

## **Huntsworth PLC**

### **Interim Results for six months to 30 June 2004**

#### **STRONG RESULTS FROM EXPANDED GROUP**

Huntsworth PLC, the public relations group, has today announced its interim results for the six months to 30 June 2004.

#### **Highlights**

- Revenues from continuing operations up to £17.5 million (£9.8 million six months to 30 June 2003)
- Trading profit from continuing operations ahead to £1.94 million (£978,000 six months to 30 June 2003)
- Operating company margins: 18.3 per cent
- Adjusted earnings per share: 0.6p (0.6p six months to 30 June 2003)
- Interim dividend of 0.1p per share, the first for 13 years
- Major acquisitions of Grayling and Trimedia completed, transforming size and reach of group
- Placing and open offer completed to raise £20.4 million net
- Bank facilities increased to £15 million on an unsecured basis with a three-year term

#### **Jon Foulds, Chairman of Huntsworth, said:**

“Huntsworth now has an excellent portfolio of companies and the opportunities for working together are increasingly being developed. The rapid integration of, and contribution from, the new businesses, as well as the ongoing progress of the rest of the group, strengthens our expectation that our full year targets will be achieved. Looking forward, assuming reasonable market conditions, we expect further earnings growth in 2005.”

#### **Contacts:**

Peter Chadlington, Chief Executive, Huntsworth PLC, +44 (0) 20 7408 2232  
Roger Selman, Finance Director, Huntsworth PLC, +44 (0) 20 7408 2232  
Jonathan Shillington, The Global Consulting Group, + 44 (0) 20 7796 4133

## **Interim Results for Six Months to 30 June 2004**

### **Financial performance**

I am pleased to report that the results for the six months to 30 June 2004 have reflected substantial immediate benefits from our recent acquisitions. Operating profit from continuing operations before exceptional items and goodwill amortisation was £1,935,000, compared with £978,000 in the six months to 30 June 2003, an increase of 98 per cent.

After exceptional items of £214,000 and goodwill amortisation of £155,000, profit on ordinary activities before interest and tax was £1,566,000 (2003: £647,000, after discontinued operations).

### **Earnings and revenues**

Profits attributable to ordinary shareholders amounted to £963,000 (2003: £486,000), after tax of £227,000 and minority interests of £128,000.

Adjusted earnings per share (excluding exceptional items and goodwill amortisation) were 0.6 pence, the same as for the six months to June 2003. Both basic and diluted earnings per share were 0.4 pence (2003: both 0.3 pence).

Revenues to 30 June 2004 amounted to £17.5 million, an increase of 78.3 per cent. compared with the six months to 30 June 2003 (£9.8million excluding discontinued operations).

Operating company margins were 18.3 per cent, before central costs and excluding exceptional items.

Exceptional items (comprising severance costs and transaction abort fees) totalled some £214,000. Goodwill amortisation amounted to £155,000.

### **Treasury**

In the six months Huntsworth generated positive trading cash flow of £691,000, before exceptional items (2003: £123,000). The cash flow was impacted by an increase in working capital, which has principally arisen from the higher trading activity at the end of the first half compared to pre-acquisition levels of the acquired companies.

The placing and open offer in April raised £20.4 million net of costs. Of this amount £12.0 million was used to fund acquisitions and the balance to reduce bank borrowings.

Huntsworth has agreed a committed three-year unsecured overdraft and guarantee facility of £15 million from Lloyds TSB Bank. The facility is multi-currency, with an interest rate of 1 per cent. over Sterling base rate or equivalent for other currencies.

EBITDA interest cover (excluding exceptional items) was 9.5x in the six months ended 30 June 2004.

Huntsworth has protected its US dollar and Euro earnings for 2004 by taking out average rate options. It is also protected against the effects of interest rate increases for the three years to August 2007 by a base interest rate cap over £5 million.

