

Chime Communications plc



2008 Interim Results

For the Six Months Ended 30th June 2008

27th August 2008

Agenda



Highlights

The marketplace

Operational review

Financial review

Review of strategic progress

Summary and outlook

Highlights



- Maintained excellent performance in first half of 2008
 - Operating income up 24% and operating profit up 25%
 - Continued expansion of digital activities
 - Continued international expansion
 - Profitability of Research Division affected by investment and a management issue
- New and extended banking facility
- Adoption of more progressive dividend policy
- Well positioned to meet full year expectations
 - 90% of full year income now committed
 - 18% of full year costs variable

Operating profit analysis

£m	2008	2007	Growth %	Organic Growth %
Operating income	54.5	43.9	24	11
Costs	45.4	36.6	24	11
Operating profit	9.1	7.3	25	11
<i>Operating profit margin</i>	<i>16.8%</i>	<i>16.7%</i>		
Profit before tax	8.2	6.4	27	
Diluted Earnings per share	9.86p	8.22p	20	
Dividend per share	1.54p	1.1p	40	

UK market forecasts

%	2006	2007	2008	2009
Advertising (excluding internet)	- 3.3	+ 0.2	- 1.8	- 2.1
Advertising – internet	+ 69.4	+ 36.0	+ 27.2	+ 19.7
Sports marketing	+ 13.7	+ 22.9	+ 9.8	+ 1.8*
Research	+ 2.2	+ 2.5	+ 1.0	+ 1.5
Public relations	+ 8.0	+ 6.5	+ 4.0	+ 3.0

* Sports marketing is forecast to grow by 12.3% in 2010

Source: All Group M except Sports Marketing which is PWC

Operational review



Operational Overview - our experience



- Strong
 - Public relations
 - Sports marketing
 - Government and public sector
 - Digital
 - Property
 - International – particularly Middle East
 - Environmental and corporate responsibility
 - Sales promotion and direct marketing
- Less strong
 - Advertising and media buying
 - Research

Operational overview

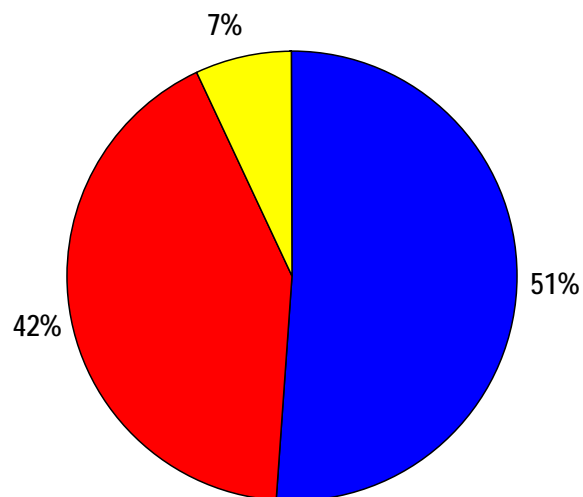


- Majority of Chime's revenue in business areas still performing strongly
- Strong cost control
- Concentrating on areas with high growth potential

