

# HALF YEAR REPORT SIX MONTHS ENDED 31 DECEMBER 2018

21 February 2019

ACCOUNTANCY &  
MA/CONSTRUCTI  
CONTACT CENTR  
ATIONS/EDUCATI  
HNOLOGY/LEGAL  
SAFETY/POLICY&  
OURCES & MINING  
ENGINEERING/HU  
LOGISTICS/FACILITIES MANAGEMENT/FINANCIAL  
CIAL SERVICES/SOCIAL CARE/SALES & MARKETI  
ING/ENERGY/OFFICE SUPPORT/RESPONSE MANA  
HEALTHCARE/OIL & GAS/ARCHITECTURE/ASSESS  
& DEVELOPMENT/PUBLIC SERVICES/ACCOUNTAN  
NCY & FINANCE/EDUCATION/PHARMA/CONSTRU  
NSTRUCTION & PROPERTY/RESOURCE MANAGEM  
MENT/MANUFACTURING & OPERATIONS/RETAIL/I  
INFORMATION TECHNOLOGY/SALES & MARKETING  
RATEGY/BANKIN  
MARKETING/ENE  
INING/TELECOMS  
HUMAN RESOURC  
TRES/FINANCIAL  
PHARMA/MANUF  
HEALTHCARE/AR  
PROCUREMENT/H

UCATION/PHARM  
TY/CONTACT CEN  
URING & OPERATI  
ON TECHNOLOGY  
NT/HEALTH & SAF  
NKNING/RESOURC  
INSURANCE/ENG  
RESOURCES/LOG  
PUBLIC SERVICES  
RESOURCES & MIN  
ENGINEERING/H  
CONTACT CENTRI  
ES/SOCIAL CARE  
NG/ENERGY/HEA  
OFFICE SUPPORT  
LEGAL/OIL & GAS

## 20 COUNTRY RECORDS AND CONTINUED INVESTMENT IN KEY MARKETS

### Six months ended 31 December

(In £'s million)	2018	2017	Actual growth	LFL growth
Net fees <sup>(1)</sup>	<b>568.0</b>	525.8	8%	9%
Operating profit	<b>124.1</b>	116.5	7%	9%
Conversion rate <sup>(2)</sup>	<b>21.8%</b>	22.2%	(40)bps	
Cash generated by operations	<b>78.5</b>	74.1	6%	
Profit before tax	<b>122.6</b>	113.9	8%	
Basic earnings per share	<b>5.86p</b>	5.39p	9%	
Dividend per share	<b>1.11p</b>	1.06p	5%	

*Note: unless otherwise stated all growth rates discussed in this statement are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.*

- First half operating profit up 9% to £124.1m driven by good Temp and Perm growth in our International markets. 20 countries delivered record net fees
- **Australia & New Zealand (ANZ):** 7% net fee growth, with operating profit up 6%. Record Australia net fees, up 10%, and Temp and Contracting worker numbers exceeded 21,000 for the first time
- **Germany:** Record half, with strong growth in both net fees and operating profit of 14% (growth of c.13%<sup>(3)</sup> and c.10%<sup>(3)</sup> respectively on a trading day-adjusted basis). Continued investment in systems and property
- **UK & Ireland (UK&I):** Solid growth with net fees up 3% and operating profit up 6%, with continued focus on productivity and good cost control as headcount remained flat year-on-year
- **Rest of World (RoW):** Strong net fee growth of 11%, with operating profit up 4%. Strong progress in Asia and the Americas, although fee growth in EMEA ex-Germany slowed across the half. Record net fees in 18 markets including China and Canada, up an excellent 31% and 27% respectively, the USA up 17% and France up 5%
- **Strategic developments:** During the half key strategic highlights included:
  - **Infrastructure:** Five new offices globally, plus major office expansions in Asia, Europe and the Americas. Continued investment in back office scalability, including our leading businesses in Germany and Australia
  - **Consultants:** Group headcount up 7% YoY, led by our International businesses up 10%. China, the USA and Canada each up over 20% YoY
- Net cash of £32.5m, with good underlying conversion of operating profit into operating cash flow
- Interim dividend up 5% to 1.11p

Commenting on the results Alistair Cox, Chief Executive, said:

"We have delivered another good first half, and despite increasingly tough comparatives are pleased to report 9% net fee and profit growth. Conditions were supportive in most of our markets, with 20 of our 33 countries delivering record net fees. This included our largest countries by profit, Germany and Australia, as well as exciting growth markets such as China, Canada and the USA. UK&I delivered another solid result, with 6% profit growth despite economic uncertainties.

"Our Group growth is testament to the strength of our diversified global portfolio and our leading positions in key structural growth markets. We continued to invest through the half, increasing our International consultant headcount by 10% and further building on our technology and infrastructure. Underlying cash conversion remained good, and we are pleased to grow our interim dividend by 5%.

"Looking ahead, although we remain mindful of continuing macroeconomic uncertainty, the outlook in the vast majority of our markets remains positive. Our second half focus will be on driving consultant productivity, while selectively investing in our key markets to build on our existing scale, balance and diversity. Our financial strength and highly experienced management teams stand us in good stead for the future."

- (1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.
- (2) Conversion rate is the conversion of net fees into operating profit.
- (3) The estimated working day impact is calculated in relation to the Temp and Contractor businesses only, we make no estimate of the impact on the Perm business. It represents an assumption based on recent trends of revenues per working day in our major Temp and Contractor businesses.
- (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. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where Hays provides major payrolling services.
- (5) Represents percentage of Group net fees and operating profit.

## Enquiries

### Hays plc

Paul Venables	Group Finance Director	+ 44 (0) 20 7383 2266
David Phillips	Head of Investor Relations	+ 44 (0) 20 3486 2022

### Finsbury

Guy Lamming / Anjali Unnikrishnan	+ 44 (0) 20 7251 3801
-----------------------------------	-----------------------

## Results presentation & webcast

The results presentation will take place at the offices of UBS at 5 Broadgate, London EC2M 2QS at 8.30am on 21 February 2019 and will also be available as a live webcast on our website, [www.haysplc.com/investors/results-centre](http://www.haysplc.com/investors/results-centre). A recording of the webcast will be available on our website later the same day along with a copy of this press release and all presentation materials.

## Reporting calendar

Trading Update for the quarter ending 31 March 2019	16 April 2019
Trading Update for the quarter ending 30 June 2019	16 July 2019
Preliminary Results for the year ending 30 June 2019	29 August 2019
Trading Update for the quarter ending 30 September 2019	15 October 2019

## Hays Group Overview

As at 31 December 2018, Hays had c.11,700 employees in 262 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing c.77% of the Group's net fees, compared with 25% in 2005.

Our c.8,000 consultants work in a broad range of sectors, with no sector specialism representing more than 22% of Group net fees as at 31 December 2018. While Accountancy & Finance, Construction & Property and IT & Digital represent 51% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sectoral diversification, the Group's net fees are generated 58% from temporary and 42% permanent placement markets, and this balance gives our business model relative resilience. This well-diversified business model continues to be a key driver of the Group's financial performance.