## **Tax and minority interests**

The tax charge of £227,000 is 13.5 per cent of profits (before exceptional items and goodwill), the rate estimated for the full year. With an increased proportion of overseas operations, and brought forward tax losses not available for all new businesses, tax as a percentage of profits will continue to increase. UK tax losses carried forward amount to over £6 million.

Minority interests reflect the minority holdings held by management in GCG, Grayling and Hudson Sandler.

## **Balance Sheet**

The progressive improvement in the balance sheet has continued, with positive net current assets increasing to £1.8 million. Net bank debt at 30 June 2004 was £2.3 million, compared with £10.1 million at 31 December 2003. Shareholders' funds at 30 June increased to £45.5 million, compared with £16.3 million at 31 December 2003.

## **Acquisition payments**

Acquisition payments, including net debt acquired with subsidiaries, totalled £12.0 million. A total of 24.5 million shares were issued in respect of acquisitions in the six months.

Further earn-out payments are estimated at £7.7 million - £5.3 million payable in cash or in shares at Huntsworth's option, and £300,000 in shares. £2.1 million is to be met in cash.

## **Operational Review**

### **Revenues and margins**

On a like-for-like basis revenues of companies owned at 31 December 2003 were down 2.7 per cent compared with the first half of 2003. This reflected a very difficult period at Harrison Cowley in 2004, and excluding this subsidiary the comparison is flat.

The Group achieved operating margins of 18.3 per cent for the six months, with all acquired businesses trading profitably and making a substantial contribution to operating profits. Margins in companies owned at 31 December 2003 were 17.5 per cent. Excluding Harrison Cowley, these companies made margins of 20.6 per cent, in line with our target, and in the acquired companies margins were 19.9 per cent.

### **Acquisitions**

In March 2004 we announced the acquisitions of the Trimedia group and Grayling. Their results have been consolidated since mid April. Trimedia is one of Europe's leading multi-disciplinary public relations and communications firms with offices in Switzerland, Austria, Germany and France.

Grayling, is an international public relations, public affairs and events management firm. Grayling is a strong brand, which substantially increases our offering in the UK and provides Huntsworth with an expanded international reach.

In the period Global Consulting Group (GCG), our financial PR and public affairs business, acquired 60 per cent of Hudson Sandler, a leading City financial PR consultancy (consolidated from March) and Summit, a Chicago based public affairs and corporate communications firm (consolidated from May). Since 30 June, GCG has also acquired Ergo, a London based public affairs and corporate communications firm, which, together with Hudson Sandler (now renamed GCG Hudson Sandler) and its original London office, gives GCG a substantial UK presence.

Since 30 June, our healthcare communications business, PBC, has expanded significantly as a result of two acquisitions: VB Communications, a UK healthcare advertising, public relations and medical education business, based in Beaconsfield, and Avenue HKM, a UK healthcare public relations and medical education business based in West London.

## **Our new profile**

As a result of the acquisitions completed in 2004 the profile of the Huntsworth group has changed significantly.

- We now have approximately a third of our operations outside of the UK, with over 85 per cent in Public Relations.
- We provide services to 17 constituent companies in the FTSE 100, 39 in the Fortune 500, and 45 in the Eurotop 300.
- We now represent 39 clients in more than one country, and 37 clients are serviced by more than one of our brands.

In the 6 months to June 2004 our companies have won net new business for 2004 of over £7million.

## **Clients**

New clients to the Group include 3M Europe, the Austrian Central Bank, Centrica Business Services, Heineken, Sankyo, Scottish Enterprise, Starbucks and United Biscuits.

Existing clients who have awarded new assignments to Group companies include The Carphone Warehouse, Coors Brewers, Henkel, Janssen Cilag, Lafarge, Novartis and Pfizer.

## **Dividends**

The Board declares an interim dividend of 0.1p per share. The record date for this interim dividend is 8 October 2004, payable on 5 November 2004.

