

HUNTSWORTH

Huntsworth PLC

Interim results for the six months to 30 June 2009

Gathering momentum: branding for growth

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2009.

Highlights¹

Revenue

- Total revenue at £76.5m (H1 '08: £80.5m)
- Net new business wins £20.3m
- 90% of annual revenues committed for 2009
- Organic² revenue decline of 4.2%

Profits

- Operating margin post central costs at 14.2% (H1 '08: 16.5%)
- Profit before tax at £11.0m (H1 '08: £12.2m)
- Profit before tax after highlighted items of £1.5m (H1 '08: £10.4m)

Basic earnings per share

- Before highlighted items at 3.8p (H1 '08: 4.2p)
- After highlighted items at 0.1p (H1 '08: 0.5p)

Cashflow and net debt

- Cash flow from operating activities of £7.8m, representing a cash conversion of 72% (H1 '08: 56%)
- Net debt on target at £39.9m (31 December 2008: £33.5m)

Strategic rebranding initiative

- Excellent progress against plans to restructure group brands
- Group reorganised around 4 key brands: Huntsworth Health, Citigate, Grayling and Red

Other highlights

- Interim dividend up 7.1% to 0.75p (H1 '08: 0.70p)
- Revenue and profit before tax at 48% of full year market consensus
- Earnings per share at 49% of full year market consensus
- Underlying margins (adjusted for charges not repeated in the second half) of 20.7% pre central costs and 15.5% after central costs

Notes:

1. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, profit/loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items including rebranding costs in 2009.
2. Organic revenues are at actual exchange rates and adjusted to include pre-acquisition revenues and exclude disposals.

Peter Chadlington, Chief Executive of Huntsworth, said:

“Given the challenging economic climate, we are pleased to report a good first half. With 90% of 2009 revenues committed and the new business pipeline gaining momentum, we are on track to meet full year management expectations. We have also made excellent progress on the Group’s strategic branding initiative which we believe will enable us to compete for, and win, the type of large international mandates that will drive the top line growth of the business.”

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A presentation to analysts will take place at 9.30am on 27 August 2009 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

CHIEF EXECUTIVE'S STATEMENT

Overview

Given the challenging economic climate, we are pleased to report a good first half with profits and earnings per share 10% ahead of market expectations. Revenue and profit before tax are at 48% of the consensus full year forecast and earnings per share at 49%. Underlying margins before central costs have been sustained over our internal 20% target and some 90% of our 2009 revenues are committed.

Our revenues are broadly spread across business sectors with no significant exposure other than healthcare at 29%. Our top 25 clients account for 16.3% of revenues (2008:15.3%) and average Public Relations fees are approximately £59,000 (2008: £49,000).

Our client attrition levels at 3.5% are at the lower end of our normal range and all of our previous year top 25 clients have been retained. At the end of 2008, the sharp downturn began to have an effect on clients and we saw annual retainer budget cuts in January and February amounting to around £10 million. Since then, momentum has increased as confidence returns month on month and net monthly wins are now closer to 2008 levels.

Significant first half wins include the London Stock Exchange, ING Investment Management, Qatar Shipping and Navigation merger, Royal Mail Group, Coca-Cola Austria, P&G Switzerland, Samsung UK, Habitat and GlaxoSmithKline over nine countries.

Cash conversion has remained strong at 72% with closing net debt on target despite some one off costs including £5.2 million of rebranding costs, £2.1 million of share purchases and £2.0 million of foreign exchange impact.

The interim dividend has been increased by 7.1% on last year to 0.75p.

Global Brands

The first stage of Huntsworth's growth was to buy and build our capabilities, accelerating our ability to win larger mandates, improving the size of the business wins and the margins delivered. The second was to enable our companies to win more business and more multi-office clients through the development of an international network and through greater understanding and co-operation between group companies.

In March we indicated that we were looking to move into the third phase of development through restructuring the branding of the group in order to make the whole of the network more accessible both to our existing and potential clients, positioning the group to compete for and win the large multinational mandates that will carry the group into the next phase of its growth.

