Financial

REVIEW

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2007 WAS A RECORD YEAR FOR THE GROUP WITH ALL REGIONS DELIVERING STRONG GROWTH.

Income statement

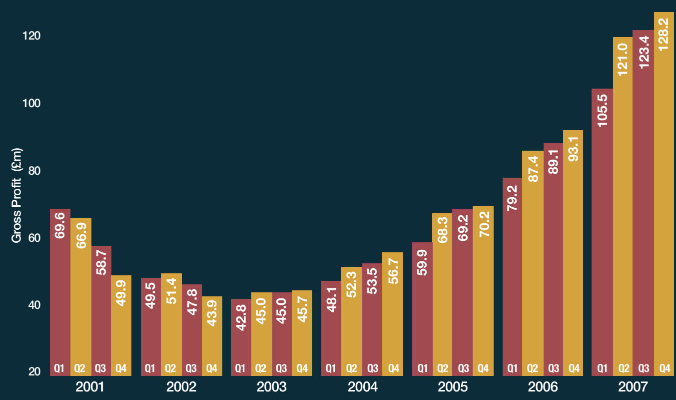
Revenue

2007 was a record year for the Group with all regions delivering strong growth. Reported revenue for the year increased by 28.1% to £831.6m (2006: £649.1m). Using constant currencies, revenue increased by 28.4% to £833.4m. Revenue from temporary placements increased by 17.8% to £439.1m (2006: £372.7m) and represented 52.8% (2006: 57.4%) of Group revenue. Revenue from permanent placements was £392.6m (2006: £276.3m), an increase of 42.1%.

Gross profit

Gross profit for the year increased by 37.1% to £478.1m (2006: £348.8m) and in constant currencies by 37.6% to £480.0m. The Group's gross margin increased to 57.5% (2006: 53.7%). The growth in gross profit is greater than growth in revenue, due to the higher proportion of gross profit derived from permanent placements in 2007, together with a higher volume of temporary placements at a higher gross margin reflecting strong market conditions. Gross profit from temporary placements was £106.1m (2006: £87.8m) and represented 22.2% (2006: 25.2%) of Group gross profit. The gross margin achieved on temporary placements was 24.2% (2006: 23.6%).

GROUP QUARTERLY GROSS PROFIT TREND: Q1 2001 TO Q4 2007



Operating profit and conversion rates

As a result of the Group's organic long-term growth strategy, tight control on costs and profit-based bonuses, we have a business model which is operationally geared, as evidenced by the 54% increase in operating profits to £149.4m from a 37% increase in gross profit. In constant currencies operating profits increased by 54.2% to £150.2m.

With a strategy of organic growth, the Group incurs start-up costs and operating losses as investments are made to grow existing and new businesses, open new offices and launch new countries. Furthermore, significant increases in headcount take time to train and become productive. These characteristics of our growth strategy and the levels of investment impact on the conversion rates in any one reporting period.

The Group's conversion rate in 2007 has increased to 31.3% (2006: 27.9%). The conversion rate in three of the Group's four regions exceeds this rate, with the conversion rate in the Americas being lower as a result of the greater level of new investment and start-ups.

As a result of the increased numbers of staff and offices, start-up costs and higher bonuses due to the increased profits, administrative expenses in the year increased by 30.7% to £328.7m (2006: £251.5m). Administrative expenses also included £7.2m of share-based charges (2006: £8.3m) in respect of the Group's deferred annual bonus scheme, long-term incentive plans and executive share option schemes. The reduction in these share-based charges, compared to 2006, is due to lower employers' social charges as a consequence of the reduction in the share price from 452.25p at the end of 2006, to 288.0p at the end of 2007.

Approximately 75% of the Group's operating expenses are staff-related, including the profit-related bonus, of our consultants and support staff. Headcount of the Group was 3,758 at 1 January 2007 and increased during the year by 34% to 5,052. The ratio of directors and fee earners to support staff in 2007 was 76:24 (2006: 74:26).

