Michael Page

INTERNATIONAL

Half Year Results for the period ended 30 June 2003

Michael Page International plc ("Michael Page"), the specialist professional recruitment company, announces its half year results for the period ended 30 June 2003.

Key Points

- First half revenue (gross profit) of £87.8m
- 5% revenue increase in Q2 2003 over Q1 2003, despite difficult trading conditions
- Operating profit of £11.1m, including a net exceptional gain of £0.5m
- Earnings per share of 2.0p
- £7.7m cash generated from operating activities
- Interim dividend maintained at 1.1p per share

Commenting on the results, Terry Benson, Chief Executive of Michael Page, said:

"I am pleased to report a slightly better than anticipated end to the second quarter and accordingly the results for the six months ended 30 June 2003 are ahead of expectations. We are continuing to manage the business on the basis that market conditions will remain challenging but stable for the remainder of this year. As a consequence we will maintain our tight control over costs, whilst at the same time ensuring that the longer-term prospects of the business are protected. We are encouraged by our second quarter revenues but, as we have now entered our seasonally quieter third quarter, it is too early to say whether this is the start of a sustainable improvement and we remain cautious about the short-term outlook."

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Chairman's Statement

The first six months of 2003 presented difficult trading conditions with weak economic activity in most of our markets, war in Iraq and the outbreak of SARS. Nevertheless I am pleased to report a slightly better than anticipated end to the second quarter and accordingly the results for the six months ended 30 June 2003 are ahead of expectations.

Turnover for the six months ended 30 June 2003 was £180.4m (2002: £197.8m) and revenue (gross profit) was £87.8m (2002: £100.9m). Operating profit was £11.1m (2002: £17.8m), including a net exceptional gain of £0.5m (2002: nil). Profit before tax was £11.6m (2002: £18.0m) and earnings per share were 2.0p (2002: 3.2p).

In the first half of 2003 we continued our strategy of maintaining our market presence whilst at the same time exercising our normal tight control on costs. We started the year with 2,390 staff operating from 107 offices in 16 countries. At 30 June 2003, staff numbers have reduced to 2,279 (2002: 2,440) still operating from the same number of offices and countries.

These challenging market conditions, whilst impacting virtually all elements of the Group's businesses, continue to have a greater effect on permanent rather than temporary recruitment. In the first half of 2003 the mix of the Group's turnover and revenue between permanent and temporary placements was 35:65 (2002: 39:61) and 68:32 respectively (2002: 70:30).

United Kingdom

Turnover of the UK operations was £92.1m (2002: £105.8m), revenue was £43.7m (2002: £51.9m) and operating profit before exceptional items was £6.7m (2002: £10.3m). Revenue from Finance and Accounting was 19% lower than the first half of 2002; Marketing and Sales was 14% lower whilst the other disciplines increased by 2%. The lower finance revenues are a result of reduced activity in more senior finance appointments and continuing weakness in banking and financial services. In our other disciplines, the newer businesses of Human Resources and Engineering continue to develop well, both achieving strong revenue growth. Legal was similar to the first half of 2002 but Technology was lower.

Continental Europe

Turnover of the Continental European operations was £62.1m (2002: £66.3m), revenue was £30.6m (2002: £35.2m) and operating profit was £0.9m (2002: £4.4m). All of our larger Continental European operations continue to experience extremely difficult market conditions, particularly in France, Holland and Germany. Our businesses in Italy, Spain, Switzerland and Portugal have fared better, achieving revenue levels broadly similar to the first half of 2002. The new businesses in Belgium and Sweden, both incurred small trading losses in the first half of the year.

Asia Pacific

Turnover of the Asia Pacific operations increased to £23.7m (2002: £22.6m), revenue was also higher at £11.5m (2002: £11.3m) and operating profit was £3.2m (2002: £3.5m). Our businesses in Australia continue to develop well and gain market share despite tough market conditions. The outbreak of SARS adversely affected our businesses in Hong Kong and Singapore, although not as severely as was first feared. The Tokyo office, which opened two years ago, has progressed well and we intend to further increase our headcount in the second half of this year.

Americas

Turnover was £2.6m (2002: £3.1m), revenue was £1.9m (2002: £2.5m) and we recorded an operating loss of £0.2m (2002: £0.3m). Market conditions in the USA continue to be difficult. However our business is operating to plan and it is our current intention to open a third office in the second half of this year. In Brazil the business has grown significantly. We now employ 40 people and have opened a second office in Rio de Janeiro.

Exceptional Items

In the first six months of 2003 the Group has two exceptional items which give rise to a net exceptional gain of £0.5m.

