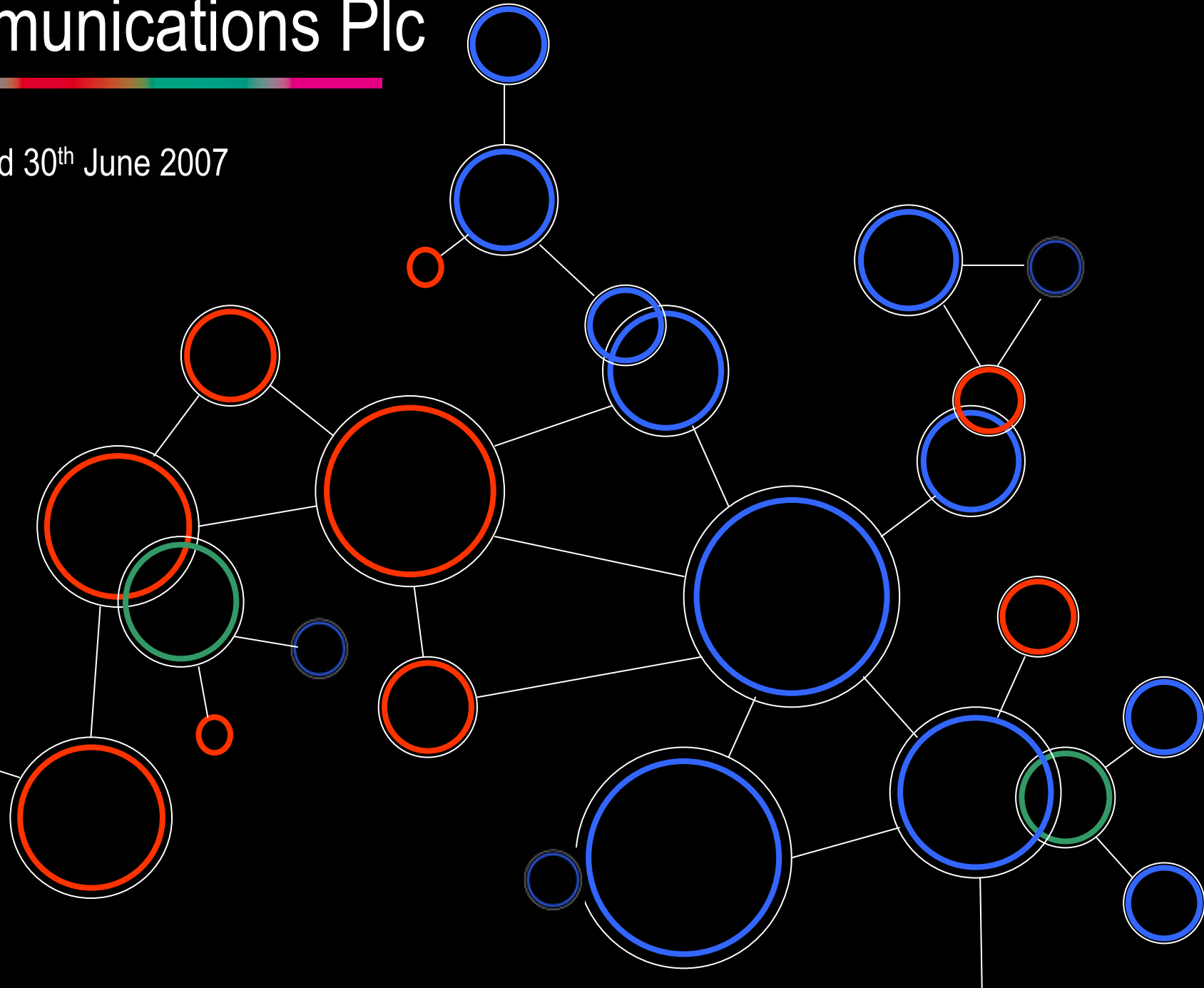


# Chime Communications Plc

2007 Interim Results

For the six months ended 30<sup>th</sup> June 2007

12<sup>th</sup> September 2007



# Highlights

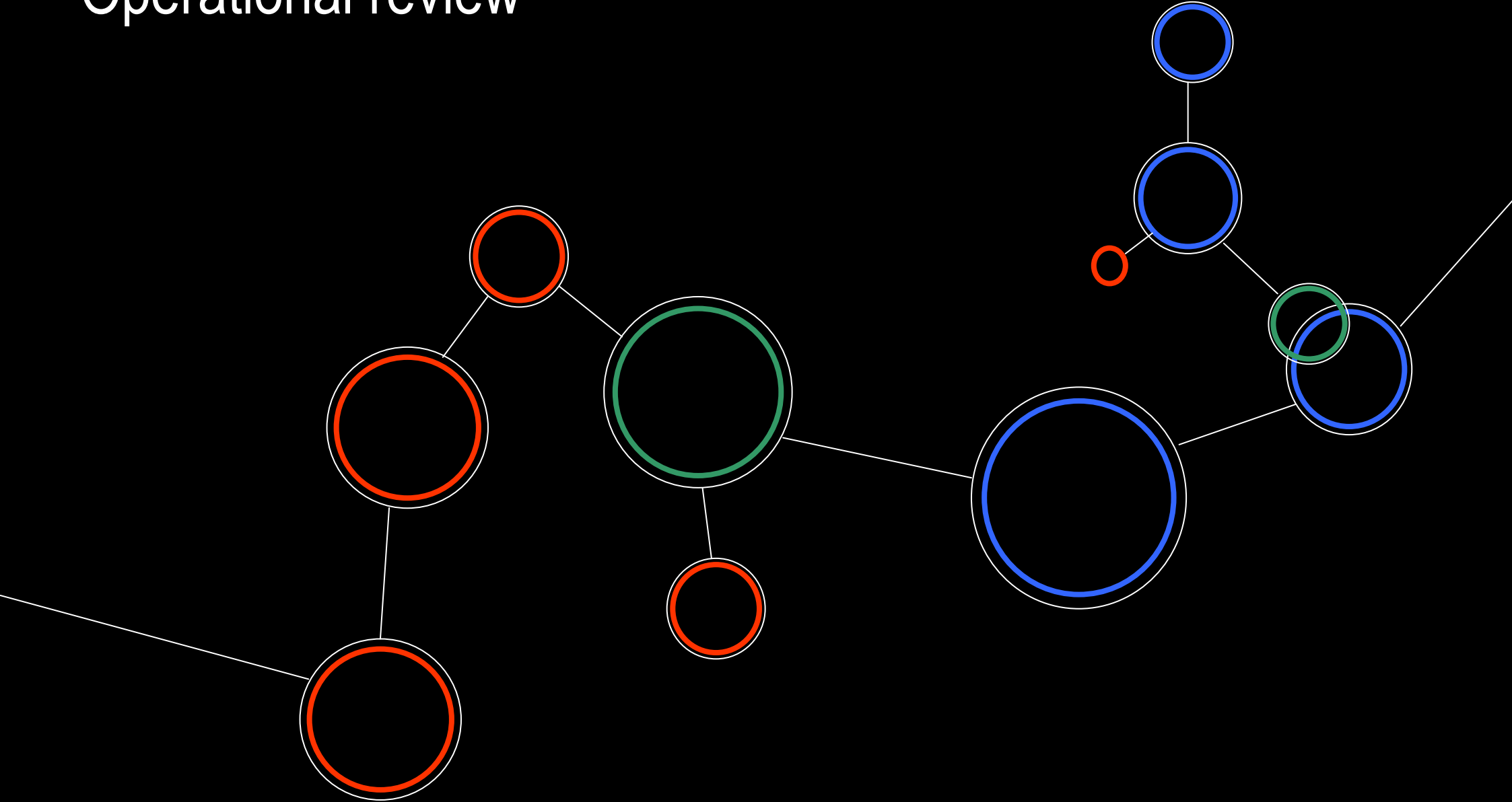
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- Excellent results with all divisions growing in line with three year plan
- Continued our digital development (11.8% of our revenues, up from 9%)
- Continued our revenue led international expansion
- Acquired The Corporate Citizenship Company in high growth corporate responsibility sector
- Completed the acquisition of Fast Track – the UK's leading sports marketing agency and of Facts International – a fieldwork research business
- Interim dividend increased by 22.2%