Huntsworth currently has 26 major international brands, many of which co-operate with each other well to service joint clients and which have built up a good track record of developing international business within individual brands. For example, in the first half, 33% of our business was handled in more than two offices. However, with the exception of Huntsworth Health, the group has yet to break through to win high value global mandates.

Global clients demand a seamless global service which is easier to provide and, critically, easier to demonstrate if the brand and organisation are consistent around the world.

Our initial plan was to restructure the group and carry out a far reaching rebranding exercise over a two to three year period. However, the sharp downturn and global recession has enabled us to compress that timetable significantly.

We are therefore in the process of rationalising our 26 brands into four, comprising three public relations brands - Grayling, Citigate, Red - and one healthcare brand – Huntsworth Health.

Huntsworth Health

Huntsworth Health is the furthest advanced and has already entered the third stage of the development process. This division is showing 7.9% organic growth in the first half as we have started to win larger mandates across the whole of Europe and the US. In the last six months, Huntsworth Health has won five mandates over \$1 million including one for Wyeth with \$10 million in fees over four years. The division now represents circa 30% of group revenues and employs 420 people including over 100 executives with a PhD qualification. Its dedicated digital element has grown by 92% over 2008 and now represents 12% of the division's revenues.

Grayling

Grayling is merging with a number of other brands including Trimedia and Mmd. The combination is highly complementary with a compelling geographic fit and extensive combined network. Trimedia is strong in the UK and Western Europe, Mmd is strong in Eastern Europe and Grayling is established in the US and UK.

New Grayling will, at circa 44% of group revenues, be a worldwide top three independent brand led by Michael Murphy who has proven global experience. With a comprehensive business mix, it will have the opportunity to leverage local client contracts at a global level and be a natural and highly credible candidate for global pitch lists.

Citigate

Citigate is a leading financial public relations brand which is respected worldwide. It is currently circa 18% of group revenues with a top three agency in London and some smaller operations in Europe and Asia. Under a new holding company, we will expand the brand into the key financial centres around the world within 18 months through start-ups, investment programmes and utilising existing network operations.

Red

Red is a leading UK agency with smaller offices in the US. Revenues grew by 21% organically in the first half and represent circa 8% of group revenues. It is a specialist agency with a strong digital element and a reputation for creative excellence. For the forthcoming PR Week 2009 awards, Red is shortlisted in every category. With great care to preserve its unique culture, we would expect Red steadily to expand overseas in the coming years.

Board

As we move into the next stage of our development, we are strengthening Huntsworth's Board with the appointment of two new non-executive directors who have significant operational experience building brands capable of winning global mandates. John Farrell, whose appointment was announced in July, headed up all of Publicis' non advertising business and in particular built and managed their international PR firms. Michael Birkin, whose appointment is announced today, recently left Omnicom where amongst other things he built DAS – the non-advertising side of Omnicom – from virtually nothing to a \$2bn business in just five years.

Digital

Digital is also a key area for growth across the group. It plays directly to our strengths in public relations and is integrated into all our work. Pure digital businesses comprise 4% of group revenues and 12% of Huntsworth Health, having doubled in the past year.

The strategic branding initiative, driven by a world-class team, puts us firmly on the road to build organic growth at a faster pace. We expect this initiative to be profit neutral in 2010 and show revenue growth from 2011.

Outlook

With 90% of 2009 revenues committed and the new business pipeline gaining momentum, we are on track to meet full year management expectations. We have also made excellent progress on the Group's strategic branding initiative which we believe will enable us to compete for, and win, the type of large international mandates that will drive the top line growth of the business.

Peter Chadlington
Chief Executive
27 August 2009

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2009	Organic growth	2008	Organic growth
	£'m		£'m	
Revenue				
Public Relations	54.3	(8.4%)	59.9	9.7%
Huntsworth Health	22.3	7.9%	20.6	(0.5%)
Eliminations	(0.1)		-	
Total operations	<u>76.5</u>	(4.2%)	<u>80.5</u>	6.9%
Operating profit		Margin		Margin
Public Relations	10.9	20.0%	12.9	21.5%
Huntsworth Health	<u>4.0</u>	17.9%	<u>4.1</u>	20.0%
Total operations	14.9	19.4%	17.0	21.1%
Central costs	<u>(4.0)</u>		<u>(3.7)</u>	
Profit before highlighted items	10.9	14.2%	13.3	16.5%
Operating highlighted items	<u>(8.3)</u>		<u>(0.8)</u>	
Reported operating profit	<u>2.6</u>		<u>12.5</u>	
Adjusted basic EPS	3.8p		4.2p	
Reported basic EPS	0.1p		0.5p	