At the end of 2001, the Group committed to a 20 year lease on 33,000 sq.ft. of offices in London to provide space for future expansion and to accommodate existing businesses whose leases were expiring in 2002 to 2004. Possession of the new offices took place in the first half of 2003 and, given the reductions in headcount, a substantial amount of space is now vacant. In accordance with FRS 12 the Group is making an exceptional charge for vacant property of £3.0m.

On flotation in March 2001, the Group recorded an exceptional charge of £6.0m in respect of employer's social charges on the Restricted Share Scheme. These liabilities, which are dependent upon the price of Michael Page shares, crystallise in March 2004. In these interim results, this liability has been estimated at £2.5m using the share price at 30 June 2003 (110.5p). As a consequence there is an exceptional credit in the first six months of £3.5m. This provision will be recalculated at the year end using the share price at 31 December 2003 and at the end of March 2004 when the shares are distributed.

Taxation

The charge for taxation is based on the expected effective annual tax rate of 38.0% on profit before taxation, exceptional items and amortisation of goodwill (2002: 34.1%). The effective rate has increased principally due to unrelieved tax losses in a number of separate jurisdictions.

As a result of recent changes in UK tax legislation, the Company expects to obtain a deduction for corporation tax purposes when the Restricted Share Scheme vests. Based on the price of Michael Page shares at 30 June 2003, the deduction to UK taxable profits would be approximately £16m which, at the UK corporation tax rate of 30%, would reduce the tax charge in 2004 by £4.8m.

Cash Flow

The Group started the year with net cash of £21.4m. In the first half we generated £7.7m from operations. After tax payments of £4.7m, net capital expenditure of £3.5m and dividends of £8.2m, we ended the period with £13.6m of net cash. Interest income in the first six months was £0.4m (2002: £0.1m) and includes £0.2m of interest on a tax refund.

Dividends

Whilst the Group's profits have declined, our cash position remains strong and the Board has decided to maintain the interim dividend at 1.1p (2002: 1.1p) per share. The interim dividend will be paid on 17 October 2003 to shareholders on the register at 19 September 2003.

Current trading and future prospects

We are continuing to manage the business on the basis that market conditions will remain challenging but stable for the remainder of this year. As a consequence we will maintain our tight control over costs, whilst at the same time, ensuring that the longer-term prospects of the business are protected. We are encouraged by our second quarter revenues but, as we have now entered our seasonally quieter third quarter, it is too early to say whether this is the start of a sustainable improvement and we remain cautious about the short term outlook.

Adrian Montague

18 August 2003

Unaudited Consolidated Profit and Loss Account for the six months ended 30 June 2003

	Note	Six months ended 30 June Before exceptional items 2003 £'000	Exceptional items (Note 3) 2003 £'000	After exceptional items 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Turnover	2	**180,437**	**-**	**180,437**	197,822	383,470
Cost of sales		**(92,665)**	**-**	**(92,665)**	(96,971)	(190,822)
Gross profit	2	**87,772**	**-**	**87,772**	100,851	192,648
Administrative expenses		**(77,149)**	**497**	**(76,652)**	(83,037)	(160,512)
Operating profit		**10,623**	**497**	**11,120**	17,814	32,136
Net interest		**442**	**-**	**442**	137	461
Profit on ordinary activities before taxation	2	**11,065**	**497**	**11,562**	17,951	32,597
Taxation on profit on ordinary activities	4	**(4,223)**	**(149)**	**(4,372)**	(6,137)	(11,443)
Profit on ordinary activities after taxation being profit for the financial period		**6,842**	**348**	**7,190**	11,814	21,154
Equity dividends	5	**(3,938)**	**-**	**(3,938)**	(4,062)	(12,263)
Retained profit for the financial period		**2,904**	**348**	**3,252**	7,752	8,891

	Note	2003	2002	2002
Basic earnings per share (pence)	6	**2.0**	3.2	5.8
Diluted earnings per share (pence)	6	**2.0**	3.2	5.8
Adjusted earnings per share (pence)	6	**1.9**	3.2	5.8

Unaudited Consolidated Statement of Total Recognised Gains and Losses

	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Profit for the financial period	**7,190**	11,814	21,154
Foreign currency translation differences	**2,346**	1,939	1,256
Total recognised gains and losses for the period	**9,536**	13,753	22,410

Unaudited Consolidated Balance Sheet at 30 June 2003

	Note	30 June 2003 £'000	30 June 2002 £'000	31 December 2002 £'000
Fixed assets				
Intangible assets		**1,587**	1,683	1,635
Tangible assets		**24,526**	26,762	23,505
Investments in own shares		**10,000**	10,000	10,000
		36,113	38,445	35,140
Current assets				
Debtors		**75,237**	84,762	70,743
Cash at bank and in hand		**14,680**	21,615	22,040
		89,917	106,377	92,783
Creditors				
Amounts falling due within one year		**(56,075)**	(66,698)	(63,069)
Net current assets		**33,842**	39,679	29,714
Total assets less current liabilities		**69,955**	78,124	64,854
Provisions for liabilities and charges	7	**(5,503)**	(6,000)	(6,000)
Net assets	2	**64,452**	72,124	58,854
Capital and reserves				
Called up share capital		**3,637**	3,750	3,637
Capital contribution reserve		**-**	306,487	-
Capital redemption reserve		**113**	-	113
Profit and loss account		**60,702**	(238,113)	55,104
Equity shareholders' funds	8	**64,452**	72,124	58,854