# Operating profit analysis

£m	2007	2006	Growth %	Organic Growth %
Operating income	43.9	37.8	16	10
Costs	(36.6)	(31.8)		
<b>Operating profit</b>	<b>7.3</b>	<b>6.0</b>	<b>22</b>	<b>14</b>
<i>Operating profit margin</i>	16.7%	15.9%		
Profit before tax	6.4	5.3	21	
<b>Earnings per share</b>	<b>1.70p</b>	<b>1.45p</b>	<b>17</b>	
Interim dividend per share	0.22p	0.18p	22	

# Operational review



# Operational overview

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- Operating income up 16% to £43.9m (2006: £37.8m)
- Average income per client up 7% to £45,000 (2006: £42,000)
- 56% of operating income came from clients using more than one company (2006 full year: 54%)
- Average income per employee £52,000 (2006: £52,000)
- 11.8% of revenues derived from digital activities - achieving critical mass
- International income 33% of total (2006: 32%)

# Fast Track integration

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- Consulting, communication and event disciplines all performing strongly
- New business wins include Commonwealth Games, British Basketball and British Universities Sports Association
- Cross marketing underway with Chime prospects in new business pipeline and Fast Track clients already working with VCCP Digital and Bell Pottinger Public Affairs

# The Corporate Citizenship Company

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- Founded 1997 as international consultancy
- Global client list includes: Unilever, Ford, Deutsche Bank, Cadbury Schweppes, Diageo and BP
- After internal merger with SMART Q4 2007, plan for company relaunch Q1 2008. SMART clients include: Pearson, Scottish & Newcastle, Aviva and Richemont.
- Joint product list will include: issues research, measurement, reporting, environmental policy, community investment and most importantly, marketing.
- Aim to become first port of call in growing 'responsibility' marketplace

# Public Relations review

£m	Operating income			Operating profit		
	2007	2006	% growth	2007	2006	% growth
Public Relations	24.2	22.3	8%	4.4	3.9	13%

- Marketplace growing ahead of other marcoms sectors
- Strong growth ahead of that marketplace
- Retained position as UK's largest public relations business for fifth consecutive year
- Operating income up 8%; operating profit up 13%
- Operating margin up to 18.2% (2006: 17.4%)
- High profile activities and wins:
  - McLaren F1
  - Imperial bid for Altadis
  - Cisco
  - Pilsner Urquell Global
  - Trafigura
  - Dobbies Garden Centre's takeover approach from Tesco

# Advertising and Marketing Services review

£m	Operating income			Operating profit		
	2007	2006	% growth	2007	2006	% growth
Advertising and Marketing Services	16.0	13.0	23%	2.4	1.8	33%

- Operating income up 23%; operating profit up 33%
- Operating margin up to 15.1% (2006: 14.0%)
- Continued development of online capabilities
- Very strong first half for VCCP, VCCP Digital, VCCP Blue, Branded Moments of Truth and TTA
- Fast Track acquisition completed, performing well and already integrating with rest of Group
- High profile activities and wins:
  - Launch of the O2
  - comparethemarket.com
  - Diageo
  - Glasgow 2014 Commonwealth Games
  - Legal and General

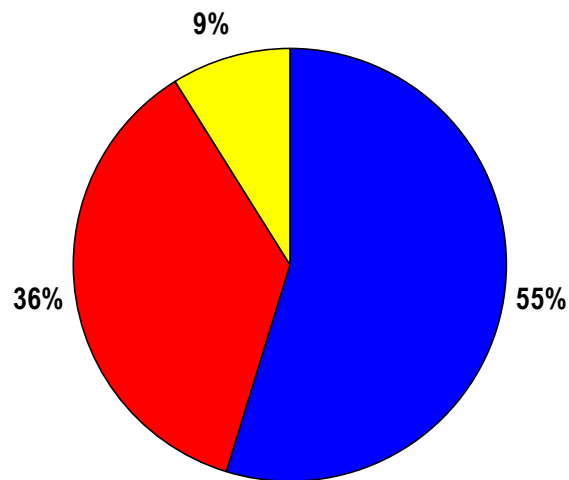
# Research review

£m	Operating income			Operating profit		
	2007	2006	% growth	2007	2006	% growth
Research	3.7	2.5	46%	0.8	0.6	37%