Net interest

Our intention is to manage the balance sheet with a broadly neutral net cash/debt position throughout the year, using surplus cash to repurchase shares and, as necessary, drawing on borrowing facilities. Our net cash/debt position at the end of December each year is usually one of the strongest, due to the need to fund fourth quarter and annual profit-based bonus payments in January. We started 2007 with net debt of £3.6m and, after funding £74.9m of share repurchases throughout the year, we operated for a large period of 2007 with net debt. At 31 December 2007, the Group had net cash of £10.3m. As a consequence, the Group has a net interest charge for the year of £2.0m (2006: £0.4m).

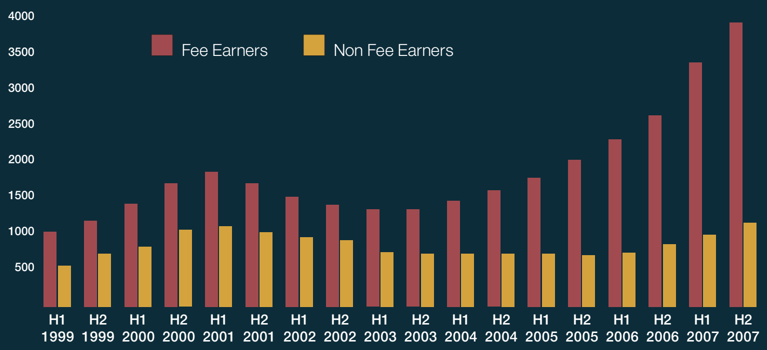
Taxation

Tax on profits was £45.7m (2006: £31.5m), representing an effective tax rate of 31% (2006: 32.5%). The rate is higher than the UK Corporation Tax rate of 30% due to disallowable items of expenditure and profits being generated in countries where the corporate tax rates are higher than 30%. The effective rate is lower than in 2006 primarily as a result of reductions to tax charges in prior periods. With UK corporation tax rates reducing from 30% to 28% in April 2008, the Group's effective tax rate in 2008 is estimated to be in the region of 30.5%.

Share repurchases and share options

It is the Group's intention to continue to use share repurchases to return surplus cash to shareholders and to satisfy awards under the Group's incentive share plan and deferred annual bonus plan. During the year, 15.1m shares were repurchased

SCOPE FOR GROWTH: HEADCOUNT



Ratio Fee earners	: Non Fee earners
1999	59:41
2000	58:42
2001	57:43
2002	58:42
2003	60:40
2004	64:36
2005	71:29
2006	74:26
2007	76:24

at a cost of £74.9m. 11.5m of these shares were cancelled, with the remaining shares purchased by the Company's employee benefit trust to satisfy future share plan awards.

We have no intention of changing our strategy on the Group's capital structure. Given the Group's strong cash generation, the intention to continue repurchasing shares and the reduction in the Group's share price in the latter part of 2007, in order to not be unduly constrained, we will, at the Annual General Meeting on 23 May 2008, be seeking shareholder approval for an increase in the authority to make share repurchases up to a maximum of 15%, from 10%, of the issued share capital.

At the beginning of 2007, the Group had 14.5m share options outstanding of which 3.5m had vested. In March 2007, 2.8m share options were granted. During the course of the year options were exercised over 5.7m shares, generating £8.7m in cash and 0.5m share options lapsed. At the end of 2007, 11.1m share options remained outstanding of which 3.1m had vested.

Earnings per share and dividends

In 2007, basic earnings per share were 31.1p (2006: 19.6p) and diluted earnings per share were 30.6p (2006: 19.0p). The weighted average number of shares for the year was 327.5m (2006: 334.7m) reflecting the shares repurchased during the year and the new shares issued to satisfy option exercises.

A 33% increase in the final dividend to 5.6p (2006: 4.2p) per ordinary share is proposed which, together with the interim dividend of 2.4p (2006: 1.8p) per ordinary share, makes a total dividend for the year of 8.0p (2006: 6.0p) per ordinary share, an increase of 33%. The proposed final dividend, which amounts to £18.0m, will be paid on 9 June 2008 to those shareholders on the register as at 9 May 2008.