Unaudited Consolidated Cash Flow Statement for the six months ended 30 June 2003

	Note	Six months ended 30 June 2003 £'000	30 June 2002 £'000	Year ended 31 December 2002 £'000
Net cash inflow from operating activities	9	**7,730**	17,514	46,657
Returns on investments and servicing of finance		**442**	137	467
Taxation paid		**(4,686)**	(8,440)	(11,537)
Capital expenditure and financial investment		**(3,450)**	(1,251)	(2,536)
Equity dividends paid		**(8,233)**	(8,494)	(12,524)
Net cash (outflow) / inflow before financing		**(8,197)**	(534)	20,527
Financing				
Repayment of loan notes		**-**	-	(5,452)
Purchase of own shares for cancellation		**-**	-	(13,726)
Net cash outflow from financing		**-**	-	(19,178)
(Decrease) / increase in net cash in the period	10	**(8,197)**	(534)	1,349

Notes to the unaudited financial information

1. Basis of accounting

The consolidated interim financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting and financial reporting standards. The accounting policies are the same as those set out in the financial statements of the Group for the year ended 31 December 2002.

The interim financial statements are unaudited but have been reviewed by the auditors and their report is set out on page 13. The comparative figures for the year ended 31 December 2002 have been extracted from the Group's financial statements, a copy of which has been delivered to the Registrar of Companies. The auditors' report on those statements was unqualified and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985. The interim financial information does not constitute statutory accounts as defined under Section 240 of the Companies Act 1985.

2. Segmental analysis

		Six months ended		Year ended
		30 June	30 June	31 December
		2003	2002	2002
		£'000	£'000	£'000
(a) Turnover by geographic region				
United Kingdom		**92,084**	105,790	203,868
Continental Europe		**62,099**	66,348	127,551
Asia Pacific	Australia	**20,247**	18,803	39,187
	Other	**3,414**	3,828	7,503
	Total	**23,661**	22,631	46,690
Americas		**2,593**	3,053	5,361
		180,437	197,822	383,470

	Six months ended		Year ended
	30 June	30 June	31 December
	2003	2002	2002
	£'000	£'000	£'000
(b) Turnover by discipline			
Finance and accounting	**125,119**	144,288	277,818
Marketing and sales	**29,692**	28,251	54,590
Other	**25,626**	25,283	51,062
	180,437	197,822	383,470

Notes to the unaudited financial information (continued)

2. Segmental analysis (continued)

		Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
(c) Gross profit by geographic region				
United Kingdom		**43,737**	51,946	99,274
Continental Europe		**30,617**	35,151	66,334
Asia Pacific	Australia	**8,418**	8,010	16,380
	Other	**3,103**	3,286	6,536
	Total	**11,521**	11,296	22,916
Americas		**1,897**	2,458	4,124
		87,772	100,851	192,648

	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
(d) Gross profit by discipline			
Finance and accounting	**55,841**	66,108	126,477
Marketing and sales	**18,738**	20,847	38,740
Other	**13,193**	13,896	27,431
	87,772	100,851	192,648

Notes to the unaudited financial information (continued)

2. Segmental analysis (continued)

		Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
(e) Profit before interest, taxation and exceptional items by geographic region				
United Kingdom		**6,727**	10,316	20,487
Continental Europe		**943**	4,370	5,567
Asia Pacific	Australia	**2,902**	2,873	5,796
	Other	**281**	598	1,033
	Total	**3,183**	3,471	6,829
Americas		**(230)**	(343)	(747)
Profit before taxation, interest and exceptional items		**10,623**	17,814	32,136
Exceptional items		**497**	-	-
Profit before interest and taxation		**11,120**	17,814	32,136
Net interest		**442**	137	461
Profit on ordinary activities before taxation		**11,562**	17,951	32,597

		Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
(f) Net assets / (liabilities) by geographic region				
United Kingdom		**43,363**	40,351	40,264
Continental Europe		**17,132**	28,716	17,166
Asia Pacific	Australia	**6,364**	3,894	3,825
	Other	**495**	874	340
	Total	**6,859**	4,768	4,165
Americas		**(2,902)**	(1,711)	(2,741)
		64,452	72,124	58,854

Notes to the unaudited financial information (continued)