- Operating income up 46%; operating profit up 37%
- Operating margin 20.6% (2006: 21.9%)
- Further expanding deliberative research activities
- Ledbury had very strong first half
- Acquisition and integration of Facts International
- High profile activities and wins
  - 2012 Olympics (ODA and LOCOG)
  - BSkyB
  - Association of British Insurers
  - Prince of Wales' May Day Summit
  - Scottish Widows
  - John Lewis
  - Hiscox

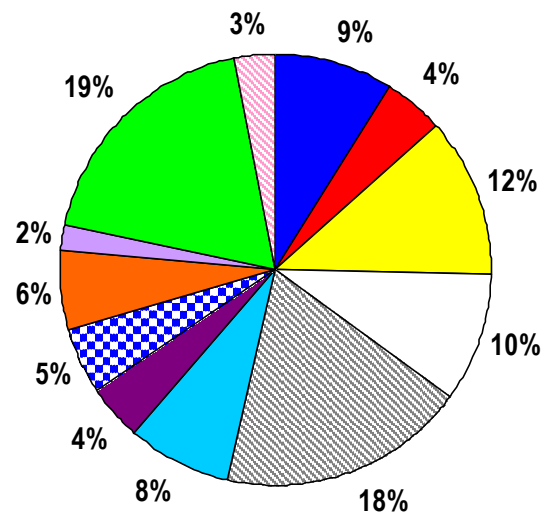
# Operating income split

## By division



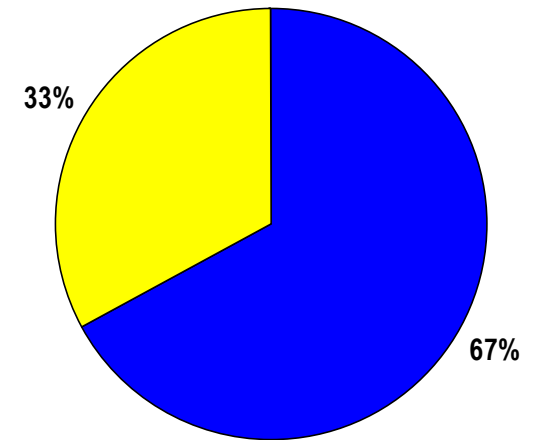
- Public Relations
- Advertising and Marketing Services
- Research

## By industry sector



- B2B
- Financ'l Services
- Gov't/Pub. Bodies
- Leisure/Ent'ment
- Property
- TMT
- Energy/Utilities
- FMCG
- Healthcare
- Other
- Automotive
- Transport/Travel/Tourism

## International



- UK
- International



# Profit before tax

£m	<u>2007 First Half</u> <u>Actual</u>	<u>2006 Full Year</u> <u>Actual</u>	<u>2005 Full Year</u> <u>Actual</u>	<u>2004 Full Year</u> <u>Actual</u>
Operating Profit (Prior to Cost of Share Based Incentive Schemes)	7.8	12.6	8.6	7.3
Costs of Share Based Incentive Schemes	(0.5)	(0.4)	(0.3)	(0.2)
Finance Cost of Deferred Considerations	(0.5)	(0.6)	(0.2)	(0.1)
Associates	(0.1)	(0.3)	(0.1)	0.3
Interest	(0.3)	(0.3)	(0.7)	(0.9)
Profit Before Tax	6.4	11.0	7.3	6.4
Taxation	1.9	3.1	1.6	2.0
Effective Tax Rate	<u>29.5%</u>	<u>28.5%</u>	<u>22.0%</u>	<u>31.9%</u>

- Notes:** 1. Full year cost of accounting for deferred in 2007 is expected to be £1.2 million.  
2. Full year cost of accounting for scheme based incentive schemes in 2007 is expected to be £1.2 million.

# Balance sheet

£m	<u>As at 30 June</u> <u>2007</u>	<u>As at 31 December</u> <u>2006</u>	<u>As at 30 June</u> <u>2006</u>
Intangibles	103.1	74.7	73.0
Fixed Assets and Investments	5.8	4.5	4.3
Net Deferred Tax	1.7	1.8	1.3
Current Assets (exc.Cash)	44.4	31.5	33.0
Net (Debt) Cash	(5.2)	2.9	0.8
Other Liabilities	(52.9)	(37.3)	(40.7)
Current Tax	(3.0)	(2.5)	(2.8)
Deferred Consideration	(23.9)	(14.9)	(13.1)
Provisions	(0.4)	(0.4)	(0.4)
Net Assets	69.6	60.3	55.4

# Cash flow

£m	2007 FIRST HALF	2006 FIRST HALF
Profit Before Tax	6.4	5.3
Associates & Discontinued Operations	0.1	0.3
IFRS Adjustments	1.0	0.4
Depreciation	0.6	0.6
Capital Expenditure	(0.5)	(0.8)
Working Capital	(0.4)	(1.1)
<b>Cash generated from trading</b>	<b>7.2</b>	<b>4.7</b>
Taxation	(1.4)	(0.7)
Restructuring Costs	0	(0.5)
Acquisitions, Disposals & Deferred Considerations (net of fundraising)	(12.0)	2.5
Dividends	(1.0)	(0.8)
Purchase of Own Shares	(0.5)	(1.3)
Other	0.1	(0.2)
<b>(Decrease)/Increase in cash</b>	<b>(7.6)</b>	<b>3.7</b>
<b>Closing net (debt)/cash</b>	<b>(5.2)</b>	<b>0.8</b>

Note: Cash balance at 31<sup>st</sup> December 2006 was £2.9 million

# Banking arrangements

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- Cash element of Fast Track acquisition (£10 million) funded from current facilities
- Net debt £5.2 million compared to net cash of £2.9 million at 31<sup>st</sup> December 2006
- Cash deferred consideration of up to £7.5 million in 2008 for VCCP
- Forecast maximum debt of £12 million in 2008, but forecast to be cash neutral by end of 2008
- £25 million three year facility to February 2010
- The Corporate Citizenship Company acquisition funded from existing facilities

