

# HARVEY NASH GROUP PLC

## ('Harvey Nash' or the 'Group')

### Interim Management Statement

The Board of Harvey Nash is issuing the first Interim Management Statement for the financial year ending 31 January 2011 covering the period from 1 February 2010 to 15 June 2010. There have been no material events or transactions in the period other than as detailed in this statement.

#### **Current trading**

The Board is pleased to confirm the results for the period under review are in line with expectations. The Group's revenue was 4% below the first quarter last year with gross profit 6% below the same period. Nevertheless profit before tax was broadly similar in the quarter ended 30 April 2010 compared to the same period in 2009 (excluding prior year non recurring items) reflecting the benefits of cost saving initiatives in the previous year.

In common with the sector, quarterly gross profit declined steadily throughout 2009, stabilising in the final quarter. However, in the first quarter of the current financial year, gross profit increased by 6% on the final quarter of the year ended 31 January 2010. This improvement was driven by a 19% year on year increase in permanent recruitment mainly in the UK and the Nordic region.

Whilst demand for the Group's portfolio of services improved, the strength of the recovery remains uncertain, particularly in the Eurozone, and the risks to economic growth remain. However, the Group's strategy of maintaining a broad portfolio of services including HR and IT outsourcing helped to underpin the Group's resilient financial performance.

#### **Financial position**

The Group continues to enjoy substantial headroom in relation to its overall banking arrangements (£30m) and the Group has no term debt.

#### **Dividends**

Subject to approval at the Annual General Meeting on 24 June 2010, and as already announced, the Group will pay a final dividend on 16 July 2010 for the year ended 31 January 2010 of 1.35p per share, an increase of 13% (2008: 1.20p) to shareholders on the register as at 25 June 2010.

The total dividend for the year of 2.2p per share (2009:2.0p) represents an increase of 10%.

#### **Acquisitions**

As previously reported, on 29 April 2010, the Group acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (£2.1m) and opened an office in Helsinki, Finland during the quarter.

The acquisition in Norway and organic expansion in Finland significantly enhances Harvey Nash's Northern European footprint and further strengthens its market leading business across the Nordic region. The acquisition is expected to be earnings enhancing in the year ended 31 January 2012 as the full year effect of earnings is felt. In the current year the impact will be broadly neutral after accounting for integration and acquisition costs, as well as the Group's investment in Finland.

## **Contract win**

On the 30 April the Group announced an additional contract to be delivered by Nash Technologies worth €43m over a number of years. A new development centre in Stuttgart, Germany, was established during the first quarter of the year to combine fixed line telecommunications skills with our existing wireless development centre in Nuremberg and our offshore application development centre in Vietnam.

## **Summary**

As demand recovers, we believe there will be increasing opportunities for organisations with strong brands and market leadership. Early indications are encouraging. The Group's market share has increased during the downturn and as a result we are confident the business is well placed to continue to benefit from these gains.

**16 June 2010**

## **ENQUIRIES:**

### **Harvey Nash**

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Richard Ashcroft, Group Finance Director

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