Balance sheet

The Group had net assets of £107.9m at 31 December 2007 (2006: £80.4m). The increase in net assets principally relates to the profit for the year of £101.7m, the credits relating to share schemes of £5.5m, currency movements of £8.1m and the exercise of share options of £8.7m, offset by share repurchases of £74.9m and dividends paid of £21.8m.

Our capital expenditure is driven primarily by two main factors: headcount, in terms of office accommodation and infrastructure and the maintenance and enhancement of our IT systems. Capital expenditure, net of disposal proceeds, increased to £12.8m (2006: £8.7m) reflecting the 34% increase in headcount and the opening and expansion of a number of offices.

The most significant item in the balance sheet is trade receivables, which were £160.9m at 31 December 2007 (2006: £118.2m) representing debtor days of 58 (2006: 55 days).

Cash flow

At the start of the year, the Group had net debt of £3.6m.

During the year, the Group generated net cash from operating activities of £148.7m (2006: £78.8m), being £157.2m (2006: £103.8m) of EBITDA, an increase in working capital requirements of £15.1m (2006: £28.7m) and movements in provisions of £0.2m (2006: £0.4m).

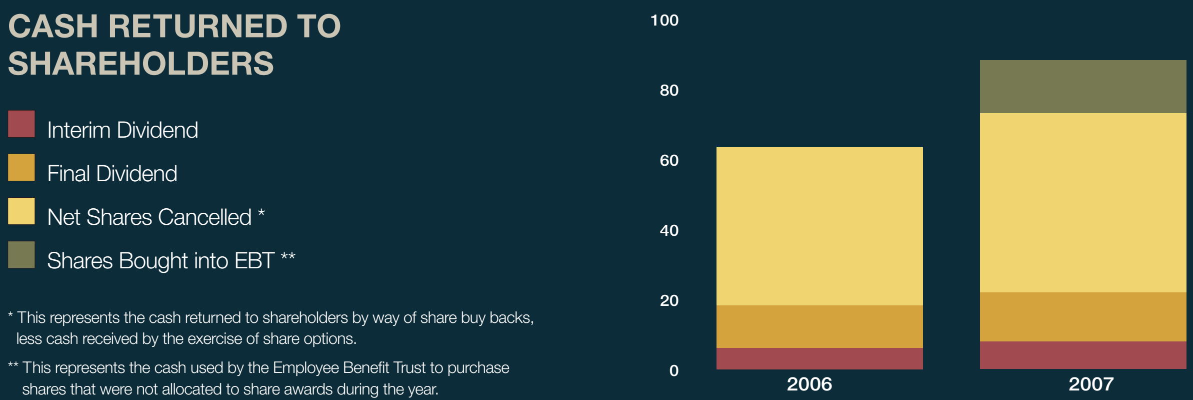
The principal payments have been:

- £12.8m (2006: £8.7m) of capital expenditure, net of disposal proceeds, on property, infrastructure, information systems and motor vehicles for staff;
- taxes on profits of £36.5m (2006: £21.7m);
- dividends of £21.8m (2006: £18.1m); and
- share repurchases of £74.9m (2006: £83.4m).

£8.7m (2006: £38.2m) was received in the year from the issue of new shares to satisfy share option exercises.

At 31 December 2007, the Group had net cash of £10.3m.

CASH RETURNED TO SHAREHOLDERS



* This represents the cash returned to shareholders by way of share buy backs, less cash received by the exercise of share options.

** This represents the cash used by the Employee Benefit Trust to purchase shares that were not allocated to share awards during the year.

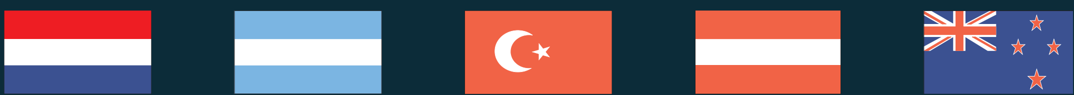
Key Performance Indicators ("KPIs")

Financial and non-financial key performance indicators (KPIs) used by the Board to monitor progress are listed in the table below. The source of data and calculation methods year-on-year are on a consistent basis.