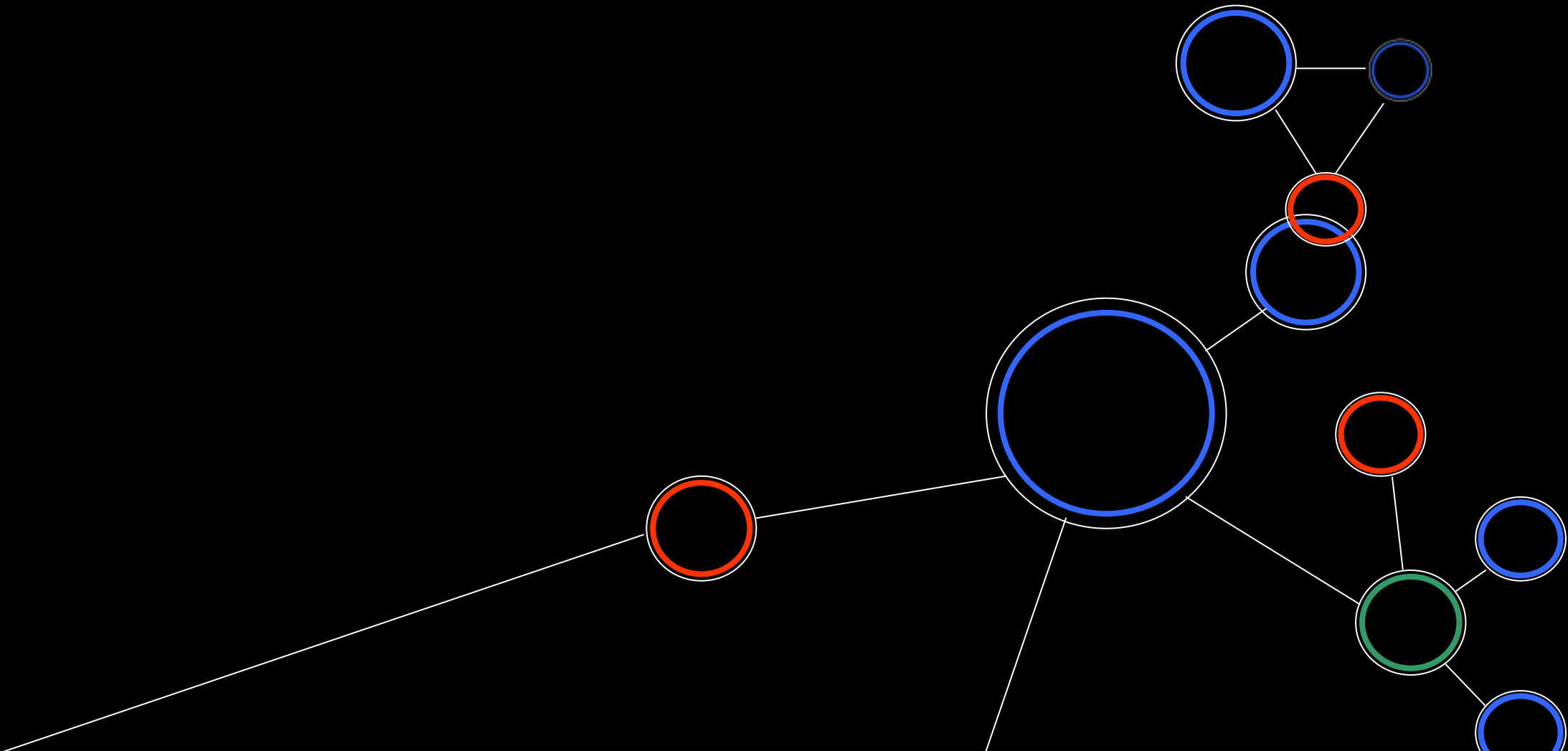
# Earn-Outs (Deferred considerations)

## Maximum payments

£m	Cash	Shares	Total
2007	1.1	0.2	1.3
2008	7.1	6.5	13.6
2009	0.9	0.8	1.7
2010	4.5	7.5	12.0
2011	1.1	1.1	2.2
2012	2.0	-	2.0
2013	9.0	9.0	18.0
<b>Total</b>	<b>25.7</b>	<b>25.1</b>	<b>50.8</b>

- Notes: 1. At Chime's option share based payments can be paid in cash  
2. Cash element of earn-outs is generated by companies under earn-out

# Growth strategy



# Overall strategy

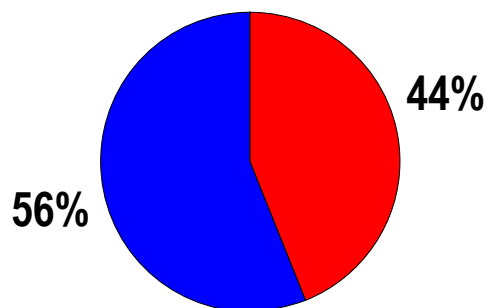
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- To develop a modern communications group to meet the needs of clients operating in a transparent environment with diversifying audiences and a fragmenting media:
  - reputation management
  - brand building
  - communications efficiency through our ‘high tech’/digital developments
  - relationship building through our ‘high touch’ businesses
  - overall communications strategy advice internationally
- To target organic growth in excess of market rate
- To make selective acquisitions in high growth sectors or disciplines which help us deliver a modern communications service
- To target a high compound annual growth rate – currently 22% per annum.