## Introduction & market backdrop

We have delivered a good performance for the six months ended 31 December 2018, with net fees increasing 9% on a like-for-like basis and 8% on an actual basis. Operating profit was £124.1 million, up 9% on a like-for-like basis and 7% on an actual basis. The Group's sector-leading conversion rate<sup>(2)</sup> declined by (40)bps to 21.8% (2017: 22.2%), primarily due to the impact of slowing fee growth in EMEA ex-Germany over the half, which reduced that region's profitability. Our cash performance was good and after paying £112.9 million in final and special dividends in November 2018, we ended the first half with net cash of £32.5 million.

Overall market conditions remained good in most of our International markets, notably Germany, Australia, North America and Asia. Our businesses in these markets delivered double-digit net fee growth in the half. The UK market remained stable but subdued and we delivered a solid performance, underpinned by good cost control, with profits up 6%.

Consistent with the strategy presented at our Investor Day in November 2017, we continued to materially invest in a number of our key growth markets, notably Germany, Australia, North America and China. This long-established and balanced approach of investing for the long-term, together with our focus on driving improved consultant productivity and cost control, allows us to maximise the Group's financial performance, profit and cash generation.

## Foreign exchange

Currency movements versus Sterling continued to represent a reduction to our reported performance. Over the course of the half, the total impact of exchange movements on operating profit was £2.1 million negative versus prior year.

Fluctuations in the rates of the Group's key operating currencies versus Sterling 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 £1.1 million and £3.9 million respectively per annum, and operating profits by £0.4 million and £1.2 million respectively per annum.

If we re-translate FY18 profits of £243.4 million at 19 February 2019 exchange rates (AUD1.8241 and €1.1522), we currently estimate a negative c.£3 million operating profit currency headwind for FY19. This represents a further negative c.£2 million reduction from the position at our Q2 Trading Update on 15 January 2019. Recent volatility in exchange is a sensitivity to FY19 profitability.

The rate of exchange between the Australian Dollar and Sterling over the six months ended 31 December 2018 averaged AUD 1.7887 and closed at AUD 1.8105. As at 19 February 2019 the rate stood at AUD 1.8241. The rate of exchange between the Euro and Sterling over the six months ended 31 December 2018 averaged €1.1244 and closed at €1.1127. As at 19 February 2019 the rate stood at €1.1522.

## Strong growth in International Temp and Perm

Group Perm net fees increased by 10%, driven by a 5% increase in volume and a 5% increase in our average Perm fee. The increase in average Perm fee was in part due to our 27% Perm net fee growth in Germany, which is a higher average salary market and thus benefited mix. Underlying wage inflation increased slightly to c.2-3% globally, but with pockets of greater inflation in certain skill-short locations and markets.

Net fees in Temp, which incorporates our Contracting business and represented 58% of Group net fees, increased by 9%. This comprised a volume increase of 8%, partially offset by a decrease in underlying Temp margins<sup>(4)</sup>, down 40bps to 15.0% (2017: 15.4%), and a modest increase in mix / hours worked. The reduction in Temp margin was primarily in Australia and the UK.

## Movements in consultant headcount

Consultant headcount ended December 2018 at 7,970, up 7% in the half and year-on-year. In **ANZ**, consultant headcount was up 11% year-on-year. In **Germany**, after significant investment in H1 FY18 which set a high comparative, our headcount grew by 7% in the half and 3% year-on-year. We also invested materially in our **RoW** division, growing consultant headcount by 13% year-on-year. Within this, headcount in Canada increased by 27%, China by 22%, the USA by 20% and France 12%. In the **UK&I**, consultant headcount was flat year-on-year.

<b>Consultant headcount</b>	<b>31 Dec 2018</b>	<b>Net change (vs. 31 Dec 2017)</b>	<b>31 Dec 2017</b>	<b>30 Jun 2018</b>
Australia & New Zealand	1,069	104	965	1,000
Germany	1,824	55	1,769	1,700
United Kingdom & Ireland	1,967	(7)	1,974	1,917
Rest of World	3,110	367	2,743	2,847
<b>Group total</b>	<b>7,970</b>	<b>519</b>	<b>7,451</b>	<b>7,464</b>

## Office network changes & global specialism roll-out

Our focus through the first half remained on building scale and critical mass across our existing network of 33 countries. We continued to make further progress in rolling out our Construction & Property business into the USA, with net fees up 26%, and building scale in Germany outside of our largest specialisms of IT and Engineering. Non-IT and Engineering represented 31% of Germany net fees and grew 24%. There were net five office openings to support strategic growth, mainly in RoW. We have also continued to expand and upscale numerous major locations worldwide, including Beijing, Shenzhen, Tokyo and Mannheim. Investment in new offices and expansions represented an incremental c.£3 million cost versus the prior year, positioning us for further growth in these strategic locations.

<b>Office network</b>	<b>31 Dec 2018</b>	<b>Net opened/ (closed)</b>	<b>30 Jun 2018</b>
Australia & New Zealand	40	1	39
Germany	23	1	22
United Kingdom & Ireland	96	(1)	97
Rest of World	103	4	99
<b>Group</b>	<b>262</b>	<b>5</b>	<b>257</b>

## Investing in technology, responding to change and enhancing intellectual property

We strongly believe that equipping our consultants with an effective range of technology tools improves their productivity. This helps find the ideal candidate for our clients' roles more quickly and effectively than the competition. To build these tools we have invested substantially over many years in our own resources. We have constructed proprietary systems and fostered market-leading relationships with major platforms in the technology world including Google, LinkedIn, SEEK, Xing and Stack Overflow. These investments are increasingly paying off, driving engagement with prospective candidates and clients and allowing us to process nearly 11 million CVs per year. They also enable our consultants to perform complex searches of our global OneTouch database in seconds.

Technology is essential to the successful delivery of our "Find & Engage" marketing recruitment model. In a world where speed of response and the quality of relationships are key to success, these tools, combined with the world-class expertise of our consultants, are generating a real competitive advantage. They are also improving our financial performance, and help to grow our market share and leadership.

Recent initiatives include the incorporation of Google's job search fully into our system architecture. This is the engine powering our candidate searches globally and is delivering excellent results. Our innovative "Hays Hub" app is now live in many of our Education clients, again yielding very good engagement. Also, we have rolled-out Salesforce Marketing Cloud across all our major countries, improving our "Find & Engage" lead generation programmes. Driving consultant productivity remains central to our IT strategy. In the half, we have further incorporated real-time data insights and approachability signals into our "Hays Talent Manager" and are confident this will provide further consultant efficiencies.

## Australia & New Zealand (18%<sup>(5)</sup> net fees, 27%<sup>(5)</sup> operating profit)

### Record net fees, backed by significant investment

Six months ended 31 December (In £'s million)	2018	2017	Growth	
			Actual	LFL
Net fees <sup>(1)</sup>	<b>101.5</b>	99.8	2%	7%
Operating profit	<b>34.1</b>	34.1	0%	6%
Conversion rate <sup>(2)</sup>	<b>33.6%</b>	34.2%		
Period-end consultant headcount	<b>1,069</b>	965	11%	

In Australia & New Zealand ("ANZ"), net fees increased by 7% to £101.5 million and operating profit was up 6% to £34.1 million. This represents a conversion rate of 33.6% (2017: 34.2%), with the 60bps decline primarily resulting from weaker profit performance in New Zealand. Currency impacts were negative in the half versus prior year, decreasing net fees by £5.3 million and operating profit by £1.9 million.