3. Exceptional items

	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Release of payroll tax provision on Restricted Share Scheme (a)	**3,483**	-	-
Property costs (b)	**(2,986)**	-	-
	497	-	-
Taxation on exceptional items	**(149)**	-	-
	348	-	-

(a) Release of payroll tax provision on Restricted Share Scheme

The grant of Restricted Shares on flotation in 2001 gave rise to potential National Insurance and social security liabilities. These liabilities were estimated at £6.0m and were charged as an exceptional item in 2001. As these liabilities crystallise in March 2004 when the Restricted Shares vest, these liabilities are now being estimated using the share price at each period end. Using the share price at 30 June 2003 of 110.5p, the required provision is £2.5m and as a consequence, £3.5m has been released from the provision.

(b) Property costs

The property cost provision represents rentals and other unavoidable costs on onerous lease agreements on vacant properties.

4. Taxation

The charge for taxation is based on the expected annual tax rate of 38.0% on profit before taxation, exceptional items, and amortisation of goodwill (2002: 34.1% before amortisation of goodwill).

5. Dividends

An interim dividend of 1.1 pence (2002: 1.1 pence) per ordinary share will be paid on 17 October 2003 to shareholders on the register at the close of business on 19 September 2003.

Notes to the unaudited financial information (continued)

6. Earnings per share

	Basic and diluted EPS	Exceptional items	Adjusted EPS
30 June 2003			
Profit after taxation (£'000)	**7,190**	**(348)**	**6,842**
Average shares ('000)	**357,949**	**-**	**357,949**
Earnings per share (pence)	**2.0**	**-**	**1.9**
30 June 2002			
Profit after taxation (£'000)	11,814	-	11,814
Average shares ('000)	369,286	-	369,286
Earnings per share (pence)	3.2	-	3.2
31 December 2002			
Profit after taxation (£'000)	21,154	-	21,154
Average shares ('000)	366,355	-	366,355
Earnings per share (pence)	5.8	-	5.8

7. Provisions for liabilities and charges

	Six months ended		Year ended
	30 June 2003 £'000	30 June 2002 £'000	31 December 2002 £'000
Payroll tax liability on the Restricted Share Scheme (note 3)	**2,517**	6,000	6,000
Vacant property provision (note 3)	**2,986**	-	-
	5,503	6,000	6,000

Notes to the unaudited financial information (continued)

8. Reconciliation of movements in shareholders' funds

	Six months ended 30 June 2003 £'000	30 June 2002 £'000	Year ended 31 December 2002 £'000
Profit for the financial period	**7,190**	11,814	21,154
Dividends	**(3,938)**	(4,062)	(12,263)
Retained profit for the financial period	**3,252**	7,752	8,891
Foreign currency translation differences	**2,346**	1,939	1,256
	5,598	9,691	10,147
Share buybacks	**-**	-	(13,726)
Opening shareholders' funds	**58,854**	62,433	62,433
Closing shareholders' funds	**64,452**	72,124	58,854

9. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 30 June 2003 £'000	30 June 2002 £'000	Year ended 31 December 2002 £'000
Operating profit	**11,120**	17,814	32,136
Depreciation and amortisation charges	**3,578**	3,867	8,067
(Profit)/loss on sale of fixed assets	**(77)**	14	262
(Increase)/decrease in debtors	**(4,056)**	(3,480)	10,349
Decrease in creditors	**(2,835)**	(701)	(4,157)
Net cash inflow from operating activities	**7,730**	17,514	46,657

Notes to the unaudited financial information (continued)

10. Reconciliation of net cash flow to movement in net funds

	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
(Decrease)/increase in cash in the period	**(8,197)**	(534)	1,349
Change in net funds resulting from cash flows	**(8,197)**	(534)	1,349
Decrease in debt financing	**-**	-	5,452
Foreign exchange movements	**418**	424	224
Movements in net funds in period	**(7,779)**	(110)	7,025
Opening net funds	**21,372**	14,347	14,347
Closing net funds	**13,593**	14,237	21,372

11. Analysis of net funds

	At 31 December 2002 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 June 2003 £'000
Cash at bank and in hand	22,040	(7,748)	388	**14,680**
Bank overdrafts	(668)	(449)	30	**(1,087)**
Total net funds	**21,372**	**(8,197)**	**418**	**13,593**

12. Nature of financial information

The interim financial statements were approved by a committee of the Board of Directors on 18 August 2003.

Copies of this statement of interim results are available from the Company's Registrar - Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, at the Company's registered office - Page House, 39 - 41 Parker Street, London WC2B 5LN, and on the Company's website - www.michaelpage.co.uk.

Independent review report to Michael Page International plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2003 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Deloitte & Touche LLP
Chartered Accountants

18 August 2003

A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.