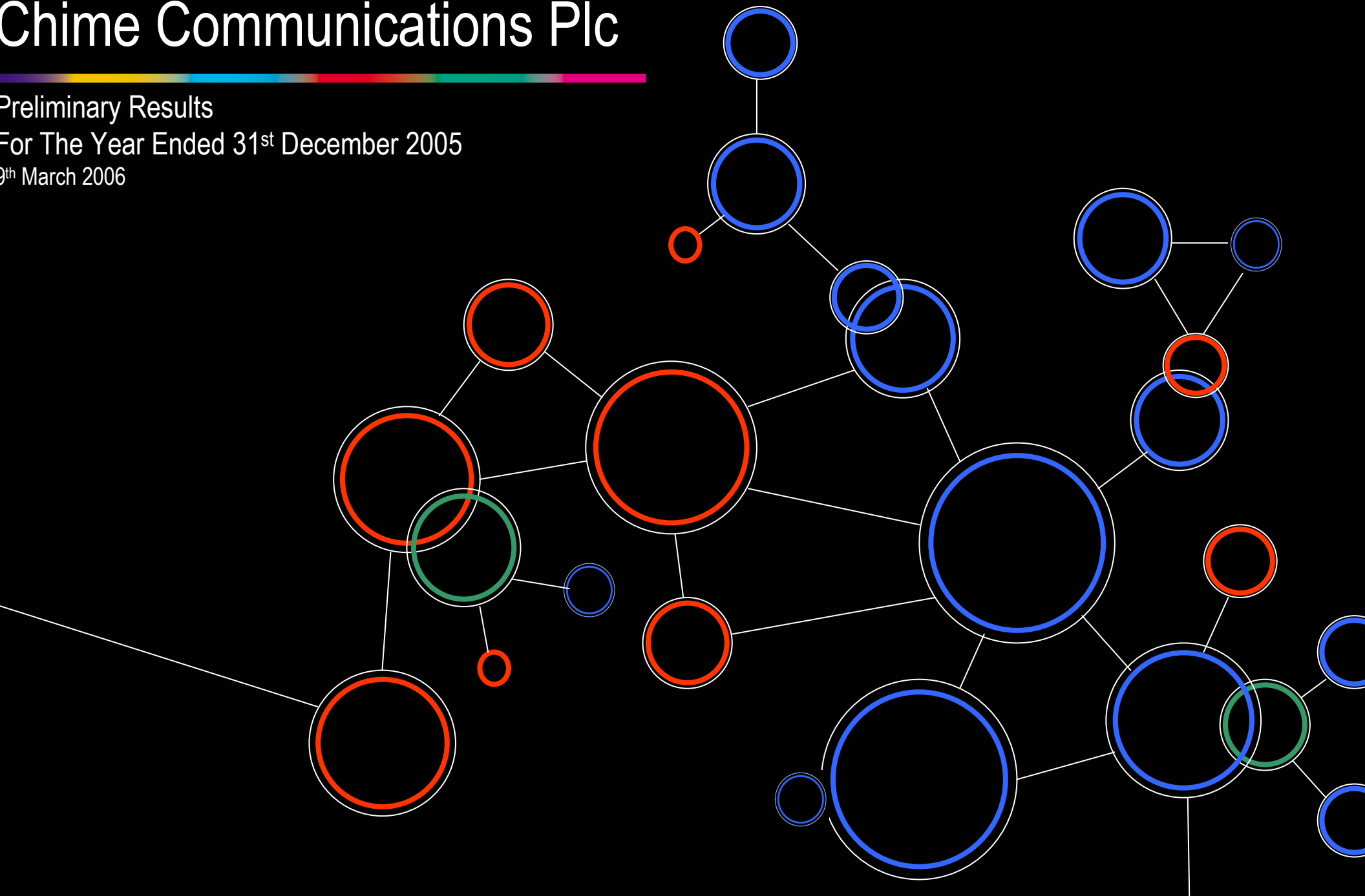


# Chime Communications Plc

Preliminary Results

For The Year Ended 31<sup>st</sup> December 2005

9<sup>th</sup> March 2006



# Agenda

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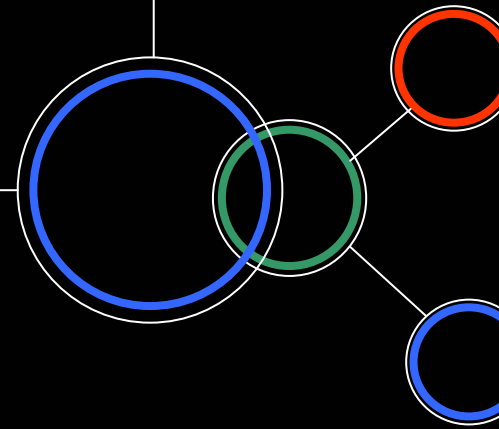
Results summary and Highlights of the year

2005 Trading summary

Financial update

Clients

Growth strategy





# Results Summary

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	<b>2005</b>	<b>2004</b>	
Operating Income	£63.0m	£52.1m	+21%
Headline Operating Profit	£9.5m	£7.3m	+30%
Headline Profit before Tax	£8.6m	£6.4m	+34%
Headline Operating Profit Margin	15.3%	13.7%	
Headline Earnings per Share	2.9p	2.2p	+32%
Dividend per Share	0.48p	0.30p	+60%
Net Debt	£3.0m	£6.3m	

# Highlights of the Year (1)

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- Significant improvement in trading performance and market share
- Organic growth up 7% in operating income and 16% in operating profit
- With the acquisition of VCCP, the Advertising and Marketing Services business has grown considerably following three years of disappointing results
- All three divisions now in double digit growth with improving margins
- Margin up from 13.7% to 15.3%
- Continued to generate cash from trading, reducing net debt to £3 million

# Highlights of the Year (2)

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- Disposed of remaining stake in HHCL for £2.8 million and 76% of Rare Publishing
- Announcement of share buy back programme
- Agreed the cancellation of the RBS warrants for £800,000
- Completed in-fill acquisitions in high growth sectors
  - De Facto: Healthcare
  - Ledbury: High net worth research
- Strengthened operational management