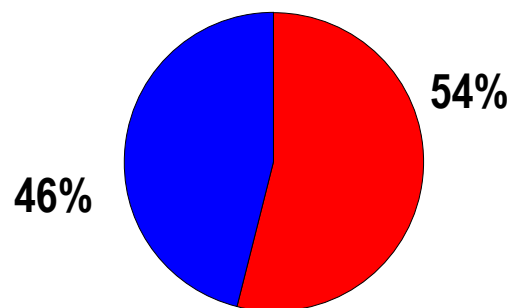
# Shared clients

Objective of 60% of income to come from shared clients by 2009

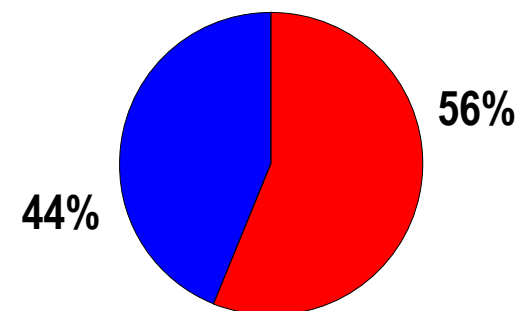
Income from shared clients



**2005**  
(Full Year)



**2006**  
(Full Year)

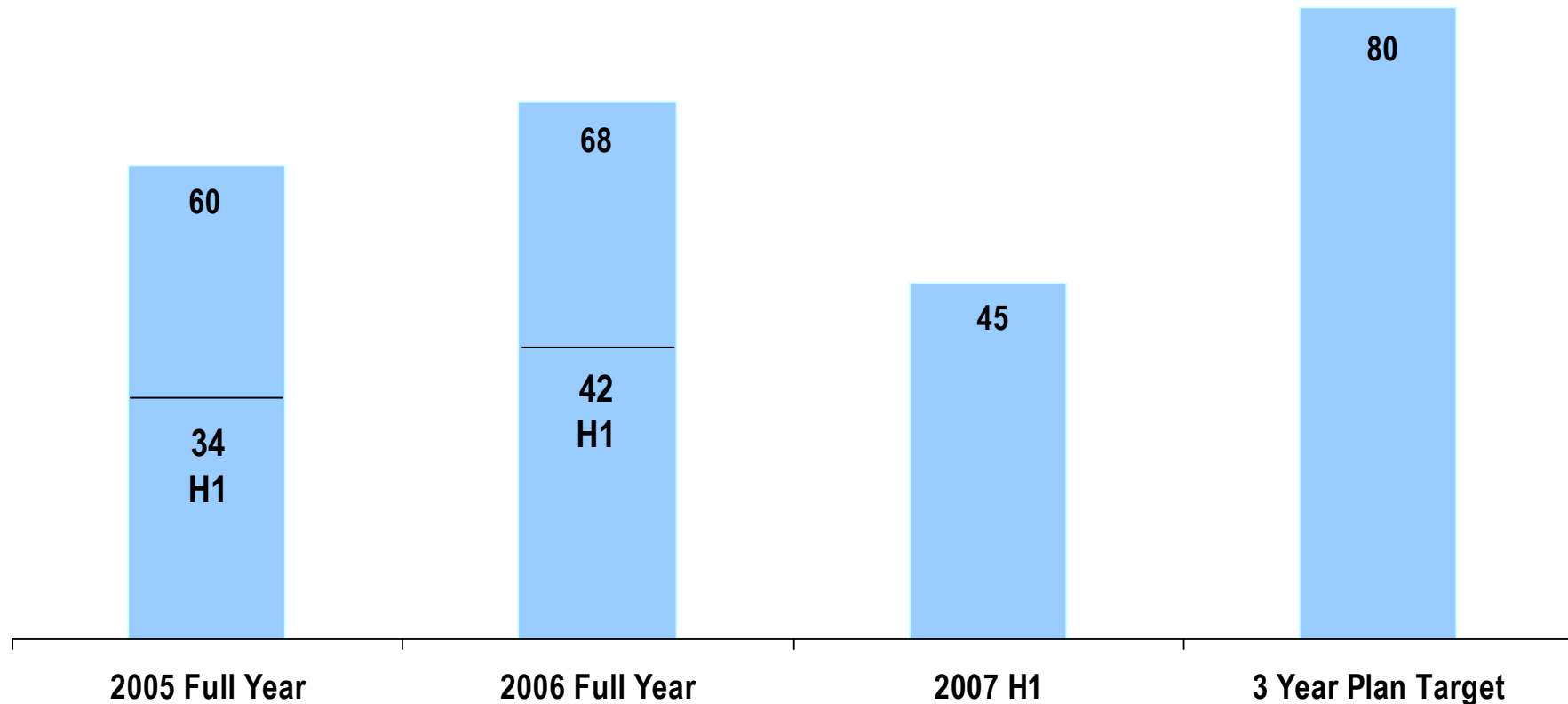


**2007**  
(First Half)

 Income from shared clients

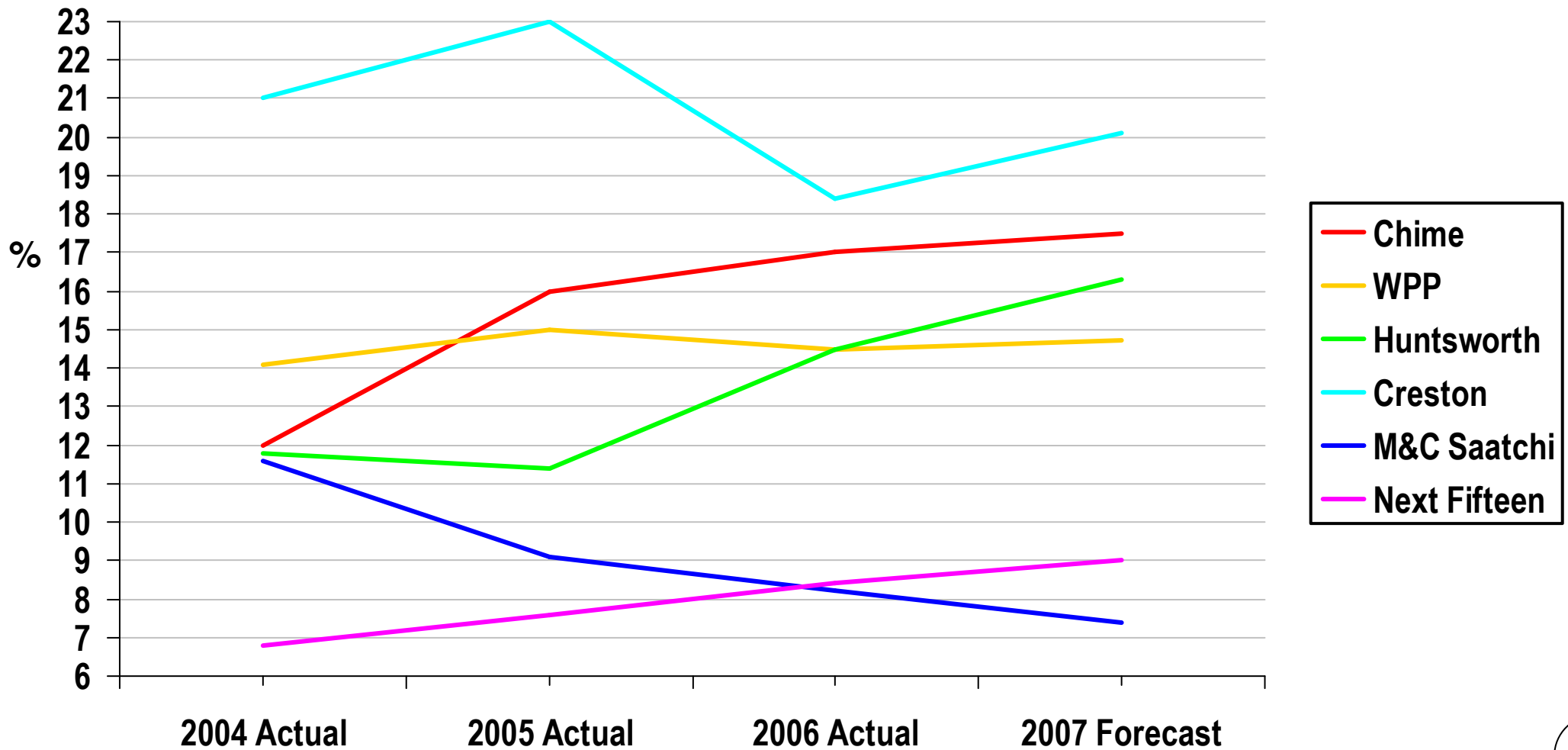