KPI	2007	2006	Definition, method of calculation and analysis
Gross margin	57.5%	53.7%	Gross profit as a percentage of revenue. Gross margin has slightly improved on last year as a result of the mix of permanent and temporary placements, and improvements in the gross margins on temporary placements. Source: Consolidated income statement in the financial statements.
Conversion	31.3%	27.9%	Operating profit as a percentage of gross profit showing how effective the Group is at controlling the costs and expenses associated with its normal business operations and the level of investment for the future. Conversion has improved over last year as a result of better utilisation of existing capacity, and improved pricing. Source: Consolidated income statement in the financial statements.
Productivity (gross profit per fee earner)	£144.2k	£146.3k	Represents how productive fee earners are in the business and is calculated by dividing the gross profit for the year by the average number of fee earners and directors. The higher the number, the higher their productivity. Productivity is a function of the rate of investment in new fee earners, the impact of pricing and the general conditions of the recruitment market. Source: Consolidated financial statements.
Fee earner: support staff ratio	76:24	74:26	Represents the balance between operational and non-operational staff. The movement this year demonstrates faster growth in fee earners in relation to support staff. Source: Internal data.
Debtor days	58	55	Represents the length of time the company receives payments from its debtors. Calculated by comparing how many days billings it takes to cover the debtor balance. Source: Internal data.

We achieved a higher level of operating profit growth than gross profit growth as a result of our high operational gearing. The decrease in productivity is as a result of the large increase in headcount particularly in the second half of the year, as new fee earners can take a number of months to become fully productive. Debtor days have increased largely as a result of a greater proportion of receivables being in Continental Europe where our debtor days are generally higher than in the UK. The ratio of fee earners to support staff has increased as a result of continued efficiencies arising from our effective use of technology and economies of scale.

NEW COUNTRIES 2007/2008



Luxembourg Argentina Turkey Austria New Zealand

EXISTING COUNTRIES

Treasury management and currency risk

It is the Directors' intention to continue to finance the activities and development of the Group from retained earnings, and to operate the Group's business while maintaining the net cash/debt position within a relatively narrow band. Cash generated in excess of these requirements will be used to buy back the Company's shares.

Cash surpluses are invested in short-term deposits, with any working capital requirements being provided from Group cash resources, Group facilities, or by local overdraft facilities. The Group has set up a multi-currency notional cash pool in 2007. Currently the main Eurozone subsidiaries and the UK-based Group Treasury subsidiary participate in this cash pool, although it is the intention to extend the scope of the participation to other Group companies. The structure facilitates interest and balance compensation of cash and bank overdrafts.

The main functional currencies of the Group are Sterling, Euro and Australian Dollar. The Group does not have material transactional currency exposures, nor is there a material exposure to foreign denominated monetary assets and liabilities. The Group is exposed to foreign currency translation differences in accounting for its overseas operations. Our policy is not to hedge this exposure.

In certain cases, where the Group gives or receives short-term loans to and from other Group companies with different reporting currencies, it may use foreign exchange swap derivative financial instruments to manage the currency and interest rate exposure that arises on these loans. It is the Group's policy not to seek to designate these derivatives as hedges.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The following section comprises a summary of what Michael Page International plc believes are the main risks that could potentially impact the Group's operating and financial performance.