# Operational Management Team



Christopher Satterthwaite  
Group Chief Executive



Kevin Murray  
Bell Pottinger Group



Nick Taylor  
Bell Pottinger Group



Ian Priest  
The VCCP Group



Adrian Coleman  
The VCCP Group

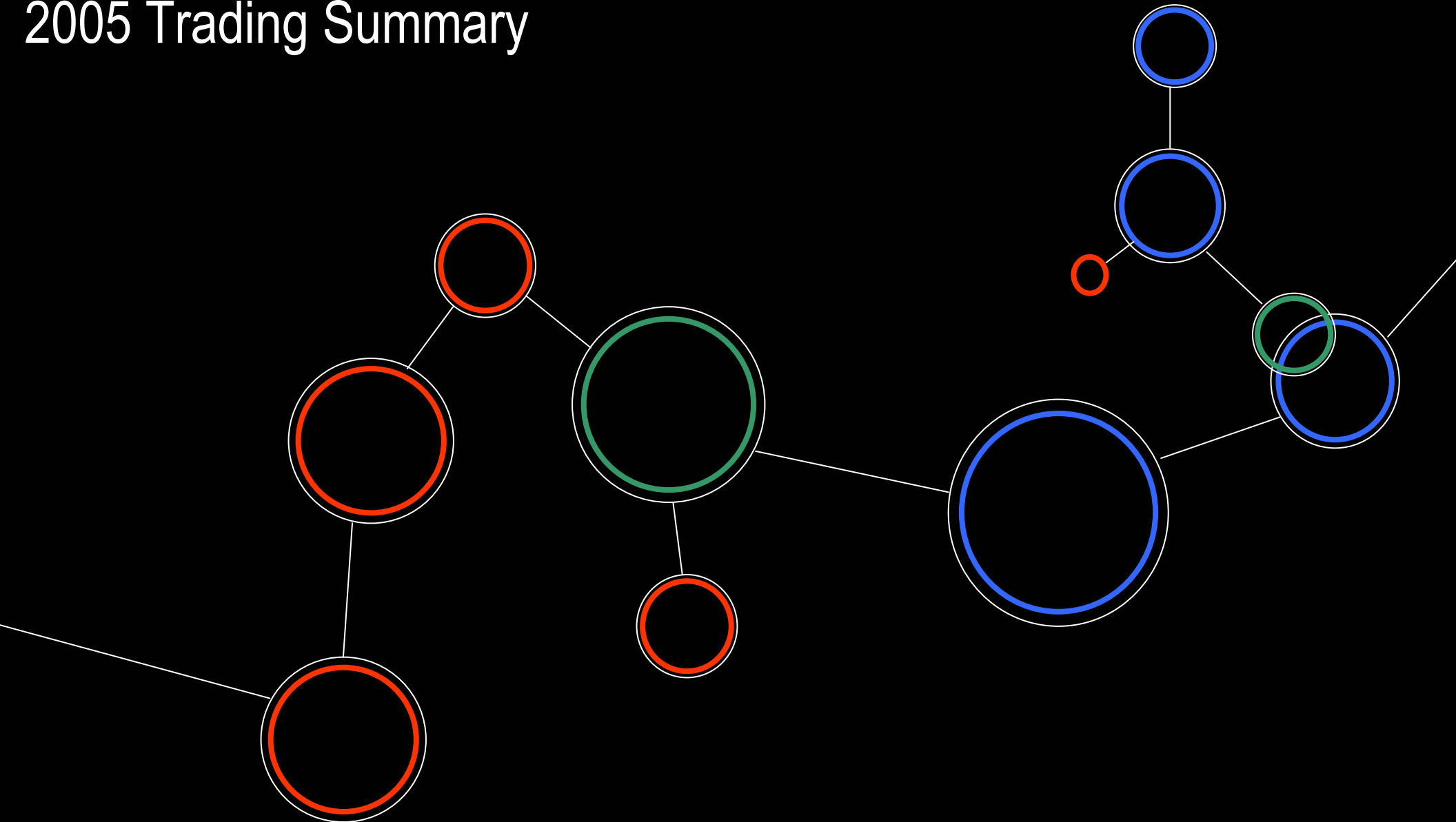


Viki Cooke  
The Opinion  
Leader  
Group



Deborah Mattinson  
The Opinion  
Leader  
Group

# 2005 Trading Summary



# Trading Summary

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## Public Relations

- Continues to perform ahead of the market place
- Operating income growth of 11%
- Operating profit growth of 24%
- Margin up from 15.2% to 17.1%
- Bell Pottinger Corporate and Financial performed strongly
- Bell Pottinger Public Affairs continued as No.1 in sector
- Harvard and Insight grew beyond expectations
- Continued progress of Bell Pottinger Sans Frontieres (geo political consultancy)
- Operations in Germany, the USA and Dubai all grew

# Trading Summary

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## Advertising and Marketing Services

- Successful acquisition of VCCP
- Integration of four existing Chime businesses to form VCCP Group
- Specialist businesses, Teamspirit and TTA, had strong performances
- Operating income growth of 48%
- Operating profit growth of 94%
- Margin up from 11% to 13% (5% first half, 18% second half)

