810.3m	18%	6%
Operating profit from continuing operations	£211.5m	£181.0m	17%	1%
Cash generated by operations	£217.0m	£159.3m	36%	
Profit before tax	£204.6m	£173.0m	18%	
Basic earnings per share	9.66p	8.48p	14%	
Dividend per share	3.22p	2.90p	11%	

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.
(2) Net Fees comprise turnover less remuneration of Temporary workers and other recruitment agencies.
(3) Conversion rate is the proportion of net fees converted into operating profit.
(4) The underlying Temp gross margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp placements in which Hays generates net fees and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third-party agencies and arrangements where the Company provides major payrolling services.
(5) Net fees of £954.6 million (2016: £810.3 million) are reconciled to statutory turnover of £5,081.0 million (2016: £4,231.4 million) in note 5 to the Consolidated Financial Statements.

FINANCIAL REVIEW CONTINUED

"We continue to see good overall net fee growth across our International businesses. Conditions in the UK are overall broadly stable."

Current trading

We continue to see strong overall net fee growth across our International businesses. We will therefore continue to invest in a targeted way to capitalise on these opportunities. Conditions in the UK are overall broadly stable.

Movements in the rates of exchange of the Group's key currencies, notably the Australian Dollar and the Euro, remain a material sensitivity to our reported financial performance. If we retranslate the Group's full-year operating profit of £211.5 million at current exchange rates, the actual reported result would increase by c.£12 million to c.£223 million.

In FY18 our Germany business will have three fewer working days compared to FY17, all of which relate to H1. We estimate that this will have a negative impact on profit of c.£4 million.

Asia Pacific

We continue to see strong activity levels in Australia across all states and most specialisms. Growth in Asia is good. After significant investment in FY17, we expect headcount to increase between 2%-4% in Q1 FY18.

Continental Europe & ROW

In Continental Europe & RoW, growth remains strong overall, despite tough comparators. In Germany and across the rest of Europe we continue to see strong growth and in the Americas conditions remain mixed. Overall we expect headcount to continue to increase across the division in Q1 FY18, particularly in Germany, France and the USA, with additions on a more selective basis elsewhere.

United Kingdom & Ireland

In the UK conditions remain subdued but broadly sequentially stable. We have seen a continuation of the early signs of modest improvement in the private sector market. The public sector market remains tough. We expect headcount to increase modestly in Q1 FY18, including our normal seasonal graduate intake.

Net finance charge

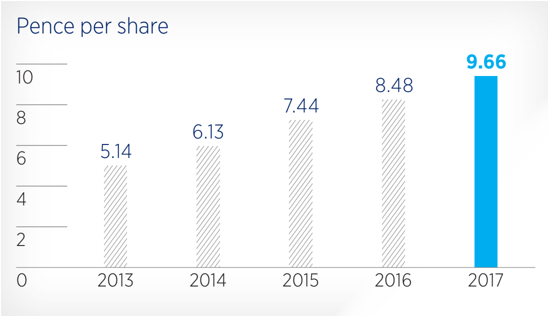
The net finance charge for the year was £6.9 million (2016: £8.0 million). The average interest rate on gross debt during the period was 2.2% (2016: 2.3%), generating net bank interest payable including amortisation of arrangement fees of £2.1 million (2016: £2.9 million). The net interest charge on defined benefit pension scheme obligations was £2.4 million (2016: £3.9 million). The Pension Protection Fund levy was £0.5 million (2016: £0.3 million) and the interest unwind on the deferred acquisition liability related to the Veredus transaction was £1.1 million (2016: £0.9 million). We expect the net finance charge for the year ending 30 June 2018 to be around £5.0 million.

Taxation

Taxation for the year was £65.5 million (2016: £51.9 million), representing an effective tax rate of 32.0% (2016: 30.0%). The effective tax rate reflects the Group's geographical mix of profits, with the increase in the rate due to the significant decrease in profitability in the UK, coupled with increases in profitability in higher-tax jurisdictions such as Germany and Australia. The Group's effective tax rate for the year to June 2018 will be driven by the mix of profits generated during the year. We currently expect the rate to be 31.5%.