Introduction

In the commentary below, all results are stated before taking account of highlighted items unless otherwise stated. Highlighted items comprise amortisation of intangible assets, profit/loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items including rebranding costs in 2009.

Organic growth is based on revenues at actual exchange rates, adjusted to include pre-acquisition revenues and exclude disposals.

Revenue and profits

Group revenue in the six months to 30 June 2009 fell by 4.9% to £76.5 million compared to the same period last year. However, new business has improved month on month through the year and is now closer to 2008 levels.

Revenues grew organically in our Huntsworth Health businesses by 7.9% whilst Public Relations was down 8.4% giving an overall organic revenue decline of 4.2%.

Group operating profits before central costs in the first half decreased by 12.7% to £14.9 million (H1 2008: £17.0 million). However, our margin and bonus policies ensured the Group continued to report strong margins. Group operating margin before central costs was 19.4% (H1 2008: 21.1%) which reflected a 20.0% margin for Public Relations businesses and 17.9% for Huntsworth Health. Underlying margins adjusted for charges not repeated in the second half (holiday pay and US payroll taxes) were 20.7% which is above our internal minimum of 20%.

Operating margin after central costs was 14.2% (H1 2008: 16.5%). Underlying margins after central costs were 15.5%. Operating profit after central costs for the period was £10.9 million (H1 2008: £13.3 million).

Profit before tax was £11.0 million (H1 2008: £12.2 million).

Currency

The weakening of sterling against the euro over the last year has had a marked impact on the average exchange rates used to translate the Group's overseas results into sterling for the first halves of 2008 and 2009. In the first half of 2009, the net translation impact of currency changes compared with the same period last year was to increase revenue by £8.1 million and trading profit by £1.3 million.

The Group has taken out protection to manage the translation risk from a strengthening of sterling on a significant proportion of the Group's euro and US dollar 2009 profits.

Highlighted items

Operating highlighted items of £8.3 million comprise £2.4 million for amortisation of intangible assets, £0.1 million of loss on disposal of subsidiaries, £0.5 million of non-cash share-based acquisition payments deemed as remuneration and £5.3 million of rebranding and restructuring costs.

Our strategic brand initiative will give us the ability to win global clients and represents our next key opportunity for growth. We are in the process of reducing 26 brands to one healthcare brand and three public relations brands. The costs to date of £5.3 million include severance charges of £4.3 million and property costs of £1.0 million as we restructure our teams and offices to align to the new structure. £3.3 million is a direct result of the re-branding, reducing senior duplicated headcount and merging office locations and £2.0 million has resulted from a strategic review of all brands including the removal of peripheral locations and non-profitable revenues.

This will initially result in the loss of some revenues, expected to be in the region of £5 million annually. Estimated annualised cost savings are more or less in line with the anticipated loss of revenues. We have not lost any key clients and the cost of the initiative is expected to be equivalent to the annual contribution from one or two global clients.

The rationalisation is expected to be complete by the end of 2009 at a total cash cost of approximately £8 million.

Total highlighted items in the first six months of £9.6 million include £1.3 million for the impairment of the Group's investment in associates.

After these highlighted items, statutory reported operating profit was £2.6 million (H1 2008: £12.5 million).

Tax

The tax charge of £1.2 million comprises an underlying tax charge of £3.1 million together with a credit of £1.9 million on highlighted items. The underlying tax charge is based on the expected full year underlying tax rate of 28%.

Earnings

Profits attributable to ordinary shareholders were £7.8 million (H1 2008: £8.6 million). Profits after highlighted items attributable to ordinary shareholders amounted to £0.2 million (H1 2008: £1.0 million).