# Trading Summary

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## Research

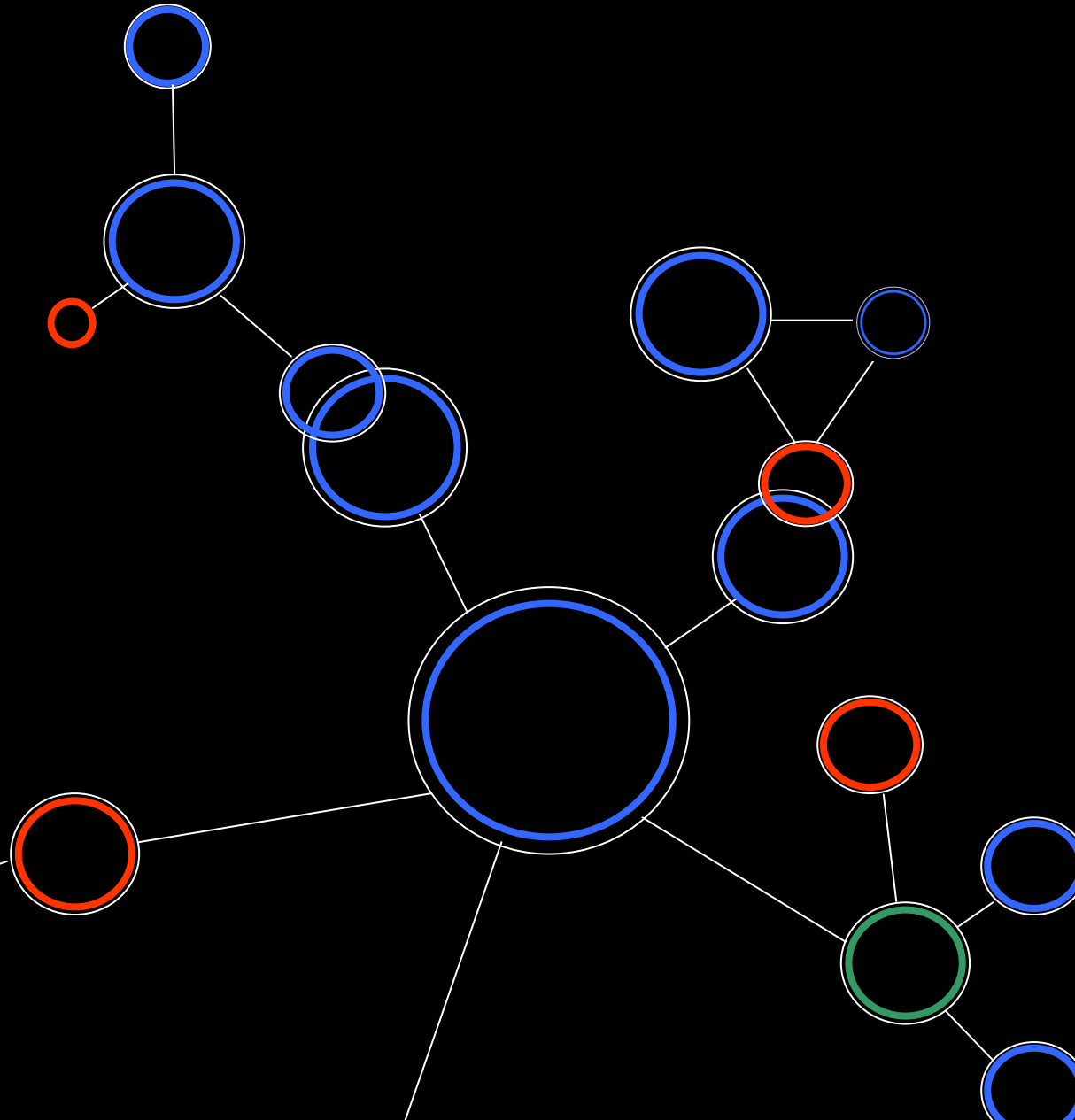
- Both Opinion Leader Research and The Smart Company showed good growth
- Operating income growth of 31%
- Operating profit growth of 26%
- Continued investment for future growth including acquisition of Ledbury Research
- Margin 20% (2004-21%)

# Segmental Analysis

Division	Operating Income			Operating Profit		
	£ Millions			£ Millions		
	2005	2004	% Growth	2005	2004	% Growth
Public Relations	40.1	36.2	11	6.8	5.5	24
Advertising and Marketing Services	18.6	12.6	45	2.4	1.3	94
Research	4.3	3.3	31	0.9	0.7	26
	63.0	52.1	21	10.1	7.5	33
Central Costs	-	-	-	(0.5)	(0.4)	-
Associates	-	-	-	(0.1)	0.2	-
	63.0	52.1	21	9.5	7.3	30