Earnings per share

Basic earnings per share increased by 14% to 9.66 pence (2016: 8.48 pence), reflecting the Group's higher operating profit, partially offset by the higher effective tax rate.



Cash flow and balance sheet

Strong underlying cash performance with 103% conversion of operating profit into operating cash flow (2016: 88%). This was a result of good working capital management throughout the year, especially considering the strong growth in our German and European Contracting businesses, which are relatively working capital-intensive. Trade debtor days were at 39 days (2016: 37 days).

Net capital expenditure was £21.4 million (2016: £14.9 million), with the increase primarily due to investments in IT capabilities, cyber security and automation of our German back-office. We expect capital expenditure to be around £20 million for the year to June 2018. Additionally, in FY18 there will be an USD18.5 million payment related to the acquisition of the remaining 20% equity in Veredus Corp.

Dividends paid in the year totalled £42.6 million and pension deficit contributions were £14.8 million. Net interest paid was £1.9 million and the cash tax payment was £68.2 million.

Having eliminated net debt in 2016, we ended the year with a net cash position of £111.6 million.

Retirement benefits

The Group's pension liability under IAS19 at 30 June 2017 of £0.2 million decreased by £14.1 million compared to June 2016, primarily due to an increase in asset values together with company contributions offset by a change in financial assumptions (decrease in discount rate and increase in inflation rate).

During the year the Company contributed £14.8 million of cash to the defined benefit scheme (2016: £14.4 million), in line with the agreed deficit recovery plan. The 2015 triennial valuation quantified the actuarial deficit at c.£95 million and the recovery plan comprises an annual payment of £14.0 million from July 2015 with a fixed 3% uplift per year, over a period of just under 10 years. The scheme was closed to new entrants in 2001 and to future accrual in June 2012.

Capital structure and dividend

The Board's priorities for free cash flow are to fund the Group's investment and development, maintain a strong balance sheet and deliver a sustainable core dividend at a level which is both affordable and appropriate.

We target a core dividend cover range of 2.0x to 3.0x full-year earnings and our strategy is to build and maintain cover towards the upper-end of that range.

Having reached this level, it is our intention that in future years, increases in core dividend will match increases in full-year earnings. Additionally, as a reminder, our policy regarding the uses of excess free cash flow is as follows. Assuming a positive outlook, it is our intention that any excess free cash flow generated over-and-above £50 million, that is not needed for the priorities outlined above, will then be distributed to shareholders via special dividends, or other appropriate methods, to supplement the core dividend at year end.

With reference to the above, and taking into account the good financial performance of the Group this year, the Board proposes to increase the final core dividend by 14% to 2.26 pence per share resulting in an increase to the full year dividend to 3.22 pence, up 11% on prior year. As such, the full-year dividend will be covered 3.0x by earnings. Additionally, in line with the above policy on uses of excess cash flow, the Board recommends the payment of a special dividend of £61.6 million, equivalent to 4.25 pence per share.

The final dividend and the special dividend will be paid, subject to shareholder approval, on 17 November 2017 to shareholders on the register on 6 October 2017.

Treasury management
The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £210 million revolving credit facility, maturing in April 2020, which provides considerable headroom versus current and future Group funding requirements. The covenants within the facility require the Group's interest cover ratio to be at least 4:1 (ratio as at June 2017: 65:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at June 2017 the Group held a net cash position). The interest rate of the facility is on a ratchet mechanism with a margin payable over LIBOR in the range 0.90% to 1.55%.

The Group's UK-based treasury function manages the Group's treasury risks in accordance with policies and procedures set by the Board, and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; the investment of surplus funds; and the management of the Group's interest rate and foreign exchange risks. The treasury function does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes.

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash concentration arrangement which provides visibility over participating country bank balances on a daily basis. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or is invested in overnight money market funds. As the Group holds a Sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to interest rates by selectively hedging interest rate risk using derivative financial instruments.

Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks and money market funds that have an acceptable credit profile and limits its exposure to each institution accordingly.