Diversified strategy

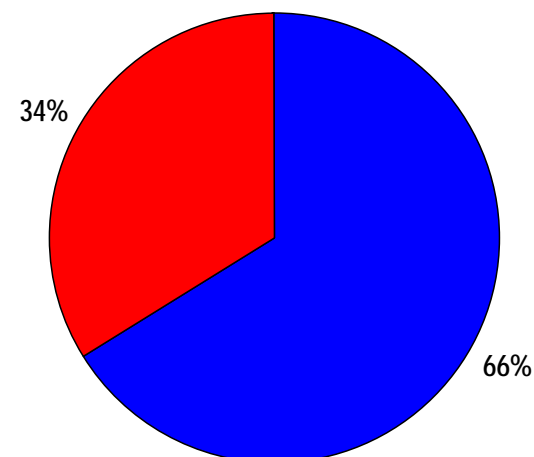
Operating income

By division



- Public Relations
- Advertising and Marketing Services
- Research

By geography

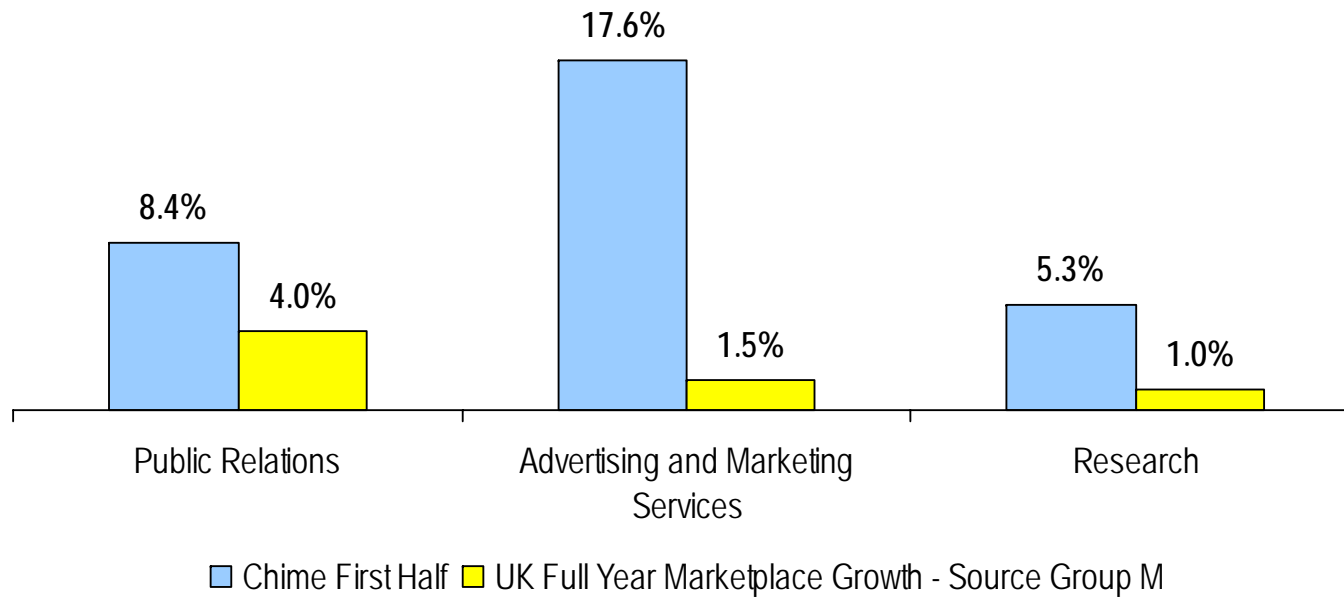


- UK
- International

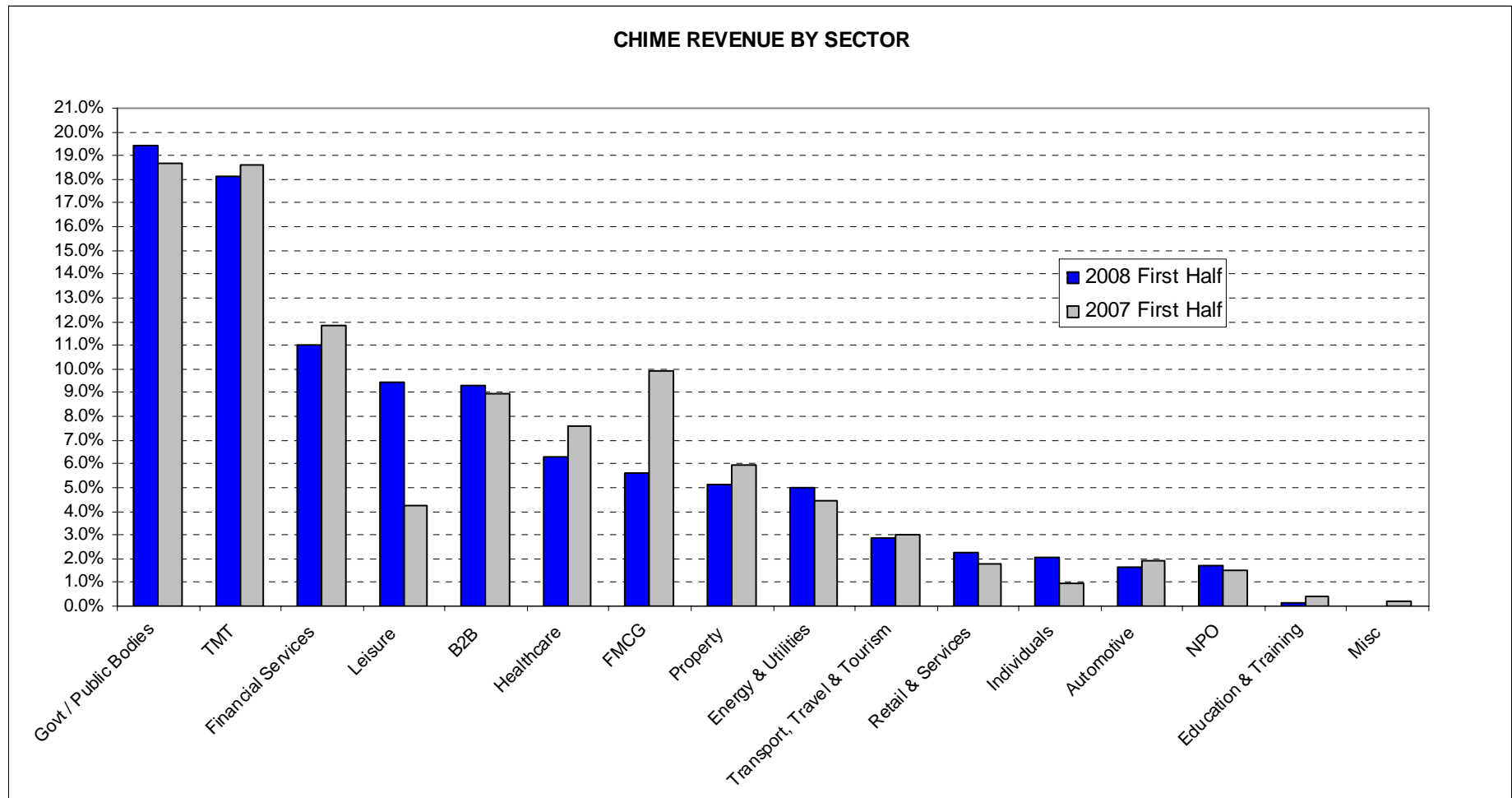
Segmental analysis

	Operating Income			Operating Profit			Operating Margin	
	2008	2007	% <i>growth</i>	2008	2007	% <i>growth</i>	2008	2007
Public Relations	27.7	24.2	+15%	5.1	4.4	+17%	18.6%	18.2%
Advertising and Marketing Services	22.7	16.0	+42%	3.8	2.4	+58%	16.9%	15.1%
Research	4.1	3.7	+10%	0.5	0.8	-39%	11.3%	20.6%
Central costs	-	-		(0.3)	(0.3)	-	-	-
Total	54.5	43.9	+24%	9.1	7.3	+25%	16.8%	16.7%

Organic income growth – 2008 first half



Industry sectors



Financial review



Profit before tax

£m	<u>2008</u> <u>First Half</u>	<u>2007</u> <u>First Half</u>	<u>2007</u> <u>Full Year</u>	<u>2006</u> <u>Full Year</u>
Operating Profit (Prior to Cost of Share Based Incentive Schemes)	+ 23% 9.6	+27% 7.8	+ 33% 16.8	+47% 12.6
Costs of Share Based Incentive Schemes	(0.5)	(0.5)	(1.0)	(0.4)
Finance Cost of Deferred Considerations	(0.6)	(0.5)	(1.2)	(0.6)
Associates	0.1	(0.1)	(0.1)	(0.3)
Interest	(0.4)	(0.3)	(0.7)	(0.3)
Profit Before Tax	8.2	6.4	13.8	11.0
Taxation	2.5	1.9	4.4	3.1
Effective Tax Rate	<u>31%</u>	<u>29.5%</u>	<u>32.4%</u>	<u>28.5%</u>