(Prior to restructuring costs and discontinued operations)

# Financial Update



# Cash Flow

£ Millions	2005	2004
Profit before tax and restructuring costs	8.6	6.4
Associates & Discontinued Operations	(0.7)	(0.4)
IRFS Adjustments	0.5	0.3
Depreciation	1.5	1.3
Capital Expenditure	(0.9)	(0.6)
Working Capital	0.8	1.4
<b>Cash generated from trading (pre exceptional costs)</b>	<b>9.8</b>	<b>8.4</b>
Taxation	(1.3)	(1.4)
Exceptional Costs	(1.0)	(1.0)
Acquisitions, Disposals & Deferred Considerations	(7.5)	(1.1)
Dividends	(1.0)	-
Other/Fundraising	4.3	18.1
<b>Increase in cash</b>	<b>3.3</b>	<b>23.0</b>
<b>Net debt at 31<sup>st</sup> December</b>	<b>3.0</b>	<b>6.3</b>

# Deferred Considerations

## Maximum Payments

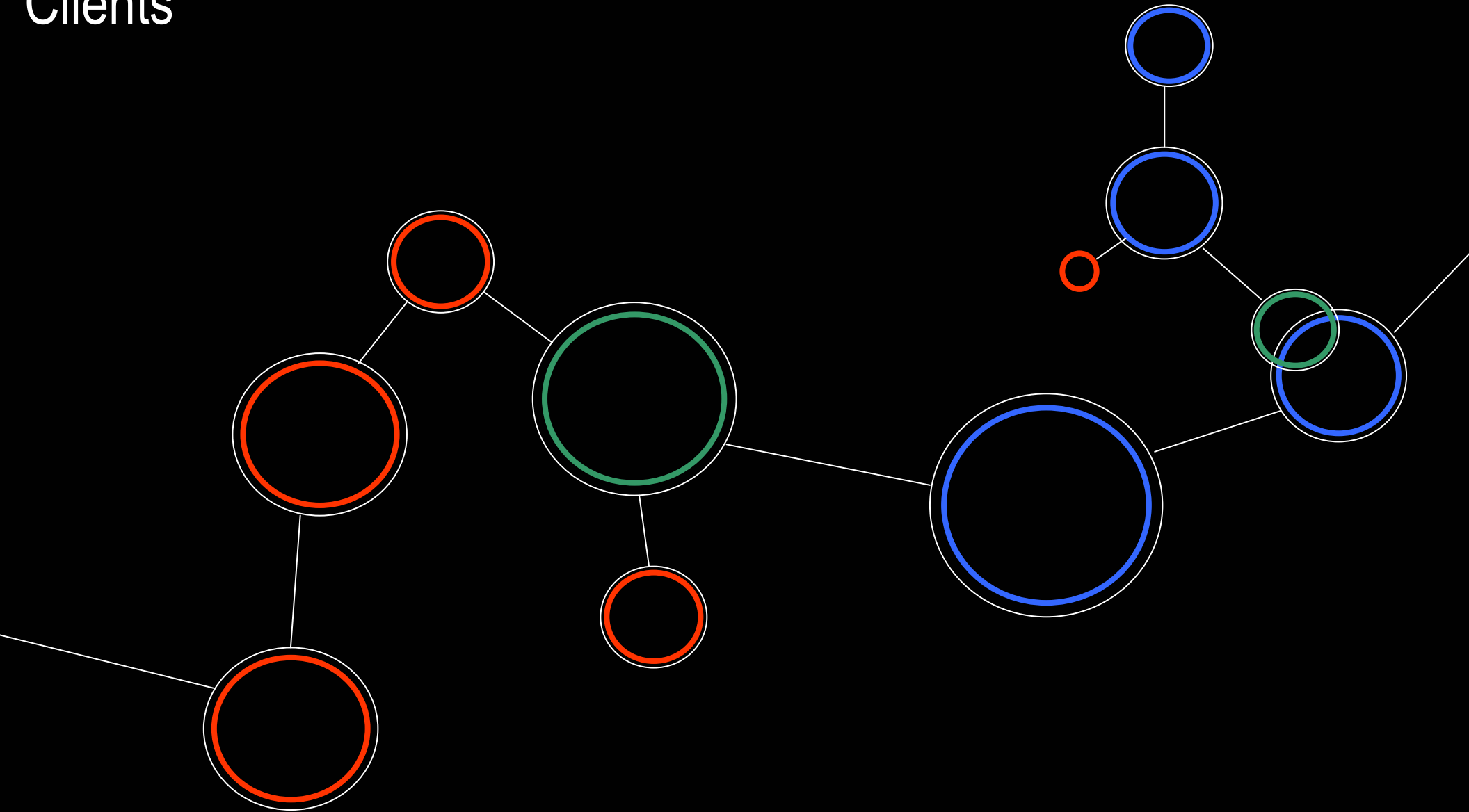
	<b>Cash £ Millions</b>	<b>Shares £ Millions</b>	<b>Total £ Millions</b>
2006	0.2	0.2	0.4
2007	1.8	1.3	3.1
2008	4.5	4.3	8.8
2009	0.9	0.6	1.5
2010	3.8	3.7	7.5
<b>Total</b>	<b>11.2</b>	<b>10.1</b>	<b>21.3</b>