People

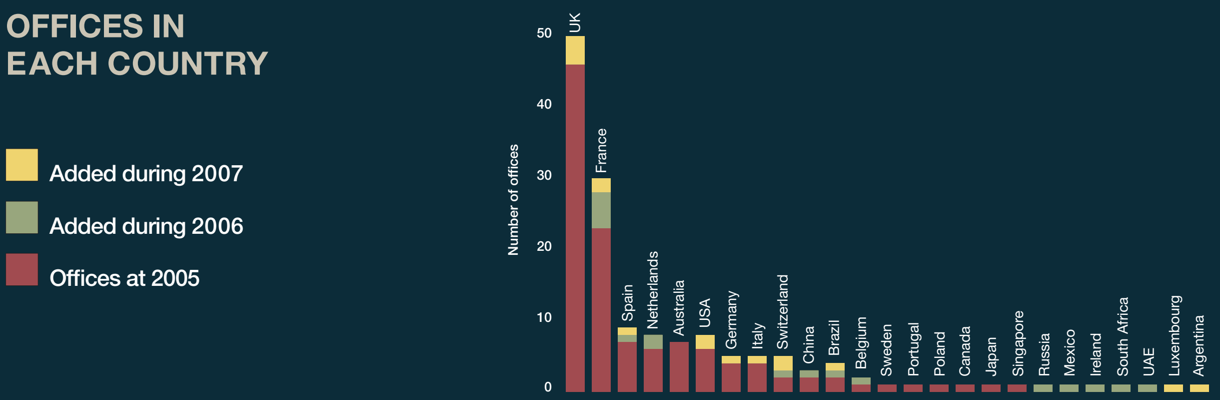
The resignation of key individuals and the inability to recruit talented people with the right skill-sets could adversely affect the Group's results. This is further compounded by the Group's organic growth strategy and its policy of not externally hiring senior operational positions. Mitigation of this risk is achieved by succession planning, training of staff, competitive pay structures linked to the Group's results and career progression.

Macro economic environment

Recruitment activity is largely driven by economic cycles and the levels of business confidence. The Board look to reduce the Group's cyclical risk by expanding geographically, by increasing the number of disciplines, by building part-qualified and clerical businesses and by continuing to build the temporary business.

A substantial portion of the Group's gross profit arises from fees which are contingent upon the successful placement of a candidate in a position. If a client cancels the assignment at any stage in the process the Group receives no remuneration. As a consequence the Group's visibility of gross profits is generally quite short and tends to reduce further during periods of economic downturn.

OFFICES IN EACH COUNTRY



Competition

The degree of competition varies in each of the Group's main regions. In the UK, Australia and North America, the recruitment market is well developed, highly competitive and fragmented. The characteristics of a developed market are greater competition for clients and candidates, as well as pricing pressure. In EMEA, Latin America and Asia, the recruitment market is generally less developed with a large proportion of all recruitment being carried out by companies' internal resources rather than through recruitment specialists. This is changing rapidly due to changes in legislation, increasing job mobility and the difficulty internal resources face in sourcing suitably qualified candidates.

If the Group does not continue to compete in its markets effectively, by hiring new staff, opening and expanding offices and continuing the discipline roll-outs, there is a risk that competitors may beat us to key strategic opportunities, which may result in lost business and a reduction in market share. This risk is mitigated by meetings of the Main Board, Executive Board and Regional and Country Management Boards where Group strategy is continually reviewed and decisions made over the allocation of the Group's resources, principally people.

Technology

The Group is reliant on a number of technology systems to provide services to clients and candidates. These systems are dependent on a number of important suppliers that provide the technology infrastructure and disaster recovery solutions. The performance of these suppliers are continually monitored to ensure business critical services are available and maintained as far as practically possible. Due to the rapid advancement of technology, there is a risk that systems could become outdated with the potential to affect efficiency and have an impact on revenue and client service. This risk is mitigated by regular reviews of the Group's technology strategy to ensure that it supports the overall Group strategy.

Legal

The Group operates in a large number of jurisdictions which have varying legal and compliance regulations. The Group takes its responsibilities seriously and ensures that its policies, systems and procedures are continually updated to reflect best practice and to comply with the legal requirements in all the markets in which it operates. In order to reduce the legal and compliance risks, fee earners and support staff receive regular training and updates of changes in legal and compliance requirements.

Stephen Puckett

Group Finance Director
4 March 2008

> **"DURING THE YEAR, THE GROUP GENERATED NET CASH FROM OPERATING ACTIVITIES OF £148.7M, UP 89%."**

DISCIPLINES IN EACH COUNTRY

Added during 2007
Added during 2006
Disciplines at 2005