# Average fee per client

Objective of £80,000 per client per annum



# Operating profit margin

Objective of operating margin of 18%

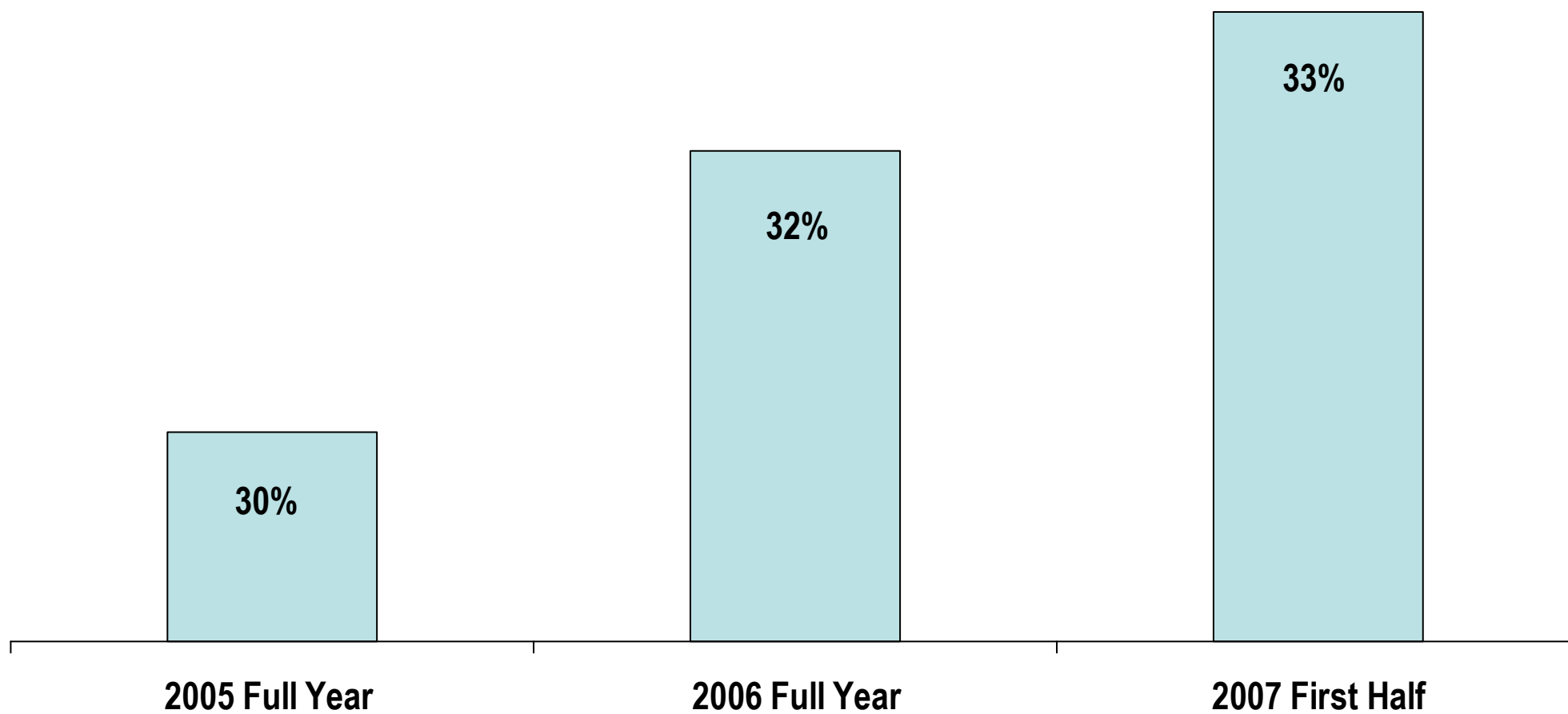


CHIME COMMUNICATIONS

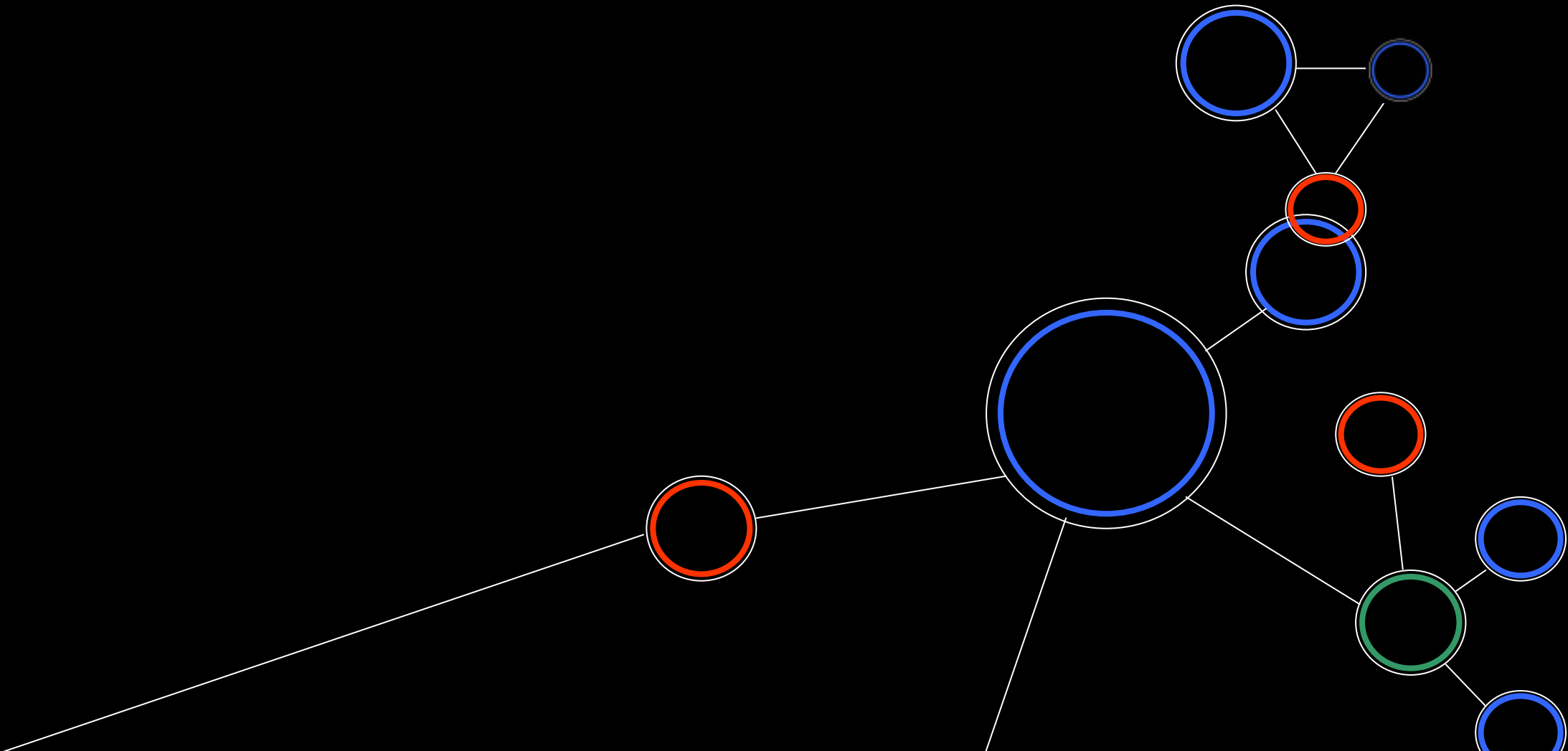
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# International income

Objective to increase the value of our international business to 40%