Net fees in Perm grew by 2%, whilst Temp, which represented 67% of ANZ net fees in the half, grew by 10%. The number of Temp and Contracting workers reached a new record in the half, at over 21,000 per week. Both our Public and Private sector markets delivered good growth, up 8% and 7% respectively.

Australia, which represented 95% of ANZ, delivered a record net fee performance. Growth in net fees, up 10%, was broad-based across most regions. New South Wales and Victoria, which together accounted for 56% of net fees, were up 9% and 11% respectively. Queensland also delivered strong growth of 11%, and Western Australia was flat year-on-year. At the specialism level, we delivered excellent growth in IT, up 27%. Office Support grew by 12%, with Banking also strong, up 20%. Construction & Property, our largest market in Australia, declined by 9% while Accountancy & Finance was down 4%. We opened one new office (Ballarat) in the period.

New Zealand trading continued to be tough, and net fees were down by 25%. We continue to work to improve our performance.

Consultant headcount was up by 11% in the division, led by Australia where headcount increased by 13% year-on-year.

## Germany (27%<sup>(5)</sup> net fees, 38%<sup>(5)</sup> operating profit)

### Strong net fee and profit growth, despite ongoing investment

Six months ended 31 December (In £'s million)	2018	2017	Growth	
			Actual	LFL
Net fees <sup>(1)</sup>	<b>153.7</b>	134.8	14%	14%
Operating profit	<b>46.7</b>	41.1	14%	14%
Conversion rate <sup>(2)</sup>	<b>30.4%</b>	30.5%		
Period-end consultant headcount	<b>1,824</b>	1,769	3%	

In Germany, our largest market, net fees grew strongly by 14% to £153.7 million, with operating profit also up by 14% to £46.7 million. This represented a conversion rate of 30.4% (2017: 30.5%). Trading in the half benefitted from two additional working days versus the prior year. We estimate this had a c.1% positive impact on net fees and a c.4% positive impact on operating profit. Therefore, adjusted for working days, underlying net fee growth was c.13%<sup>(3)</sup> and operating profit grew by c.10%<sup>(3)</sup>. Currency impacts were slightly negative in the half versus prior year, decreasing net fees by £0.4 million and operating profit by £0.1 million.

Our Temp and Contracting business, which represented 84% of Germany fees, delivered strong growth of 12%. Contracting, which represented 56% of Germany net fees, grew by 7% while Temp, which represented 28% of Germany net fees, delivered excellent growth of 22%. Our Perm business, representing 16% of Germany net fees, also delivered excellent growth of 27%.

IT, our largest specialism accounting for 41% of Germany net fees, grew by 9%. Our next largest specialism of Engineering grew by 10%. We saw excellent growth in our newer specialisms, which now make up c.31% of Germany net fees, notably Accountancy & Finance, up 29%, Sales & Marketing, up 20%, and Legal, which grew by a superb 75%.

Consultant headcount grew 7% in the half and increased 3% year-on-year, after significant investment in H1 FY18 which set a high comparative. Germany headcount growth through FY19 is expected to be more evenly balanced than FY18, where our headcount growth was heavily weighted to H1.

We continue to invest to capitalise on the long-term structural growth opportunities in Germany. In the half we opened a new office in Wiesbaden, and expanded our offices in Cologne, Mannheim and Dresden. We have continued to invest in our front and back-office systems, scaling them for significant future growth. Our large Germany IT projects are on schedule for completion by the end of 2019.



**United Kingdom & Ireland (23%<sup>(5)</sup> net fees, 19%<sup>(5)</sup> operating profit)****Solid performance in a stable market, despite economic uncertainty**

Six months ended 31 December (In £'s million)	2018	2017	Growth	
			Actual	LFL
Net fees <sup>(1)</sup>	<b>131.7</b>	127.5	3%	3%
Operating profit	<b>24.0</b>	22.6	6%	6%
Conversion rate <sup>(2)</sup>	<b>18.2%</b>	17.7%		
Period-end consultant headcount	<b>1,967</b>	1,974	0%	

In the United Kingdom & Ireland ("UK&I") net fees increased by 3% to £131.7 million, with operating profit up 6% to £24.0 million. This represents a conversion rate of 18.2% (2017: 17.7%), with continued focus on consultant productivity and good cost control driving profit leverage.

Overall, the UK market remained relatively stable despite ongoing economic uncertainty. Our Private sector business, which represented 73% of net fees, grew by 1%. In the Public sector, net fees grew by 9%. Although underlying public sector activity has improved slightly, this growth was in part due to easier comparatives following the negative impact of IR35 changes in the public sector, implemented in April 2017.

In Perm recruitment, where we have a bias to the Private sector, net fees were flat year-on-year. Our Temp business, which represented 56% of division net fees, grew by 6%.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales, which grew by a strong 14%, Northern Ireland, where fees were up 6%, and Scotland and the Midlands, where net fees fell by 9% and 3% respectively. Our largest region of London was up 3%. Ireland continued to deliver strong net fee growth, up 10%.

At the specialism level, IT delivered strong growth of 14%, while our largest specialisms of Accountancy & Finance and Construction & Property each grew net fees by 3%. HR grew by 15%, and our Talent Solutions business, which focuses on large corporate accounts, delivered 7% growth. Purchasing and Education fell by 12% and 11% respectively, with the latter continuing to be impacted by the decline in Public sector markets.

Consultant headcount in the division was flat year-on-year.



## Rest of World (32%<sup>(5)</sup> net fees, 16%<sup>(5)</sup> operating profit)

### Strong fee growth, including 18 all-time country records

Six months ended 31 December (In £'s million)	2018	2017	Growth	
			Actual	LFL
Net fees <sup>(1)</sup>	<b>181.1</b>	163.7	11%	11%
Operating profit	<b>19.3</b>	18.7	3%	4%
Conversion rate <sup>(2)</sup>	<b>10.7%</b>	11.4%		
Period-end consultant headcount	<b>3,110</b>	2,743	13%	

Our Rest of World ("RoW") division, which includes 28 countries, delivered strong net fee growth of 11% to £181.1 million. Operating profit was up by 4% to £19.3 million, with conversion rate down 70bps to 10.7% (2017: 11.4%), primarily due to slower growth in our EMEA ex-Germany region.

Net fee growth in the division was broad-based, with 18 countries delivering all-time record net fees. Perm net fees, which represented 69% of RoW, were up by 14%, while Temp net fees rose by 6%. Modest Sterling strength versus other currencies resulted in a decrease in net fees of £1.2 million, and a decrease in operating profit of £0.1 million.

**EMEA ex-Germany** delivered net fee growth of 7%, including 11 countries with record net fees in the half. This included France, our largest RoW country, which increased net fees by 5%, and Spain which delivered strong growth of 18%. Poland grew by 9%, although Belgium was tough and fell 6%. Net fee growth in the region slowed through the half, notably in France & Benelux, and as a result operating profit fell by 7% year-on-year. We added four offices, including Bucharest in Romania and La Rochelle in France.

**Asia** delivered a strong performance, with net fees up 19% and operating profit up 13%. Profit growth was below fee growth due to significant investment in property and IT, including office expansions in Shenzhen, Beijing, Tokyo and Osaka. Three countries in the region delivered record net fee performances, including China, our largest Asian country, up by 31% and Japan, which grew by 7%.