## **Outlook**

We are delighted with the contributions made by the companies that have joined our group since the beginning of the year and we continue to focus on integrating these businesses. The progress we have made augers well for achieving our 20% margin target. Our healthcare and financial businesses and events management operations have seen strong demand for their services. We believe that our new mix of businesses will serve us well as we seek further growth.

Having strongly branded companies is critical to building our group. We now have an excellent portfolio including Global Consulting Group, Grayling and Trimedia, and well regarded specialist agencies such as Counsel and EHPR. This portfolio provides a firm base for developing an international public relations group.

We also have an exceptional group of senior managers. The opportunities for working together are increasingly being developed. This should help us to capitalise on improved market conditions as they materialise, and gives us confidence for the full year.

The rapid integration of, and contribution from, the new businesses strengthens our expectation that our full year targets will be achieved. Trading since June continues in line with those targets. Looking forward, assuming reasonable market conditions, we expect further earnings growth in 2005.

**H Jon Foulds**

*Chairman*

28 September 2004

**Unaudited Consolidated Profit & Loss account**

	6 months to 30 June 2004		6 months to 30 June 2003		12 months to 31 December 2003		
	£000	£000	£000	£000	£000	£000	£000
	Continuing operations	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<b>Turnover</b>							
Excluding acquisitions	16,004	12,866	453	13,319	28,780	499	29,279
Acquisitions	7,337	-	-	-	-	-	-
	<b>23,341</b>	12,866	453	13,319	28,780	499	29,279
Cost of sales	(5,806)	(3,033)	(320)	(3,353)	(6,705)	(353)	(7,058)
<b>Revenue</b>							
Excluding acquisitions	11,729	9,833	133	9,966	22,075	146	22,221
Acquisitions	5,806	-	-	-	-	-	-
	<b>17,535</b>	9,833	133	9,966	22,075	146	22,221
<b>Operating expenses – including exceptional items and goodwill</b>							
Excluding acquisitions	(10,902)	(8,929)	(390)	(9,319)	(20,153)	(398)	(20,551)
Acquisitions	(5,067)	-	-	-	-	-	-
	<b>(15,969)</b>	(8,929)	(390)	(9,319)	(20,153)	(398)	(20,551)
<b>Operating profit/(loss)</b>							
Excluding acquisitions	827	904	(257)	647	1,922	(252)	1,670
Acquisitions	739	-	-	-	-	-	-
<b>Group operating profit/(loss)</b>	<b>1,566</b>	<b>904</b>	<b>(257)</b>	<b>647</b>	<b>1,922</b>	<b>(252)</b>	<b>1,670</b>
Exceptional items	214	-	-	-	179	-	179
Goodwill amortisation	155	74	-	74	170	-	170
Operating profit/(loss) before exceptional items and goodwill							
Excluding acquisitions	1,196	978	(257)	721	2,271	(252)	2,019
Acquisitions	739	-	-	-	-	-	-
	<b>1,935</b>	978	(257)	721	2,271	(252)	2,019
Net bank and finance lease interest	(248)	(161)	-	(161)	(441)	-	(441)
<b>Profit/(loss) before tax, exceptional items and goodwill</b>	<b>1,687</b>	<b>817</b>	<b>(257)</b>	<b>560</b>	<b>1,830</b>	<b>(252)</b>	<b>1,578</b>
Share of operating profit in associate	-	-	-	-	-	-	4
<b>Total operating profit</b>	<b>1,566</b>			647			1,674
Net bank and finance lease interest	(248)			(161)			(441)
<b>Profit on ordinary activities before tax</b>	<b>1,318</b>			486			1,233
Taxation	(227)			-			-
<b>Profit on ordinary activities after tax</b>	<b>1,091</b>			486			1,233
Minority interests - equity	(128)			-			-
<b>Profit attributable to members of the parent company</b>	<b>963</b>			486			1,233
Ordinary dividend on equity shares	(303)			-			(163)
<b>Retained profit</b>	<b>660</b>			486			1,070
<b>Earnings Per Share:</b>							
Basic and diluted - pence	0.4			0.3			0.8
Adjusted – pence	0.6			0.6			1.2

