
Chairman's

STATEMENT

2008 as a whole was a successful year for the Group, despite encountering increasingly difficult economic conditions. We have produced a record level of revenue with growth in every region. This performance was testament to our strategy of diversifying the Group's business through organic expansion. At the beginning of the year, we experienced strong demand in the majority of our businesses around the world and continued our expansion and investment in headcount to deliver growth. Total staff numbers grew from 5,052 at the beginning of the year to peak at 5,535 by the end of June. As market conditions deteriorated rapidly in the second half of the year our businesses reacted quickly, reducing total staff to 4,943 at the end of the year. During the year we started businesses in Austria, Turkey and New Zealand and now have operations in 163 offices across 28 countries.

Financial summary

Revenue for the year ended 31 December 2008 increased 17.0% to £972.8m (2007: £831.6m) and gross profit grew by 15.6% to £552.7m (2007: £478.1m). The reported revenue and gross profit benefited from the weakening of Sterling during the year, in constant currency the growth rates were 7.9% and 5.8% respectively. As typically happens when market conditions weaken, temporary placements were more resilient than permanent. Growth in gross profits from temporary placements exceeded that from permanent placements and this slight shift in business mix resulted in a Group gross margin of 56.8% (2007: 57.5%). The rapid slowdown in activity we experienced in the second half of the year, combined with the Group's high operational gearing produced lower operating profits of £140.5m (2007: £149.4m). Profit before tax was £140.1m (2007: £147.4m) and basic earnings per share were 2.6% lower at 30.3p (2007: 31.1p). Cash generated from operations increased by 24.6% to £185.2m (2007: £148.7m) the increase being largely driven by lower working capital requirements. The Group's net cash position at 31 December 2008 is £94.3m (2007: £10.3m).



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2008 AS A WHOLE WAS A SUCCESSFUL YEAR FOR THE GROUP

The success of our strategy to diversify the business, both geographically and by discipline, through organic growth is increasingly evident, with the EMEA region the largest in the Group. This diversification, combined with the weakness of Sterling, means almost 70% of the Group's 2008 reported gross profits were generated outside the UK. With a heritage in Finance and Accounting recruitment, these disciplines will continue to represent a significant proportion of the business for some time. However, other professional disciplines that we have been successfully rolling-out now account for just over 50% of the Group's gross profit and we anticipate that the proportion generated from these other disciplines will continue to increase as we diversify further.

Dividends, share repurchases and cash position

The Board's policy on dividends is to seek to grow the level of annual dividend to a level which we believe can be sustained throughout economic cycles. Surplus cash generated in excess of these dividend levels will be returned to shareholders through share repurchases whilst maintaining a strong balance sheet position.

Given the slight reduction in earnings per share but more importantly the uncertain economic outlook, the Board is recommending maintaining the total dividend per share for the year at 8p. The proposed final dividend is 5.12p (2007: 5.6p) per share which, together with the interim dividend of 2.88p (2007: 2.4p) per share paid in October, makes a total dividend for the year of 8.0p (2007: 8.0p) per share. The final dividend, if approved, will be paid on 8 June 2009 to those shareholders on the register at 8 May 2009. The total dividend is covered 3.8 times by basic earnings per share of 30.3p.

We repurchased 7.2m shares for £16.8m during 2008. Our year end net cash position of £94.3m is higher than usual, reflecting the adoption of a more cautious approach to the Group's financial position given the deteriorating economic conditions and volatility in the financial markets.

Takeover approach by Adecco

In May 2008, Michael Page received an unsolicited offer from Adecco S.A. ("Adecco") regarding a possible offer for the Group. After careful consideration, the Board of Michael Page concluded that the proposed offer materially undervalued the Group and its prospects and that the interests of the Group's shareholders and employees would be better served by Michael Page remaining an independent entity. On 16 September 2008, Adecco announced it was no longer considering making an offer for Michael Page, and pursuant to Rule 2.8 of the City Code on Takeovers and Mergers, prevented from making an offer for Michael Page within the six month period following the date of their announcement.

Employees

In response to the deteriorating and increasingly challenging economic climate, we have and continue to take the regrettable, but necessary, actions to reduce our staff headcount around the world. I would like to thank those staff who have left the business for their contribution to the Group and wish them well for the future.

The long-term growth strategy of the Group is founded on the successful development of our staff within a meritocratic culture. Our objective is to provide the environment and opportunity for talented individuals to develop and progress their careers with high recognition and reward. I would like to

extend the appreciation of the Board and shareholders to the staff and to thank them for their commitment to the Group.

Board of Directors

Stephen Box, the Senior Independent Director, has decided not to seek re-election to the Board at the forthcoming Annual General Meeting in May. Stephen joined the Board at the time of flotation in 2001 and has been a valuable member of the Board. We all thank him for his contribution.

Current trading and future prospects

Market conditions have deteriorated further since the beginning of the year, with gross profit decreasing in January and February by 30% (down 38% on a constant currency basis). The Group is currently operating around break even at the operating profit level, although March is historically our strongest month in the first quarter. In light of these conditions, we continue to take aggressive action to manage our cost base. Group headcount at the end of February was 4,491, down by 452 in the last two months and 961 down from the position at the end of September. This is 19% lower than the peak level of 5,535 in June 2008.

Strategy and Outlook

The specialist recruitment markets benefit from a number of long-term structural drivers such as: labour market deregulation; demographic changes; a global shortage of qualified professionals; increasing job mobility; labour law compliance and a greater awareness and acceptance for companies to use specialist recruitment services. These drivers remain, notwithstanding the impact of the economic climate on the confidence of both candidates and clients.

In previous economic downturns, while we reduced headcount, we maintained our market presence and continued to make selective new investments. These decisions enabled us to take market share and enhance the resilience of the Group so that we were able to grow more quickly when economic conditions improved. While the current economic climate is challenging, we will, once again, aim to maintain and develop our market presence while managing our cost base to reflect current trading conditions.

Our next Interim Management Statement covering trading during the first quarter will be released on 7 April 2009.



Sir Adrian Montague CBE

Chairman
5 March 2009