The **Americas** grew net fees by a strong 18%, with a £1.0 million increase in operating profits. We continue to invest most of our profits to build scale, particularly in the USA including expanded offices in Atlanta and New York. Net fees in the USA grew by 17%, and Canada by an excellent 27%, including Temp up 56%. In Latin America, Brazil net fees fell by 2%, and Mexico was tougher and declined by 13%.

Consultant headcount in the division was up by 13% year-on-year. Within this, headcount in EMEA ex-Germany was up 11%, and Asia and the Americas both grew 17%.

## Current trading

Good conditions in most International markets, UK remains relatively stable despite economic uncertainty. Trends in 'return to work' in Temp & Contracting business good overall

Moving into the second half of our financial year, we continue to overlap tough International growth comparators from the prior year, particularly in Q4 FY19.

Most of our markets remain positive and the 'return to work' in our key Temp and Contracting markets was good overall.

Recent exceptional volatility in exchange is a clear sensitivity to FY19 profitability. Movements in Sterling have led to a further adverse c.£(2) million operating profit move since we reported our Q2 Trading Update on 15 January 2019.

Easter falls entirely in Q4 FY19, while last year it was evenly split between our Q3 and Q4. We expect this will have a c.1%<sup>(3)</sup> benefit to our net fees in Q3 FY19, with a corresponding c.1%<sup>(3)</sup> negative impact in Q4 FY19. Also, there is one fewer trading day year-on-year in Germany in Q4 FY19.

### Australia & New Zealand

We continue to see good growth in Australia. In Temp & Contracting markets, our 'return to work' has been in-line with trends seen in prior years. Growth comparatives in H2 FY19 are increasingly tough.

We expect headcount to remain flat through the second half of the year, as we focus on driving improvements in consultant productivity. We are also mindful of the likely Australian General Election in May 2019, and the impact this may have in that market.

### Germany

We see good growth levels in Germany, despite tough comparators. Our 'return to work' in Temp and Contracting has been good overall, however we have seen a slightly lower level of Contractor extensions, which has modestly reduced our overall growth rate.

We expect modest sequential headcount growth in the third quarter, as we balance continued long-term investment with driving consultant productivity.

### United Kingdom & Ireland

In the UK & Ireland growth remains solid, despite economic uncertainty. The 'return to work' in our Temp and Contracting business was in-line with trends seen in prior years.

We expect headcount will remain broadly flat through the second half of the year as we continue to focus on driving productivity.

### Rest of World

Growth remains good across Asia and the Americas. EMEA ex-Germany has more mixed conditions.

We expect targeted headcount increases through the second half of the year, mainly in Asia and North America.

## FINANCIAL REVIEW

### Summary Income Statement

Six months ended 31 December (In £'s million)	Growth			
	2018	2017	Actual	LFL
Turnover	<b>3,035.4</b>	2,828.9	7%	9%
Net fees <sup>(1)</sup>				
Temporary	<b>327.3</b>	303.6	8%	9%
Permanent	<b>240.7</b>	222.2	8%	10%
Total	<b>568.0</b>	525.8	8%	9%
Operating profit	<b>124.1</b>	116.5	7%	9%
Conversion rate <sup>(2)</sup>	<b>21.8%</b>	22.2%		
Underlying temporary margin <sup>(4)</sup>	<b>15.0%</b>	15.4%		
Temporary fees as % of total	<b>58%</b>	58%		
Period end consultant headcount	<b>7,970</b>	7,451	7%	

(1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

(2) Conversion rate is the conversion of net fees into operating profit.

(3) The estimated working day impact is calculated in relation to the Temp and Contractor businesses only, we make no estimate of the impact on the Perm business. It represents an assumption based on recent trends of revenues per working day in our major Temp and Contractor businesses.

(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. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where Hays provides major payrolling services.

Turnover for the six months to 31 December 2018 grew by 9% (7% on an actual basis), and net fees also increased 9% (8% on an actual basis).

Operating costs were 10% higher than prior year (8% on an actual basis), primarily due to costs associated with the 7% increase in Group consultant headcount and an increase in commission payments in line with net fee growth. As highlighted at our FY18 results, given our investment in new offices and expansions, Group property costs are expected to increase by c.£6 million in FY19, with the H1 impact c.£3 million.

Operating profit increased by 9% (7% on an actual basis). Exchange rate movements decreased net fees and operating profit by £6.9 million and £2.1 million respectively, as a result of the appreciation in the average rate of exchange between the major currencies to which the Group has exposure versus Sterling, most notably the Australian Dollar. Currency fluctuations remain significant sensitivities for the Group.

The Group's conversion rate<sup>(2)</sup> decreased by 40bps to 21.8% (2017: 22.2%), due to large IT investment programmes, increased property costs noted above and lower conversion rates in some RoW EMEA businesses.

Consultant headcount at the end of December 2018 was 7,970, up 7% year-on-year and versus June 2018. This was driven by 10% growth in our International businesses, led by Asia, the Americas and Australia. In our UK & Ireland business, consultant headcount was up 3% in the half and flat year-on-year, reflecting our normal seasonal graduate intake. We maintained tight control on UK costs.

## Net finance charge

The net finance charge for the half was £1.5 million (2017: £2.6 million). The average interest rate on gross debt during the period was 2.0% (2017: 2.2%), generating net bank interest payable including amortisation of arrangement fees of £1.0 million (2017: £0.8 million). The net interest charge on defined benefit pension scheme obligations was £0.3 million (2017: £1.0 million). The Pension Protection Fund levy was £0.1 million (2017: £0.2 million). We expect the net finance charge for the year ending 30 June 2019 to be around £3.0 million.

## Taxation

Taxation for the half was £37.4 million (2017: £35.9 million), representing an effective tax rate of 30.5% (2017: 31.5%). The effective tax rate reflects the Group's geographical mix of profits, with the decrease year-on-year primarily due to increased profit in lower tax jurisdictions. The Group's effective tax rate for the year to June 2019 will be driven by the mix of profits generated during the year. We currently expect the rate to be 30.5%.

## Earnings per share

Basic earnings per share increased by 9% to 5.86 pence (2017: 5.39 pence), driven by our operating profit growth together with the combined benefit of the lower net finance charge and effective tax rate.

## Cash flow and balance sheet

Good underlying conversion of operating profit into operating cash flow of 63% (2017: 64%). This resulted from good working capital management throughout the half, especially considering the double-digit growth in our Germany and Australia Temp businesses, which are relatively working capital-intensive. Trade debtor days were unchanged year-on-year at 39 days (2017: 39 days).

Net capital expenditure was £15.3 million (2017: £13.7 million), with the increase primarily due to investments in our front office systems in Germany, cyber security and automation of our German back office. We continue to expect capital expenditure to be around £30 million for the year to June 2019 (June 2018: £25.0 million).

Dividends paid in the half totalled £112.9 million (2017: £94.3 million) and pension deficit contributions were £7.9 million (2017: £7.7 million). Net interest paid was £2.0 million, including an arrangement fee on our new debt facility, and the cash tax payment was £31.8 million. We ended the half with a net cash position of £32.5 million (2017: £34.5 million).