## Unaudited Consolidated Balance Sheet

	30 June 2004	30 June 2003	31 December 2003
	£000	£000	£000
<b>Fixed assets</b>			
Intangible assets	49,537	20,492	26,097
Tangible assets	2,850	1,840	1,918
Investments	191	-	173
	<b>52,578</b>	<b>22,332</b>	<b>28,188</b>
<b>Current assets</b>			
Work in progress	1,444	117	226
Debtors	15,496	5,907	6,818
Cash at bank and in hand	2,136	39	80
	<b>19,076</b>	<b>6,063</b>	<b>7,124</b>
<b>Creditors due within one year</b>	<b>(17,249)</b>	<b>(6,057)</b>	<b>(6,633)</b>
<b>Net current assets</b>	<b>1,827</b>	<b>6</b>	<b>491</b>
<b>Total assets less current liabilities</b>	<b>54,405</b>	<b>22,338</b>	<b>28,679</b>
<b>Creditors due after more than one year</b>	<b>(5,460)</b>	<b>(6,535)</b>	<b>(10,263)</b>
<b>Provisions for liabilities and charges</b>	<b>(3,341)</b>	<b>(2,868)</b>	<b>(2,110)</b>
	<b>45,604</b>	<b>12,935</b>	<b>16,306</b>
<b>Capital and Reserves</b>			
Called up share capital	28,709	14,462	16,309
Share premium account	23,612	13,242	13,148
Other reserves	6,563	3,277	3,459
Shares to be issued	5,602	2,094	2,995
Investment in own shares	(8)	-	(5)
Profit and loss account	(19,002)	(20,140)	(19,600)
<b>Equity shareholders' funds</b>	<b>45,476</b>	<b>12,935</b>	<b>16,306</b>
<b>Minority interests</b>	<b>128</b>	<b>-</b>	<b>-</b>
	<b>45,604</b>	<b>12,935</b>	<b>16,306</b>

### Notes:

- (i) EPS Adjusted is undiluted and is calculated using profits excluding discontinued operations and before all exceptional items and goodwill but after interest, tax and minority interests.
- (ii) The interim statement has been prepared using the accounting policies set out in the 31 December 2003 accounts.
- (iii) The financial information set out herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the 12 months to 31 December 2003 are abridged from the Group's full accounts for that period which received an unqualified auditors' report and have been filed with the Registrar of Companies.
- (iv) The interim results set out above have neither been reviewed nor audited by the Group's auditors.
- (v) The Directors propose an interim dividend 0.1p per share (previous 12 months 0.1p per share).