# Impact of International Reporting Standards

£ Millions	2005	2004
Pre-tax Profit Under UK GAAP	9.0	7.1
Cost of Share Based Payments	(0.2)	(0.2)
Accumulated Losses in Associates	0	(0.4)
Cost of Discounting Deferred Considerations	(0.2)	(0.1)
Pre-tax Profit Under IFRS	8.6	6.4

Note: The above pre-tax profit figures are prior to restructuring costs and discontinued operations.

Clients

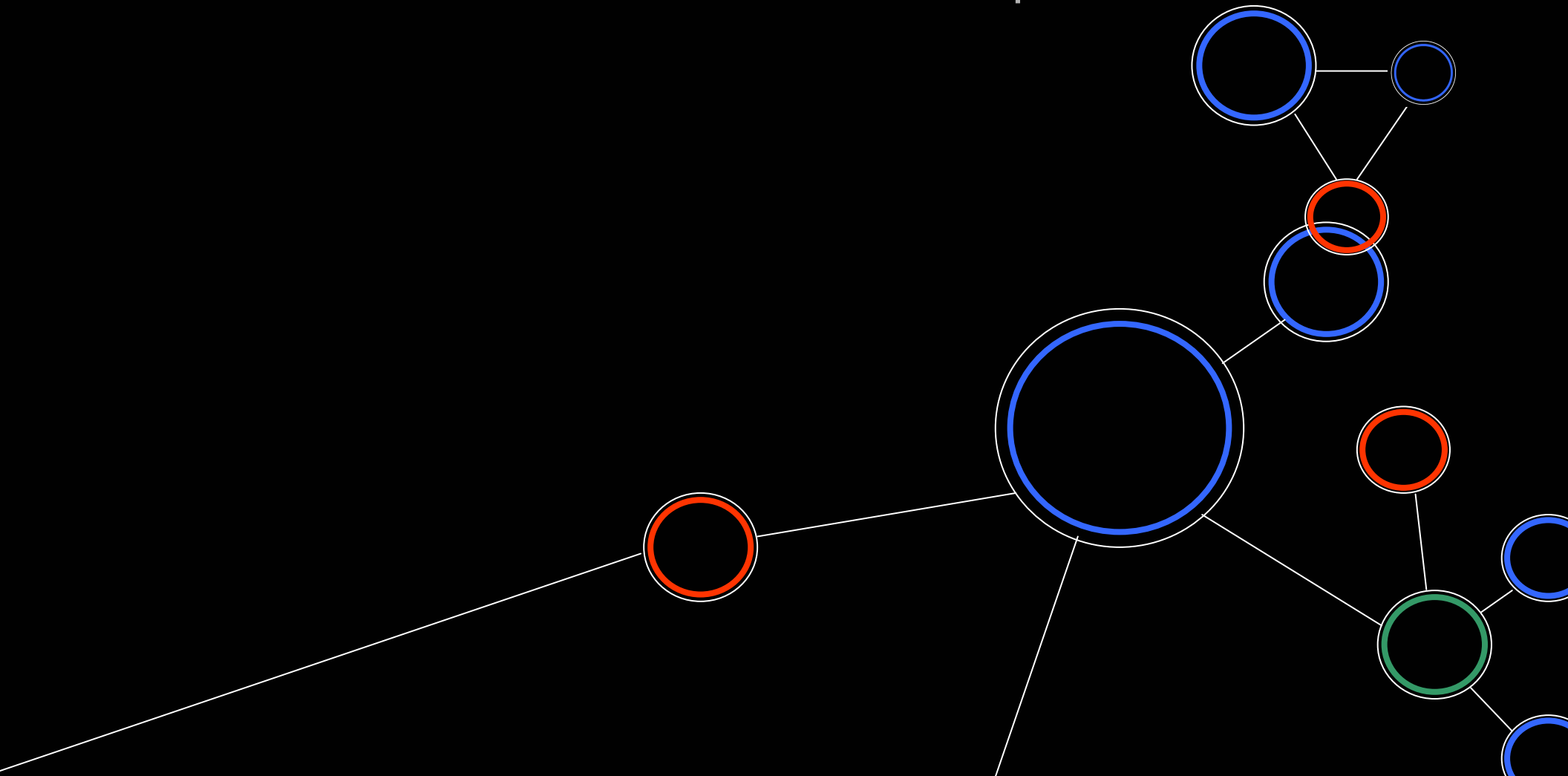


# Current Major Clients



# Three Year Growth Strategy

Vision: The Modern Communications Group



# Market Context

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## Old World

Controlled communications  
Remote research  
One way communication  
One screen  
Awareness  
Integrated communications  
Image  
Reputation

## Modern World

Open source  
Consultative research  
Dialogue  
Three screens  
Influence  
Brand integration  
Visual narrative  
Reputation