## Retirement benefits

The Group's pension position under IAS 19 at 31 December 2018 has resulted in a surplus of £19.2 million, compared to a surplus of £75.9 million at 30 June 2018. The reduction in the surplus was primarily due to a decrease in asset values and changes in assumptions, including the impact of the Pension buy-in explained below.

As previously announced, on 6 August 2018, Hays Pension Trustee Limited, in agreement with Hays plc, entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the existing pensioners of the Hays defined benefit Scheme as at 31 December 2017. The pension buy-in transaction was funded through the existing investment assets held by the Trustee on behalf of the pension scheme. The impact of this transaction is reflected in the IAS 19 valuation as at 31 December 2018. This material balance sheet de-risking exercise is in line with Hays' long-term strategy to reduce future volatility of the Group's defined benefit schemes, and their financial impact on the Group.

In respect of IFRIC 14, the Scheme's Definitive Deed and Rules are considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

During the half the Group contributed £7.9 million of cash to the defined benefit scheme (2017: £7.7 million), in line with the agreed deficit recovery plan. The 2018 triennial valuation has now been completed and quantified the actuarial deficit at £43.6 million on a Technical Provisions (TP) basis and the recovery plan remains unchanged and

comprises an annual payment of £15.3 million from July 2018, with a fixed 3% uplift per year, over a period of 10 years. The Scheme was closed to new entrants in 2001 and to future accrual in June 2012.

Following the landmark legal judgment against Lloyds Banking Group in October 2018, ruling on the equalisation of guaranteed minimum pensions for men and women in UK defined benefit pension plans, we are reviewing our own position with the Hays Pension Scheme Trustees. Initial estimates indicate that the Scheme's liabilities will increase by between 1 and 1.5% (£8-12 million). The position will be kept under review, including the amount of the liability, pending any further clarification and Government guidance. Accordingly, we will record this as an exceptional charge in the FY19 full year results.

## Capital structure and dividend

The Board's priorities for our 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.

Our strategy is to maintain dividend cover at the top end of 2.0x to 3.0x full year earnings, and to match increases in core dividend with full year earnings growth. Assuming a positive outlook, it remains our intention that any excess free cash flow generated over-and-above £50 million, which is not needed for the priorities outlined above, will then be distributed to shareholders via special dividends to supplement the core dividend at year-end.

Following the increase in the Group's core dividend in the year to June 2018, and taking into account the good financial performance of the Group in the first half, the Board is increasing the interim core dividend by 5% to 1.11p per share (2017: 1.06p). The interim dividend payment date will be 12 April 2019 and the ex-dividend date is 7 March 2019 (record date 8 March 2019).

## 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. On 8 November 2018, the Group extended the maturity of the facility until November 2023, with an option to extend to 2025, subject to lender agreement. This 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 31 December 2018: 148:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 31 December 2018 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 0.70% to 1.50%.

The Group's UK-based Treasury function manages the Group's currency and interest rate 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; and the investment of surplus funds. 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 enhances liquidity by utilising 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 deposits. 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. However, there were no interest rate swaps held by the Group during the current or prior year.

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 that have an acceptable credit profile and limits its exposure to each institution accordingly.

## Principal risks facing the business

Hays plc operates an embedded risk management framework, which is monitored and reviewed by the Board. There are a number of potential risks and uncertainties that could have a material impact on the Group's financial performance and position. These include risks relating to the cyclical nature of our business, business model, talent recruitment and retention, compliance, reliance on technology, cyber security, data protection and contracts. These risks and our mitigating actions remain as set out in the [2018 Annual Report](#).

As reported in the press, legal proceedings have been commenced against a number of recruitment agencies in Australia, including Hays, in relation to the employment status of certain workers engaged on a casual (temporary) basis in the coal mining sector. We are unable to comment on specific details of the case against Hays as it is now before the court. However, Hays intends to vigorously defend this action.

## Responsibility Statement

We confirm that, to the best of our knowledge:

- § the unaudited condensed consolidated interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit for the Group;
- § the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of the financial year and their impact on the condensed financial statements, and description of principal risks and uncertainties for the remaining six months of the financial year); and
- § the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions in the first six months of the financial year and any changes in the related parties transactions described in the last Annual Report).

This Half Year Report was approved and authorised for issue by the Board of Directors on 20 February 2019.

**Alistair Cox**

Chief Executive

**Hays plc**  
250 Euston Road  
London  
NW1 2AF

[haysplc.com/investors](https://haysplc.com/investors)

**Paul Venables**

Group Finance Director

## Cautionary statement

This Half Year Report (the “Report”) has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute “forward-looking statements” in respect of the Group’s operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

This announcement contains inside information.

LEI code: 213800QC8AWD4BO8TH08



## Independent Review Report to Hays plc

### Report on the condensed consolidated interim financial statements

#### Our conclusion

We have reviewed Hays plc's condensed consolidated interim financial statements (the "interim financial statements") in the half year report of Hays plc for the six month period ended 31 December 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 31 December 2018;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

#### Our responsibilities and those of the directors

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

## Condensed Consolidated Income Statement

(In £s million)	Note	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
<b>Turnover</b>		<b>3,035.4</b>	2,828.9	5,753.3
<b>Net fees <sup>(1)</sup></b>	2	<b>568.0</b>	525.8	1,072.8
<b>Operating profit</b>	2	<b>124.1</b>	116.5	243.4
Net finance charge	3	(1.5)	(2.6)	(4.9)
<b>Profit before tax</b>		<b>122.6</b>	113.9	238.5
Tax	4	(37.4)	(35.9)	(72.7)
<b>Profit after tax</b>		<b>85.2</b>	78.0	165.8
<b>Profit attributable to equity holders of the parent company</b>		<b>85.2</b>	78.0	165.8
Earnings per share (pence)				
- Basic	6	5.86p	5.39p	11.44p
- Diluted	6	5.79p	5.33p	11.30p

<sup>(1)</sup> Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

## Condensed Consolidated Statement of Comprehensive Income

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
Profit for the period	85.2	78.0	165.8
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial remeasurement of defined benefit pension schemes	(64.3)	11.2	62.9
Tax relating to components of other comprehensive income	12.2	(2.1)	(11.9)
	(52.1)	9.1	51.0
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation adjustments	7.5	(3.3)	(5.1)
Other comprehensive income for the period net of tax	(44.6)	5.8	45.9
Total comprehensive income for the period	40.6	83.8	211.7
Attributable to equity shareholders of the parent company	40.6	83.8	211.7