Cash flow

£m	2008	2007
Profit Before Tax	8.1	6.4
Associates & Discontinued Operations	(0.1)	0.1
IRFS Adjustments	1.1	1.0
Depreciation and Amortisation	1.0	0.6
Capital Expenditure	(0.9)	(0.5)
Working Capital	(8.2)	(0.4)
Cash generated from trading	1.0	7.2
Cash Conversion	12%	113%
Taxation	(2.2)	(1.4)
Restructuring Costs	-	-
Acquisitions, Disposals & Deferred Considerations	(10.7)	(12.0)
Dividends	(1.4)	(1.0)
Purchase of Own Shares	(0.5)	(0.5)
Other	(0.3)	0.1
Decrease in cash	(14.1)	(7.6)
Closing net debt	(13.2)	(5.2)

Strong balance sheet



- Current net debt of £13 million
- £32 million facility to July 2013
- Interest rate of 1.3% above LIBOR
- Net debt to EBITDA ratio of 0.6 (Bank covenant of 2.0)
- Interest cover of 20 times (Bank covenant 4.5 times)

Deferred considerations

Maximum payments

£m	Cash	Shares	Total
2008	0.1	-	0.1
2009	0.2	0.3	0.5
2010	4.6	7.5	12.1
2011	1.2	0.9	2.1
2012	3.2	1.2	4.4
2013	7.5	7.5	15.0
2014	1.9	-	1.9
Total	18.7	17.4	36.1

- Note:
1. At Chime's option, share based payments can be paid in cash
 2. 78% of profits are free from earnouts
 3. Maximum deferred considerations at 31st December 2007 were £48.6 million

Review of strategic progress



Overall strategy



- Continue with diversified modern communications strategy
- Concentrate on areas with high growth potential, eg.
 - by discipline – public affairs, public relations, sports marketing, digital
 - by sector – government and public bodies
 - By geography – Middle East
- Continue to focus the Group on building and managing clients' reputations

Key performance indicators



	2008 First Half	2007 First Half
Shared Clients		
- Number	159	146
- % of total income	56%	56%
Average fee per client	£51,000	£45,000
Operating profit margin	16.8%	16.7%
International income	£18.5 million	£14.5 million

Our strategic plan



- Maintain double digit growth in operating income and profits
- Maintain double digit growth in earnings per share
- Increase the number and value of shared clients
- Improve the average fee per client
- Grow our international income
- Maintain strong cost control

Outlook



Outlook

- Good start to second half – 90% of revenue committed
- Well placed to meet expectations for the full year
- Difficult economic environment
 - Widely predicted that growth will slow in 2009 but diversified business model should reduce impact
- Majority of Chime's revenue in markets that continue to grow
- Continued strong cost control – 18% variable
- Further strengthening of cash management
- Selective investment in new services: eg. Brussels, Geneva, digital research, online reputation management and female market share

Appendices



Some of our leading clients



CHIME COMMUNICATIONS

PLC

Five year trading history

£000's	2004	2005	2006	2007	2008 First Half
Operating Income	52,076	63,032	77,921	96,509	54,459
Costs	44,948	54,696	65,686	80,764	45,332
Operating Profit/(Loss)	7,128	8,336	12,235	15,745	9,127
Profit/(Loss) Before Tax	6,424	7,325	11,034	13,762	8,170
Operating Profit Margin	13.7%	13.2%	15.7%	16.3%	16.8%
Earnings per Share*	11.0p	12.45p	15.40p	17.15p	9.98p
Dividend per Share*	1.50p	2.40p	2.90p	3.50p	1.54p

* Restated for share consolidation

For further information please contact:

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