## Unaudited Consolidated Cash Flow Statement

	6 months to 30 June 2004		6 months to 30 June 2003		12 months to 31 December 2003	
	£000	£000	£000	£000	£000	£000
<b>Net cash inflow/(outflow) from operating</b>		<b>111</b>		<b>(549)</b>		<b>(322)</b>
<b>Returns on investments and servicing of finance</b>						
Interest received	45		9		34	
Interest paid	(273)		(155)		(379)	
Finance lease interest paid	(20)		(15)		(36)	
Exceptional finance charge	-		(60)		(60)	
Dividend paid	(163)		-		-	
<b>Net cash outflow for returns on investments and servicing of finance</b>		<b>(411)</b>		<b>(221)</b>		<b>(441)</b>
<b>Taxation</b>						
Corporation tax paid		(73)		(55)		(111)
<b>Capital expenditure and financial investment</b>						
Disposal of tangible fixed assets	6		54		90	
Purchase of tangible fixed assets	(135)		(162)		(350)	
		<b>(129)</b>		<b>(108)</b>		<b>(260)</b>
<b>Acquisitions</b>						
Purchase of subsidiary undertakings	(11,134)		(695)		(2,933)	
Purchase of associate undertaking	-		-		(169)	
Purchase of unincorporated business	-		(39)		(104)	
Net cash acquired with subsidiaries	(871)		(170)		(1,098)	
<b>Net cash outflow from acquisitions</b>		<b>(12,005)</b>		<b>(904)</b>		<b>(4,304)</b>
<b>Net cash outflow before financing</b>		<b>(12,507)</b>		<b>(1,837)</b>		<b>(5,438)</b>
<b>Financing and net cash inflow/(outflow) from financing</b>						
Issue of ordinary share capital	20,413		-		-	
Purchase of own shares	(3)		-		(5)	
Repayment of capital element of finance leases	(101)		(116)		(210)	
(Decrease)/increase in long term borrowings	(6,128)		-		4,980	
		<b>14,181</b>		<b>(116)</b>		<b>4,765</b>
<b>Increase/(decrease) in cash in the period</b>		<b>1,674</b>		<b>(1,953)</b>		<b>(673)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>						
Increase/(decrease) in cash in the period		1,674		(1,953)		(673)
Cash outflow from debt repayment		6,128		-		-
Cash inflow from increase in long term borrowings		-		-		(4,980)
Repayment of capital element of finance leases		101		116		210
		<b>7,903</b>		<b>(1,837)</b>		<b>(5,443)</b>
Finance leases acquired with subsidiary		(49)		(8)		(95)
New finance leases		(133)		(144)		(155)
Disposal of finance leases		6		-		-
Translation differences		(58)		40		(39)
Decrease/(increase) in net debt		<b>7,669</b>		<b>(1,949)</b>		<b>(5,732)</b>
Net debt at beginning of period		<b>(10,491)</b>		<b>(4,759)</b>		<b>(4,759)</b>
<b>Net debt at end of period</b>		<b>(2,822)</b>		<b>(6,708)</b>		<b>(10,491)</b>

## Notes to the Unaudited Consolidated Cash Flow Statement

### Reconciliation of operating profit to net cash outflow from operating activities

	6 months to 30 June 2004	6 months to 30 June 2003	12 months to 31 December 2003
	Total £000	Total £000	Total £000
Operating profit	1,566	647	1,670
Depreciation	433	270	595
Tangible fixed assets written off	-	3	4
(Profit)/loss on disposal of tangible fixed assets	(2)	8	14
Amortisation of goodwill	155	74	170
(Increase)/decrease in work in progress	(290)	42	17
Increase in debtors	(1,891)	(982)	(631)
Increase/(decrease) in creditors	512	(41)	(1,025)
Decrease in provision for liabilities and charges	(372)	(570)	(1,136)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>111</b>	<b>(549)</b>	<b>(322)</b>

Net cash inflow/(outflow) from operating activities is analysed as follows:

Before exceptionals and discontinued operations	691	123	1,290
Exceptionals	(525)	(487)	(1,320)
Discontinued operations	(55)	(185)	(292)
	<b>111</b>	<b>(549)</b>	<b>(322)</b>

Analysis of net debt	1 January 2004 £000	Cash flow £000	Other £000	30 June 2004 £000
Cash at bank and in hand	80	2,053	3	2,136
Overdraft	(126)	(379)	(61)	(566)
Net cash	(46)	1,674	(58)	1,570
Committed overdraft repayable between one and two years	(10,030)	6,128	-	(3,902)
Finance leases	(415)	101	(176)	(490)
<b>Net debt</b>	<b>(10,491)</b>	<b>7,903</b>	<b>(234)</b>	<b>(2,822)</b>

### Unaudited Consolidated Statement of Total Recognised Gains and Losses

	6 months to 30 June 2004 £000	6 months to 30 June 2003 £000	12 months to 31 December 2003 £000
Profit for the period/year	660	486	1,070
Exchange difference on retranslation of net assets of subsidiary undertakings	(55)	43	(12)
<b>Total recognised gains and losses relating to the period/year</b>	<b>605</b>	<b>529</b>	<b>1,058</b>