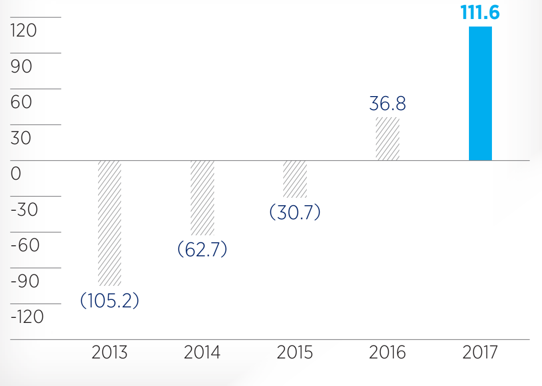
Paul Venables
Group Finance Director
30 August 2017

Earnings per share
9.66p
2016: 8.48p

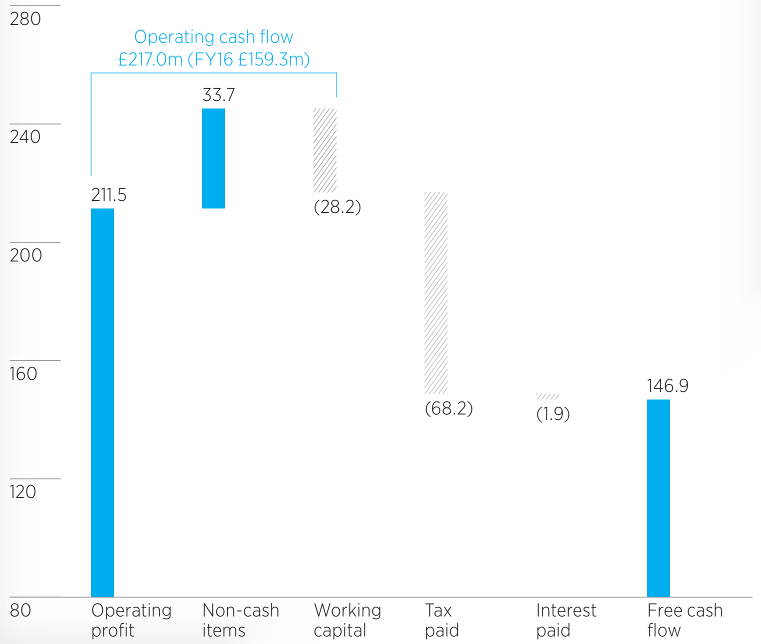
Net cash
£111.6m
2016: £36.8m

Total dividends pay-out
£108.3m
2016: £41.7m

Closing net cash/(net debt) £m



Operating profit to free cash flow conversion £m



PRINCIPAL RISKS

MANAGING RISKS SO WE ACHIEVE OUR STRATEGIC GROWTH TARGETS

We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business.

Our risk appetite

Hays has a proactive approach to measuring performance and considers risk as an integral part of decision-making, both about current and future performance throughout the global businesses. With the Board being responsible for the level of risk that the Group is willing to accept, the Board manages this by linking risk appetite to its strategic objectives, being mapped against defined impact and likelihood scales, in order to define where the level of risk sits.

The principal risks have all been mapped through the risk appetite process in order to identify both position and tolerance levels and to assess the mitigating actions.

Hays operates a measured risk appetite position due to the nature of the recruitment market, being a cyclical business and highly sensitive to macroeconomic conditions, which results in a lack of forward visibility of fees and increases the overall risk environment.

Risk attributes

When considering the risk appetite the Board considers this in terms of the following attributes:

- Experienced and stable management team globally;
- Strong balance sheet, including the level of operational gearing;
- Clear and open communication channels.

Risk governance – identifying, evaluating and managing risk

The Board has overall responsibility for the Group's internal control systems and for reviewing their effectiveness. This has been designed to assist the Board in making better, more risk-informed, strategic decisions with a view to creating and protecting shareholder value. In practice, the Board delegates the task of implementing its policies on risk and control to management and needs to assure itself on an ongoing basis that management is responding appropriately to these risks and controls.

The Board delegates to management ownership and responsibility for operating risk management and controls, and management need to provide leadership and direction to the employees to ensure the organisation's overall risk-taking activity is managed in relation to the agreed level of risk appetite.