# Outlook

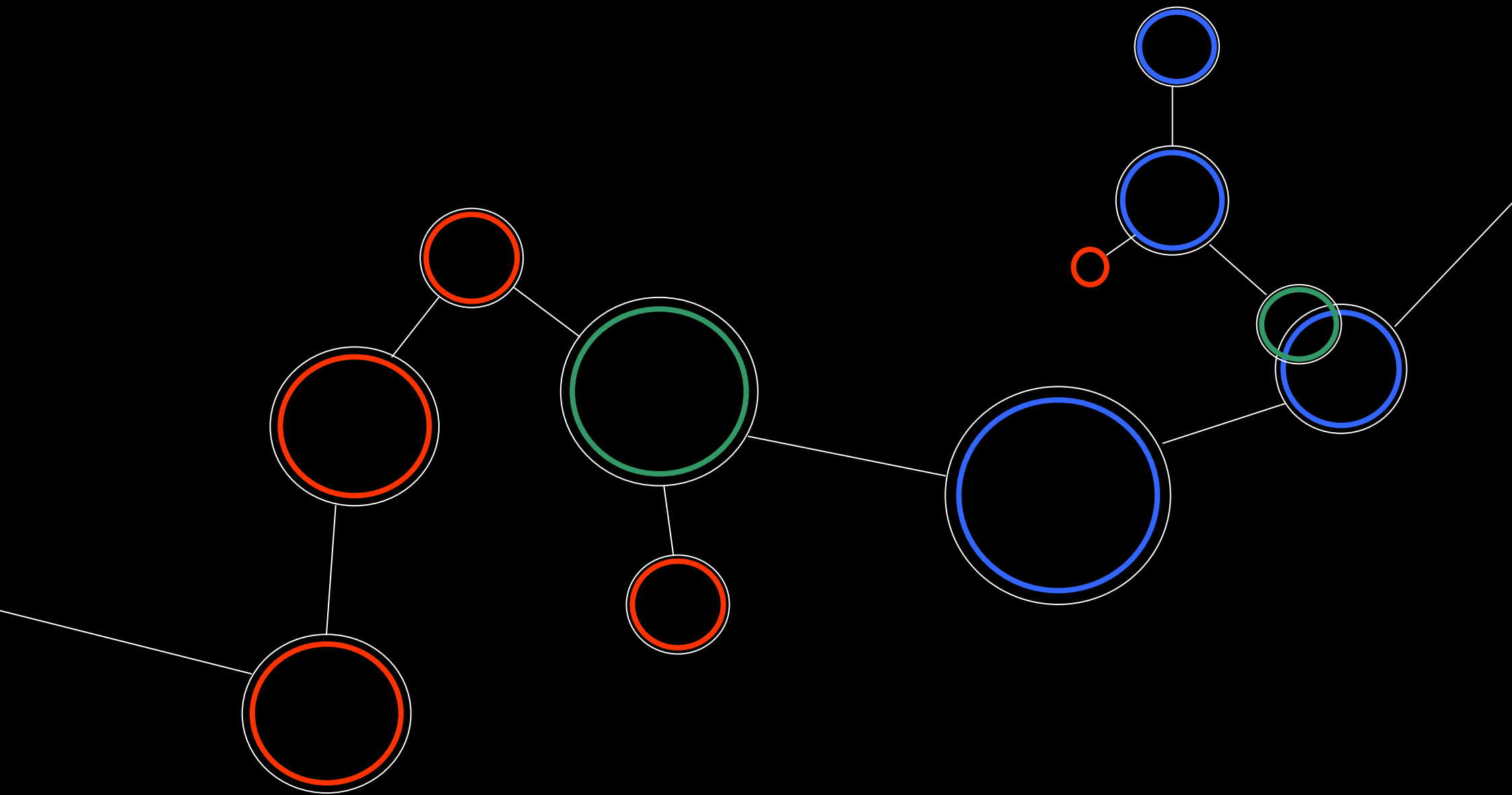


# Outlook

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- Very strong performance in first half of 2007
- Full new business pipeline
- Further growth in profitable international income
- Further progress in digital expansion
- Further expansion planned in high growth high margin areas
- Confident about full year