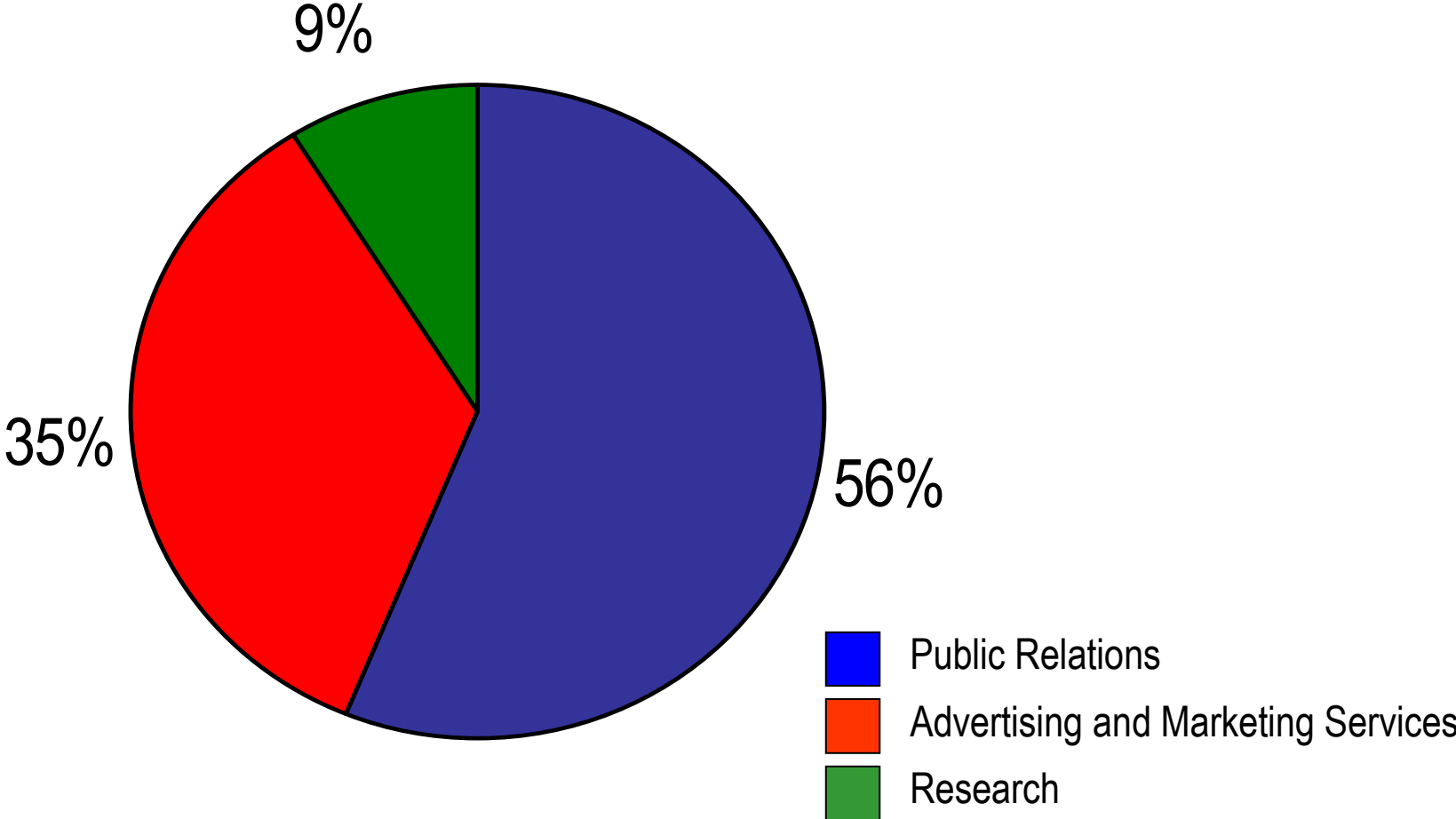
# Growth Sectors

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- Corporate and Financial Public Relations
- Public and Regulatory Affairs
- Geo-Political Consulting
- Brand Communications
- Opinion Leading Research and Consultation
- Specialist Sector Marcoms Advice
- Digital Communications

# Income Profile

2006 Estimate



# Leverage International Opportunity

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- 30% of 2005 income from overseas work
- Wholly owned offices in Hamburg, Munich, Dubai and Boston

## **The Future:**

- Build on current platforms
- Centres of political influence
  - Washington and Brussels
- Financial centres
  - Dubai, New York, Hong Kong
- VCCP and Teamspirit hubs (led by client need) e.g. Germany, Singapore

# New Business

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Objective: Increase the average fee per client from £60,000 to £70,000 per annum

- Central new business resource
- Target 'high growth' modern sectors, e.g. TMT, utilities, alternative energy, defence, selected media
- Focus on bigger opportunities e.g. shadow clients

# Business Development

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Objective: Increase shared clients to 20% of client base and 50% of income

- Adjacent cross selling
- Chime Academy/open learning
- Focus for internal comms and personal development

# Growth Strategy

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**Three year plan agreed with the Board to position Chime as the modern communications group to achieve strong growth by:**

- Improving operating margin to 18%
- Continuing to reduce debt as well as implementing a share buy back programme
- Expansion of corporate and financial public relations business in to New York, Dubai and Hong Kong
- Expansion of public affairs business in to Brussels and Washington
- VCCP UK and international growth
- Expanding capability in the digital arena around three screens
- Opinion Leader Research new product development
- Increasing the average value of new business wins
- Increasing the number of clients using more than one company
- Continuing productivity improvement by increasing the average revenue per head

# 2006 Outlook

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- Improving marketplace
- Good new business pipeline
- First quarter comfortably ahead of 2005
- On track for three year objectives

For further information contact:

Chris Satterthwaite or Mark Smith on tel: 020 7861 8515  
or visit [www.chime.plc.uk](http://www.chime.plc.uk)