To manage the effectiveness of this the Board and management need to rely on adequate line functions, including monitoring and assurance functions, within the organisation. As such the organisation operates the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and demonstrating how responsibilities are allocated:

- The first line of defence – responsibility to own and manage risk;
- The second line of defence – responsibility to monitor and oversee risk;
- The third line of defence – functions that provide independent assurance.

The Group Risk Committee, chaired by the Group Finance Director and comprising senior operational, IT, legal and finance representatives, assists in the strategic management of risk in the Group.

How we monitor our progress – three lines of defence

Chief Executive

Management Board

First line of defence:
- Management Controls
- Policies and Procedures
- Internal Control

Ownership & Management

Second line of defence:
- Financial Control
- Security
- Risk Management
- KPIs
- Compliance
- Group Risk Committee

Monitor & Oversight

Third line of defence:
- Internal Audit
- External Advisers

Independent Assurance

Risk identification and impact – Hays' principal risks are analysed on a gross (pre-mitigation) and net (post-mitigation) basis

The Management Board oversees an enterprise risk management framework, which allows for a holistic, top-down and bottom-up view of key risks facing the business. These are recorded in a Group risk register, which is reviewed at least annually by the Management Board and submitted to the Board thereafter to enable it to carry out its risk oversight responsibility. This exercise involves a current and forward look at various risks affecting the business and prioritising them according to risk magnitude and likelihood. Risks covered include operational, financial and reputational risks, as well as compliance and people-related risks. Each risk is assigned an owner with current and future risk mitigation procedures detailed, with the continuing monitoring of these undertaken on an ongoing basis.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the prospects of the Group over a period longer than the 12 months from the approval of the financial statements.

The directors believe that a three-year period ending 30 June 2020 is the most relevant time period over which to provide the viability statement, being supported by the appraisal of the principal risks and mitigating internal controls. This allows the directors to assess and conclude that the Group will be able to operate within its existing bank covenants and maintain appropriate bank facilities to meet its funding requirements over a three-year period, being backed by the £210 million banking facility in place until April 2020, which the company anticipates no problem in renewing and fully intends to do so.

This three-year period also reflects the three-year planning cycle, which covers the same period, and considers the fast moving nature of the industry. As such, collectively these factors allow the directors a reasonable expectation, predicated on the basis that there are no unforeseen events outside of the Group's control that inhibit the Company's ability to continue trading, and that using a three-year period it is possible to form a reasonable expectation as to the Group's longer-term viability.

Process to assess the Group's prospects

As in prior years, the Board undertook a strategic business review in the current year taking into account the Group's current position and the potential impact of the principal risks set out on pages 38 to 40 of the Annual Report.

In addition and in making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group's business model, future performance and liquidity. While the review has considered all the principal risks identified by the Group, the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios has been evaluated.

Stress testing

The Board approves an annual budget and reviews monthly management reports and quarterly forecasts. The output of the planning and budgeting processes has been used to perform a sensitivity analysis to the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison.

The sensitivity analysis included loss of business arising from a prolonged global downturn, material movements in foreign exchange rates, and a detailed assessment of a range of possible outcomes arising from the UK's vote to leave the European Union.

Set against these downside risks the Board considered key mitigating factors including the geographic diversity of the Group, its balanced business model across Temporary, Permanent and Contract recruitment services, and the significant working capital inflows which arise in periods of severe downturn, particularly in the Temporary recruitment business, thus protecting liquidity as was the case during the global financial crisis of 2008–09.

In addition, the Group's history of strong cash generation, tight cost control and flexible workforce management provide further protection. The Group also has in place a £210 million revolving credit facility with a suite of banks until 2020, and the latest actuarial valuation of its defined benefit pension scheme maintains cash outflows broadly at their existing level.

Confirmation of longer-term viability

Based on the above assessment the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 June 2020.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review, with details of the Group's treasury activities, long-term funding arrangements and exposure to financial risk included in notes 18 to 20 to the Consolidated Financial Statements.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well placed to manage its business risks. After making enquiries, the directors have formed the judgment at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

Risk trends

The ongoing review of the Group's principal risks includes how these risks evolve. Changes in the trend/direction of our principal risks are noted against each risk on the following pages of this Report.