# Appendices



# With market leading clients



# Segmental analysis

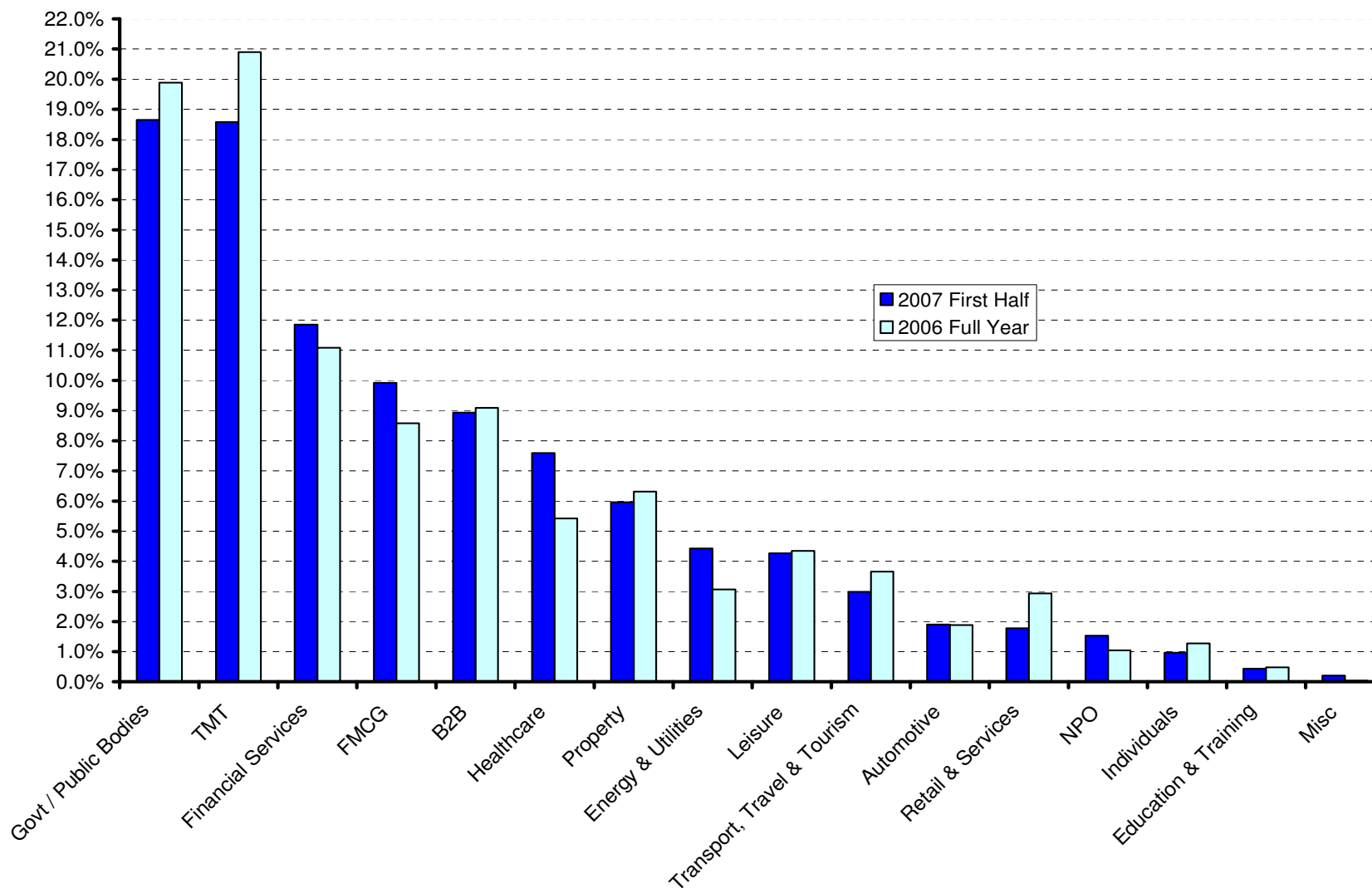
	Operating Income		Operating Profit			Operating Margin	
	2007	2006	2007	2006	% growth	2007	2006
Public Relations	24.2	22.3	4.4	3.9	13	18.2%	17.4%
Advertising and Marketing Services	16.0	13.0	2.4	1.8	33	15.1%	14.0%
Research	3.7	2.5	0.8	0.6	37	20.6%	21.9%
	<b>43.9</b>	<b>37.8</b>	<b>7.6</b>	<b>6.3</b>	<b>21.1</b>	<b>17.3%</b>	<b>16.5%</b>
Central costs	-	-	(0.3)	(0.3)			
<b>Total</b>	<b>43.9</b>	<b>37.8</b>	<b>7.3</b>	<b>6.0</b>	<b>21.8</b>	<b>16.7%</b>	<b>15.9%</b>

# Five year trading history

£000's	2002	2003	2004	2005	2006	First Half 2007
Operating Income	70,406	53,902	52,076	63,032	78,816	43,861
Costs	74,569	49,693	44,948	54,696	66,552	36,551
<b>Operating Profit/(Loss)</b>	<b>(4,163)</b>	<b>4,209</b>	<b>7,128</b>	<b>8,336</b>	<b>12,264</b>	<b>7,310</b>
Profit/(Loss) Before Tax	(6,992)	2,649	6,424	7,325	11,063	6,420
<b>Operating Profit Margin</b>	-	-	<b>13.7%</b>	<b>13.2%</b>	<b>15.6%</b>	<b>16.7%</b>
<b>Earnings per Share</b>	-	-	<b>2.2p</b>	<b>2.49p</b>	<b>3.08p</b>	<b>1.70p</b>
Dividend per Share	1.27p	-	0.30p	0.48p	0.58p	0.22p

# Industry sectors

CHIME REVENUE BY SECTOR



CHIME COMMUNICATIONS

PLC

For further information please contact:

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