**Condensed Consolidated Balance Sheet**

(In £s million)	Note	31 December 2018 (unaudited)	31 December 2017 (unaudited)	30 June 2018 (audited)
<b>Non-current assets</b>				
Goodwill		226.7	221.6	223.2
Other intangible assets		29.9	20.5	23.8
Property, plant and equipment		30.5	28.4	29.3
Deferred tax assets		21.4	15.2	23.2
Retirement benefit surplus	7	19.2	17.7	75.9
		<b>327.7</b>	<b>303.4</b>	<b>375.4</b>
<b>Current assets</b>				
Trade and other receivables		962.1	929.5	1,010.4
Cash and cash equivalents		117.5	114.5	122.9
Derivative financial instruments		0.1	-	-
		<b>1,079.7</b>	<b>1,044.0</b>	<b>1,133.3</b>
<b>Total assets</b>		<b>1,407.4</b>	<b>1,347.4</b>	<b>1,508.7</b>
<b>Current liabilities</b>				
Trade and other payables		(646.8)	(642.8)	(758.0)
Current tax liabilities		(28.4)	(20.0)	(25.4)
Derivative financial instruments		-	(0.4)	(0.1)
Acquisition liabilities		-	(13.7)	-
Provisions	8	(0.8)	(1.2)	(1.2)
		<b>(676.0)</b>	<b>(678.1)</b>	<b>(784.7)</b>
<b>Non-current liabilities</b>				
Bank loans		(85.0)	(80.0)	-
Deferred tax liabilities		(6.4)	-	(17.3)
Provisions	8	(6.3)	(6.4)	(6.2)
		<b>(97.7)</b>	<b>(86.4)</b>	<b>(23.5)</b>
<b>Total liabilities</b>		<b>(773.7)</b>	<b>(764.5)</b>	<b>(808.2)</b>
<b>Net assets</b>		<b>633.7</b>	<b>582.9</b>	<b>700.5</b>
<b>Equity</b>				
Called up share capital		14.7	14.7	14.7
Share premium		369.6	369.6	369.6
Capital redemption reserve		2.7	2.7	2.7
Retained earnings		143.1	98.3	213.0
Cumulative translation reserve		86.2	80.5	78.7
Equity reserve		17.4	17.1	21.8
<b>Total equity</b>		<b>633.7</b>	<b>582.9</b>	<b>700.5</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

(In £s million)	Called up share capital	Share premium	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve	Total equity
At 1 July 2018	14.7	369.6	2.7	213.0	78.7	21.8	700.5
Currency translation adjustments	-	-	-	-	7.5	-	7.5
Remeasurement of defined benefit pension schemes	-	-	-	(64.3)	-	-	(64.3)
Tax relating to components of other comprehensive income	-	-	-	12.2	-	-	12.2
Net expense recognised in other comprehensive income	-	-	-	(52.1)	7.5	-	(44.6)
Profit for the period	-	-	-	85.2	-	-	85.2
Total comprehensive income for the period	-	-	-	33.1	7.5	-	40.6
Dividends paid	-	-	-	(112.9)	-	-	(112.9)
Share-based payments	-	-	-	9.9	-	(4.4)	5.5
<b>At 31 December 2018 (unaudited)</b>	<b>14.7</b>	<b>369.6</b>	<b>2.7</b>	<b>143.1</b>	<b>86.2</b>	<b>17.4</b>	<b>633.7</b>

For the six months ended 31 December 2017

(In £s million)	Called up share capital	Share premium	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve	Total equity
At 1 July 2017	14.7	369.6	2.7	94.1	83.8	21.5	586.4
Currency translation adjustments	-	-	-	-	(3.3)	-	(3.3)
Remeasurement of defined benefit pension schemes	-	-	-	11.2	-	-	11.2
Tax relating to components of other comprehensive income	-	-	-	(2.1)	-	-	(2.1)
Net income recognised in other comprehensive income	-	-	-	9.1	(3.3)	-	5.8
Profit for the period	-	-	-	78.0	-	-	78.0
Total comprehensive income for the period	-	-	-	87.1	(3.3)	-	83.8
Dividends paid	-	-	-	(94.3)	-	-	(94.3)
Share-based payments	-	-	-	11.6	-	(4.4)	7.2
Tax on share-based payment transactions	-	-	-	(0.2)	-	-	(0.2)
<b>At 31 December 2017 (unaudited)</b>	<b>14.7</b>	<b>369.6</b>	<b>2.7</b>	<b>98.3</b>	<b>80.5</b>	<b>17.1</b>	<b>582.9</b>

For the year ended 30 June 2018

(In £s million)	Called up share capital	Share premium	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve	Total equity
At 1 July 2017	14.7	369.6	2.7	94.1	83.8	21.5	586.4
Currency translation adjustments	-	-	-	-	(5.1)	-	(5.1)
Remeasurement of defined benefit pension schemes	-	-	-	62.9	-	-	62.9
Tax relating to components of other comprehensive income	-	-	-	(11.9)	-	-	(11.9)
Net income recognised in other comprehensive income	-	-	-	51.0	(5.1)	-	45.9
Profit for the year	-	-	-	165.8	-	-	165.8
Total comprehensive income for the year	-	-	-	216.8	(5.1)	-	211.7
Dividends paid	-	-	-	(109.7)	-	-	(109.7)
Share-based payments	-	-	-	11.9	-	0.3	12.2
Tax on share-based payment transactions	-	-	-	(0.1)	-	-	(0.1)
<b>At 30 June 2018 (audited)</b>	<b>14.7</b>	<b>369.6</b>	<b>2.7</b>	<b>213.0</b>	<b>78.7</b>	<b>21.8</b>	<b>700.5</b>

## Condensed Consolidated Cash Flow Statement

(In £s million)	Note	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
<b>Operating profit</b>		<b>124.1</b>	<b>116.5</b>	<b>243.4</b>
Adjustments for:				
Depreciation of property, plant and equipment		5.1	4.8	9.2
Amortisation of intangible assets		3.4	3.8	6.3
Profit on disposal of business assets		-	(0.8)	(0.6)
Net movements in provisions		(0.3)	(1.2)	(1.4)
Share-based payments		6.0	6.9	12.4
		<b>14.2</b>	<b>13.5</b>	<b>25.9</b>
<b>Operating cash flow before movement in working capital</b>		<b>138.3</b>	<b>130.0</b>	<b>269.3</b>
Movement in working capital:				
Decrease/(increase) in receivables		56.9	(20.7)	(107.9)
(Decrease)/increase in payables		(116.7)	(35.2)	82.1
Movement in working capital		<b>(59.8)</b>	<b>(55.9)</b>	<b>(25.8)</b>
<b>Cash generated by operations</b>		<b>78.5</b>	<b>74.1</b>	<b>243.5</b>
Pension scheme deficit funding		(7.9)	(7.7)	(15.3)
Income taxes paid		(31.8)	(33.7)	(65.7)
<b>Net cash inflow from operating activities</b>		<b>38.8</b>	<b>32.7</b>	<b>162.5</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(6.5)	(9.5)	(15.1)
Proceeds from sales of business assets		-	1.4	1.5
Purchase of own shares		(0.1)	-	-
Purchase of intangible assets		(8.8)	(5.6)	(11.4)
Cash paid in respect of Veredus acquisition made in previous years		-	-	(13.7)
Interest received		0.4	0.3	0.6
<b>Net cash used in investing activities</b>		<b>(15.0)</b>	<b>(13.4)</b>	<b>(38.1)</b>
<b>Financing activities</b>				
Interest paid		(2.4)	(1.2)	(2.6)
Equity dividends paid		(112.9)	(94.3)	(109.7)
Proceeds from exercise of share options		0.3	0.4	1.3
Increase/(decrease) in bank loans and overdrafts		85.0	79.6	(0.4)
<b>Net cash used in financing activities</b>		<b>(30.0)</b>	<b>(15.5)</b>	<b>(111.4)</b>
Net (decrease)/increase in cash and cash equivalents		(6.2)	3.8	13.0
<b>Cash and cash equivalents at beginning of period</b>		<b>122.9</b>	<b>112.0</b>	<b>112.0</b>
Effect of foreign exchange rate movements		0.8	(1.3)	(2.1)
<b>Cash and cash equivalents at end of period</b>	9	<b>117.5</b>	<b>114.5</b>	<b>122.9</b>
<hr/>				
(In £s million)	Note			
<b>Bank loans and overdrafts at beginning of period</b>		-	(0.4)	(0.4)
(Increase)/decrease in period		(85.0)	(79.6)	0.4
<b>Bank loans and overdrafts at end of period</b>		<b>(85.0)</b>	<b>(80.0)</b>	-
<b>Net cash at end of period</b>	9	<b>32.5</b>	<b>34.5</b>	<b>122.9</b>

The notes on pages 20 to 26 form part of these interim financial statements.

## Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2018

### 1 Basis of preparation

The condensed consolidated interim financial statements ("interim financial statements") are the results for the six months ended 31 December 2018. The interim financial statements have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union, in accordance with International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. They are unaudited but have been reviewed by the auditors and their report is attached.

The interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 as they do not include all of the information required for full statutory accounts. The interim financial statements should be read in conjunction with the statutory accounts for the year ended 30 June 2018, which were prepared in accordance with IFRS as adopted by the European Union and have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

### Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies and methods of computation applicable for the year ended 30 June 2018. These accounting policies are consistent with those applied in the preparation of the financial statements for the year ended 30 June 2018 except as where stated below.

The fair value of trade receivables, trade payables, financial assets, bank loans and overdraft is not materially different to their book value.

The basis of tax accounting under IAS 34 is different to the year ended 30 June 2018 because it is based on the effective rate expected for the year ending 30 June 2019.

The following are new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 July 2018 and no new standards have been early adopted. The Group's December 2018 interim financial statements have adopted these amendments to IFRS, none of which had any material impact on the Group's results or financial position:

- Y IFRS 2 (amendments) Share Based Payments (effective 1 January 2018)
- Y IFRS 9 Financial Instruments (effective 1 January 2018)
- Y IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Y IFRS 15 (amendments) Revenue from Contracts with Customers (effective 1 January 2018)
- Y Annual Improvements to IFRSs 2016 (effective 1 January 2018)
- Y IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

The Group's accounting policies align to the requirements of IFRS 9 and IFRS 15. There have been no alterations made to the accounting policies as a result of considering all of the other amendments above that became effective in the period, as these were either not material or were not relevant.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 July 2019. These new pronouncements are listed as follows:

- Y IFRS 9 (amendments) Financial Instruments (effective 1 January 2019)
- Y IAS 19 (amendments) Employee Benefits (effective 1 January 2019)
- Y IAS 28 (amendments) Investments in Associates (effective 1 January 2019)
- Y IFRS 16 Leases (effective 1 January 2019)
- Y IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Y Annual Improvements to IFRSs 2017 (effective 1 January 2019)
- Y IFRS 3 (amendments) Business Combinations - Definition of a business (effective 1 January 2020)

## Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2018

### Accounting policies continued

IFRS 9 has introduced a new classification approach for financial assets and liabilities. The categories of financial assets have been reduced from four to three and financial liabilities are measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. A review of the current Group bad debt policy has concluded that had IFRS 9 been applied in the previous reporting period, the expected credit loss model would not have had a material impact on the Group's financial statements. The Group has applied the new rules retrospectively from 1 July 2018. Comparative information for the year ended 30 June 2018 has not been restated.

IFRS 15 'Revenue from Contracts with Customers' requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. IFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

An assessment of the impact of IFRS 15 has been completed following a comprehensive review of the contracts that exist across the Group's revenue streams. The review has concluded that the significant majority of revenue generated by the Group is from the performance obligation of either (i) the permanent placement of an individual with a client, which is satisfied upon the individual commencing employment with the client, or (ii) as temporary workers are provided to the client. An immaterial amount of revenue is generated from the provision of services over time, recognised as certain delivery milestones are met, which represents approximately 0.3% of the Group's turnover and net fees.

Revenue recognition under IFRS 15 is consistent with prior practice for the Group's revenue and had IFRS 15 been applied in the prior reporting period, it would not have had a material impact on the Group's financial statements. A fully retrospective method has been adopted for transparency and comparison purposes in the Group financial statements.

IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's Consolidated Financial Statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

The standard will also impact a number of statutory measures such as operating profit, and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete. IFRS 16 will become effective in the Group's financial year 2020. The directors expect to be able to provide an indication of the impact on the Group's financial statements during the current financial year.

The directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.



### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, including its cash flows and liquidity position are described in the Half Year Report.

The Group has an unsecured revolving credit facility of £210 million that expires in November 2023. The Group uses the facility to manage its day-to-day working capital requirements as appropriate. As at 31 December 2018, £125 million of the committed facility was un-drawn.

The Group's facility, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including contractual and commercial commitments, future growth and any proposed dividends. Therefore the Group is well placed to manage its business risks.

After making enquiries, the directors have formed the judgment, at the time of approving the interim financial statements, that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the interim financial statements.

## 2 Segmental information

### IFRS 8, Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess their performance.

As a result, the Group segments the business into four regions, Australia & New Zealand, Germany, United Kingdom & Ireland and Rest of World. There is no material difference between the segmentation of the Group's turnover by geographic origin and destination.

The Group's operations comprise one class of business, that of qualified, professional and skilled recruitment.

### Net fees and profit

The Group's Management Board, which is regarded as the chief operating decision maker, uses net fees by segment as its measure of revenue in internal reports rather than turnover. This is because net fees exclude the remuneration of temporary workers, and payments to other recruitment agencies where the Group acts as principal, which are not considered relevant in allocating resources to segments. The Group's Management Board considers net fees for the purpose of making decisions about allocating resources. The Group does not report items below operating profit by segment in its internal management reporting. The full detail of these items can be seen in the Income Statement.

### Net fees and profit

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
<b>Net fees</b>			
Australia & New Zealand	101.5	99.8	199.4
Germany	153.7	134.8	276.0
United Kingdom & Ireland	131.7	127.5	258.2
Rest of World	181.1	163.7	339.2
	<b>568.0</b>	<b>525.8</b>	<b>1,072.8</b>
<b>Operating profit</b>			
Australia & New Zealand	34.1	34.1	69.1
Germany	46.7	41.1	86.0
United Kingdom & Ireland	24.0	22.6	47.0
Rest of World	19.3	18.7	41.3
	<b>124.1</b>	<b>116.5</b>	<b>243.4</b>

## Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2018

### 3 Net finance charge

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
Interest received on bank deposits	0.4	0.3	0.6
Interest payable on bank loans and overdrafts	(1.4)	(1.1)	(2.2)
Other interest payable	(0.1)	-	(0.3)
Interest unwind on acquisition liability	-	(0.6)	(0.6)
Pension Protection Fund levy	(0.1)	(0.2)	(0.3)
Net interest on pension obligations	(0.3)	(1.0)	(2.1)
<b>Net finance charge</b>	<b>(1.5)</b>	<b>(2.6)</b>	<b>(4.9)</b>

### 4 Tax

The Group's consolidated effective tax rate for the six months to 31 December 2018 is based on the estimated effective tax rate for the full year of 30.5% (31 December 2017: 31.5%, 30 June 2018: 30.5%).