PRINCIPAL RISKS CONTINUED

1. Macroeconomic/cyclical business exposure

Movement in year

Risk description

The performance of the Group is significantly impacted by changes to underlying economic activity, the levels of business confidence as businesses consider Permanent and Temporary hiring decisions and levels of candidate confidence, which impact their propensity to change jobs, particularly in the UK, Germany and Australia.

Brexit specific: The Brexit decision coupled with the political environment in the UK increased the level of uncertainty and therefore increases the risk of negatively impacting the trading performance in our UK business, as clients have become more cautious in headcount investment.

Risk impact

- Financial

Risk mitigation

Hays has continued to diversify its operations to include a balance of both Temporary and Permanent recruitment services to private and public sector markets, and operates across 33 countries and 20 sector specialisms. Progress is being made to further diversify the business to reduce the Group's reliance on the UK, Germany and Australia, which currently represent 70% of the Group's net fees.

Hays' cost base is highly variable and carefully managed to align with business activity, and can be focused and scaled accordingly to react to the individual markets, with Temporary recruitment being more resilient in times of economic uncertainty or downturn.

Hays is highly cash generative, requiring low levels of asset investment. Cash collection is a priority and the Group has made appropriate investment in its credit control and working capital management processes, resulting in the elimination of Group net debt and a year-end net cash positive position.

In the run up to and the immediate aftermath of the EU referendum, we saw a significant reduction in UK activity and thus fees and profits. While this had stabilised by November 2016, we clearly face significant potential uncertainty over the next few years.

Link to relevant strategic priority

2. Business model

Movement in year

Risk description

The Group faces competition from the increasing use of social media for recruitment purposes and a growing trend towards outsourced recruitment models with associated margin pressures, which may impact materially on the business should Hays not continue to take appropriate actions and respond effectively.

Risk impact

- Operational
- Financial

Risk mitigation

Hays monitors industry trends and opportunities, including social media and insourcing, and continues to invest in our online presence to provide a high-quality customer experience.

Our key relationships (such as with SEEK in Australia) increase our exposure to online professional networking and recruitment portals and enhance our value proposition to clients and candidates.

Our expert and specialised consultants are trained in utilising social media to enhance their day-to-day activities in providing the best quality candidates to our clients.

We continue to leverage our broad geographical and sectoral footprint to win and maintain a significant number of multispecialism contracts with large corporate organisations, which has strengthened our relationship with these clients and increased our share of their recruitment spend.

Significant investment was made in FY16 and FY17 to enhance data analytics in order to significantly improve our approach to, and engagement with, candidates. The initiative is overseen by the Group Data Marketing Director.

Link to relevant strategic priority

3. Talent

Movement in year

Risk description

The Group is reliant on its ability to recruit, develop and retain staff to protect the business it has today and to deliver its future growth plans, especially internationally, both at a manager and consultant level. Its strategy is to grow and nurture talent internally into senior roles wherever possible.

Risk impact

- People
- Financial

Risk mitigation

Hays provides a defined and sustainable career development path for new hires, starting with a structured induction programme and ongoing training as they advance their careers, supported by formalised performance and career tracking.

Development Centres focus on the progress of high-potential individuals, providing further development opportunities and also helping to identify any talent gaps and training needs. Leadership and development programmes are aligned with the Group's business strategy.

Overall remuneration packages are competitive, including an employee benefit programme, together with a long-term incentive scheme that is offered to broadly 350 senior managers, which encourages a performance-led culture and aids retention.

Succession plans identify future potential leaders of the business and produce individual development plans in which to harness and cultivate talent.

The Group's standard employment contracts include notice periods and non-solicitation provisions in the event of an employee leaving.

Link to relevant strategic priority

4. Compliance

Movement in year

Risk description

The Group operates in 33 countries, with each operating its own legislative, regulative, compliance and tax rules, especially for Temporary workers, with any non-compliance increasing the Group's exposure to potential legal, financial and reputational risk.

Risk impact

- Compliance
- Financial
- Reputational

Risk mitigation

Compliance processes and monitoring are tailored to specific specialisms, ensuring additional focus is given to higher-risk specialisms such as Education and Healthcare in the UK, Construction & Property in Australia and specialised corporate contracts through Hays Talent Solutions.