### 5 Dividends

The following dividends were paid by the Group and have been recognised as distributions to equity shareholders in the year:

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
Final dividend for the year ended 30 June 2017 of 2.26 pence per share	-	32.7	32.7
Interim dividend for the period to 31 December 2017 of 1.06 pence per share	-	-	15.4
Final dividend for the year ended 30 June 2018 of 2.75 pence per share	40.0	-	-
Special dividend for the year ended 30 June 2018 of 5.00 pence per share	72.9	61.6	61.6
	<b>112.9</b>	<b>94.3</b>	<b>109.7</b>

The interim dividend for the period ended 31 December 2018 of 1.11 pence per share is not included as a liability in the balance sheet as at 31 December 2018.

### 6 Earnings per share

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
Earnings	122.6	113.9	238.5
Tax on earnings	(37.4)	(35.9)	(72.7)
<b>Basic earnings</b>	<b>85.2</b>	<b>78.0</b>	<b>165.8</b>
<b>Number of shares (million):</b>			
Weighted average number of shares	1,454.9	1,446.4	1,448.6
Dilution effect of share options	17.8	16.2	18.3
<b>Weighted average number of shares used for diluted EPS</b>	<b>1,472.7</b>	<b>1,462.6</b>	<b>1,466.9</b>
<b>(In pence)</b>			
Basic earnings per share	5.86p	5.39p	11.44p
Diluted earnings per share	5.79p	5.33p	11.30p

## 7 Retirement benefit surplus/obligations

(In £s million)	Six months to 31 December 2018 (unaudited)	Six months to 31 December 2017 (unaudited)	Year to 30 June 2018 (audited)
Surplus/(obligations) in the scheme brought forward	75.9	(0.2)	(0.2)
Administration cost	(1.3)	(1.0)	(2.3)
Employer contributions (towards funded and unfunded schemes)	7.9	7.7	15.3
Net interest income	1.0	-	0.2
Remeasurement of the net defined benefit liability	(64.3)	11.2	62.9
<b>Surplus in the scheme carried forward</b>	<b>19.2</b>	<b>17.7</b>	<b>75.9</b>

The Group's pension position under IAS 19 at 31 December 2018 has resulted in a surplus of £19.2 million (31 December 2017: £17.7 million, 30 June 2018: £75.9 million). The reduction in the surplus since 30 June 2018 was primarily due to a decrease in asset values and changes in assumptions. This includes the impact of the buy-in detailed below.

As previously announced, on 6 August 2018, Hays Pension Trustee Limited in agreement with Hays plc entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the existing pensioners of the Hays defined benefit Scheme as at 31 December 2017. The impact of this transaction is reflected in the IAS 19 valuation as at 31 December 2018.

In respect of IFRIC 14, the Schemes Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the Scheme.

Following the landmark legal judgment against Lloyds Banking Group in October last year, ruling on the equalisation of guaranteed minimum pensions for men and women in UK defined benefit pension plans, we are reviewing our own position with the Hays Pension Scheme Trustees. Initial estimates indicate that the Scheme's liabilities will increase by between 1 and 1.5% (£8-12 million). The position will be kept under review, including the amount of the liability, pending any further clarification and Government guidance. Accordingly we will record this as an exceptional charge in the FY19 full year results.

## 8 Provisions

(In £s million)	Current	Non-current	Total
At 1 July 2018	1.2	6.2	7.4
Credited to income statement	(0.4)	0.1	(0.3)
<b>At 31 December 2018 (unaudited)</b>	<b>0.8</b>	<b>6.3</b>	<b>7.1</b>

Provisions primarily comprise potential exposures arising as a result of the business disposals that were completed in 2004, together with deferred employee benefits relating to former employees.

## Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2018

### 9 Movement in net cash

(In £s million)	1 July 2018	Cash flow	Exchange movement	31 December 2018 (unaudited)
Cash and cash equivalents	122.9	(6.2)	0.8	<b>117.5</b>
Bank loans and overdrafts	-	(85.0)	-	<b>(85.0)</b>
<b>Net cash</b>	122.9	(91.2)	0.8	<b>32.5</b>

The table above is presented as additional information to show movement in net cash, defined as cash and cash equivalents less bank loans and overdrafts.

On 8 November 2018, the Group extended the maturity of its £210 million unsecured revolving credit facility to November 2023. The facility included an option to extend for a further two years to 2025 subject to lender agreement. The financial covenants within the facility remain unchanged and require the Group's interest cover ratio to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. The interest rate of the facility is based on a ratchet mechanism with a margin payable over LIBOR in the range of 0.70% to 1.50%.

As at 31 December 2018, £125 million of the committed facility was undrawn.

### 10 Events after the balance sheet date

There are no significant events after the balance sheet date to report.

### 11 Like-for-like results

Like-for-like results represent organic growth of operations at constant currency. For the six months ended 31 December 2018 these are calculated as follows:

(In £s million)	Six months to 31 December 2017	Foreign exchange impact	31 December 2017 at constant currency	Organic growth	Six months to 31 December 2018
<b>Net fees</b>					
Australia & New Zealand	99.8	(5.3)	94.5	7.0	<b>101.5</b>
Germany	134.8	(0.4)	134.4	19.3	<b>153.7</b>
United Kingdom & Ireland	127.5	-	127.5	4.2	<b>131.7</b>
Rest of World	163.7	(1.2)	162.5	18.6	<b>181.1</b>
<b>Group net fees (unaudited)</b>	525.8	(6.9)	518.9	49.1	<b>568.0</b>
<b>Operating profit</b>					
Australia & New Zealand	34.1	(1.9)	32.2	1.9	<b>34.1</b>
Germany	41.1	(0.1)	41.0	5.7	<b>46.7</b>
United Kingdom & Ireland	22.6	-	22.6	1.4	<b>24.0</b>
Rest of World	18.7	(0.1)	18.6	0.7	<b>19.3</b>
<b>Group profit (unaudited)</b>	116.5	(2.1)	114.4	9.7	<b>124.1</b>

## 12 Like-for-like results H1 analysis by division

Net fee growth versus same period last year

	Q1 2019 (unaudited)	Q2 2019 (unaudited)	H1 2019 (unaudited)
Australia & New Zealand	7%	8%	7%
Germany	13%	15%	14%
United Kingdom & Ireland	3%	3%	3%
Rest of World	14%	10%	11%
<b>Group</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>

H1 2019 is the period from 1 July 2018 to 31 December 2018.

The Q1 and Q2 net fee like-for-like growth percentages are as reported in the Q1 and the Q2 Quarterly Updates.

## 13 Disaggregation of net fees H1 2019

IFRS 15 requires entities to disaggregate revenue recognised from contracts with customers into relevant categories that depict how the nature, amount and cash flows are affected by economic factors. As a result, we consider the following information to be relevant:

(unaudited)	Australia & New Zealand	Germany	United Kingdom & Ireland	Rest of World	Group
Temporary placements	67%	84%	56%	31%	58%
Permanent placements	33%	16%	44%	69%	42%
Private sector	65%	91%	73%	99%	85%
Public sector	35%	9%	27%	1%	15%
Accountancy & Finance	12%	15%	22%	14%	15%
IT & Engineering	12%	69%	9%	28%	31%
Construction & Property	24%	5%	20%	10%	14%
Office Support	13%	0%	12%	6%	7%
Other	39%	11%	37%	42%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>