Employees receive training in respect of the operating standards applicable to their role, with additional support provided by compliance functions, regional legal teams and, where necessary, external advisers.

All staff receive regular training to ensure that legal and compliance updates are understood and applied. In territories where legislation sets out additional compliance requirements, specialists are employed.

Dedicated compliance auditors conduct sample checks to ensure that the appropriate candidate vetting checks and due diligence obligations are carried out in line with legal and contractual requirements.

The Group holds all standard business insurance cover, including employers' liability, public liability and professional indemnity insurance.

Link to relevant strategic priority

5. Reliance on technology

Movement in year

Risk description

Our dependence on technology in our day-to-day business means that systems failure due to technical issues or cyber attack may have a significant impact on our operations and ability to deliver our services if it continued for a number of days and, as such, could negatively impact our financial performance and reputation.

Risk impact

- Operational
- Financial
- Reputational

Risk mitigation

The Group's technology strategy is continually reviewed to ensure that the systems it operates across the Group support its strategic direction.

Ongoing asset life-cycle management programmes mitigate risks of hardware and software obsolescence.

Technology systems are housed in various data centres and the Group has capacity to cope with a data centre's loss through the establishment of disaster recovery sites, that are physically based in separate locations to the ongoing operations, intrinsically linked to the country business continuity plans.

Across the regions we have established dedicated security teams in order to ensure that the systems are best protected from unauthorised access, both externally and internally, and includes best ensuring that anti-virus software is in place and up-to-date, with regular testing of these environments by external providers.

We use external advisers to perform regular external and internal physical and logical penetration tests on all major systems and operations and implement any required improvements coming out of such tests as part of a continuous improvement process.

Link to relevant strategic priority

6. Data governance

Movement in year

Risk description

The business works with personal data in all 33 countries on a daily basis under a variety of laws and regulations. A material data breach or data loss could expose the Group to potential legal, financial and reputational risks in the form of penalties and loss of business.

Hays is preparing for the introduction of the EU General Data Protection Regulation, which will necessitate certain changes to our data collection and processing activity by May 2018.

Risk impact

- Compliance
- Financial
- Reputational

Risk mitigation

Robust procedures for processing, retention and transfer of personal data are in place across the Group, on both a physical and logical information security basis.

Comprehensive data protection and information security policies and procedures are in place across the Group and, where data protection and privacy legislation allows, protective email monitoring programmes are undertaken to address potential areas of concern, to best protect our confidential information and candidates' personal data.

Attention has been focused in this area, with the increased threat of cyber crime globally, and security vulnerability is assessed as part of the ongoing IT strategy across the Group.

We use external advisers to perform regular external and internal physical and logical penetration tests on all major systems and operations and implement any required improvements coming out of such tests as part of a continuous improvement process.

A project team led by our General Counsel, consisting of our global legal team together with operational, marketing and technical leads, is in place to ensure GDPR compliance by May 2018.

Link to relevant strategic priority

PRINCIPAL RISKS CONTINUED

7. Contracts

Movement in year

Risk description
The Group enters into contractual arrangements with clients, some of which can be on onerous terms and/or impacted by local regulatory requirements, especially in relation to Temp/Contracting markets.

Risk impact
- Operational
- Financial
- Reputational

Risk mitigation
During contract negotiations management seek to minimise risk and ensure that the nature of risks and their potential impact is understood.

Our global legal team has the depth of knowledge and experience to enable them to advise management on the level of risk presented in increasingly onerous contracts, with clear guidelines in operation.

The Group Finance Director reviews all commercial contracts with onerous non-standard terms in accordance with the Group's risk appetite. In addition the Group's Insurance Manager reviews onerous contracts and where necessary engages with insurance providers to ensure that risks are covered.

Reviews are performed on a risk basis across key contracts to identify compliance and agree improvements to the way in which we deliver services to clients.

Assurance work is undertaken in key countries by Internal Audit to ensure contractual obligations are appropriately managed.

Link to relevant strategic priority

By order of the Board

Doug Evans
Company Secretary
30 August 2017