Basic earnings per share were 3.8p (H1 2008: 4.2p). Diluted earnings per share were 3.7p (H1 2008: 4.1p). Basic and diluted earnings per share after highlighted items were 0.1p (H1 2008: 0.5p).

Dividends

The Board has continued its progressive dividend policy. The interim dividend has been increased by 7.1% to 0.75p per share (H1 2008: 0.7p). The record date for this dividend will be 2 October 2009 and it is payable on 6 November 2009. A scrip dividend alternative will be available.

Balance sheet and cash flow

Our continued focus on the strength of our balance sheet has ensured that the Group remains in a strong financial position and our businesses continue to generate good operating cash flows.

Net debt at 30 June 2009 was £39.9 million (31 December 2008: £33.5 million), well within the Group's £90 million debt facilities and on target despite some one off costs including £5.3m of re-branding costs, £2.1m of share purchases and £1.7m of foreign exchange impact.

Cash inflow from operating activities amounted to £7.8 million and cash conversion of operating profit into operating cash flows was 72%, well ahead of the 56% reported for the same period last year. Operating cash conversion in the first half is always below our full year target of 100% due to the payment of bonuses relating to the prior year.

This is before a £5.2 million cash impact relating to highlighted items (H1 2008: £2.2 million).

For the full year, Huntsworth expects cash conversion to achieve the Group's minimum target of 100%.

Other principal cash flows during the period were net payments for interest, tax and fixed assets of £2.7 million, dividends received from associates of £1.6 million, purchase of shares for employee incentives and the share buyback programme of £2.1 million and a net outflow in respect of acquisitions and disposals of £4.2 million. The debt was also increased by £2.0m due to the revaluation of non sterling balances.

The Group continues to operate well within its banking covenants and facilities which comprise a revolving credit facility and a committed overdraft totalling £90 million in place until July 2010 with £87 million continuing until 2011 and £82.5 million until July 2012 as a term loan is repaid. Net debt to EBITDA was at a ratio of 1.5 times at 30 June 2009 and interest cover (excluding highlighted items and imputed interest) was 8.4 times (H1 2008: 8.2 times).

Earn-out payments

Future earn-out payments as at 30 June 2009 are estimated at £21.6 million, comprising £13.4 million payable in cash and £8.2 million payable in cash/shares at Huntsworth's option. The timing of the aggregate of these payments is £4.7 million in 2009, £3.6 million in 2010, £12.2 million in 2011 and £1.1 million in 2012 and beyond.

Key risks and uncertainties

As detailed on page 19 of the 2008 Annual Report and Accounts, the Group's key risks and uncertainties are identified as: dependence on key personnel and relationships with clients; management of growth; failure of information systems; competition in the provision of services; fluctuations of revenues, expenses and operating results; currency rate risk; and exposure to a downturn in the public relations industry. These risks are not considered to have changed since the 2008 Annual Report and Accounts were published.

Notes to Editors:

1. Huntsworth PLC is a global public relations and healthcare communications group with 71 principal offices in 30 countries, and 2,100 clients. The Group provides services to 49 companies in the FTSE 100, 99 in the Fortune 500 and 106 in the Eurotop 300 and 39 of the world's 50 largest healthcare companies.
2. At 30 June the group employed approximately c.1,580 staff with an average annual fee income per head of £99,000.
3. Group revenue comprises the following key areas of activity: Corporate Communications accounts for 25% of Group revenue; Consumer for 19%; Public Affairs for 7%; Financial non-deal led Public Relations work is 15%; Financial deal led Public Relations is 1%; Huntsworth Health is 29% and other activities are 4%.
4. By industry sector the revenue profile is broadly 29% Pharmaceuticals; 13% Financial Services; 9% Technology; 6% Food and Drink, 7% Retail & Leisure, 6% Government & Public Sector and 5% Industrial.
5. Geographically, 42% of Group revenue in the first half of 2009 was from the UK; 26% from other European countries; 28% from the US; and 4% from the Rest of the World. Operating margins for the six months to 30 June 2009 were 21% in the UK; 19% in Europe; 15% in the US and 34% in the Rest of the World.
6. The Group now represents 168 clients in more than one country and 273 by more than one company. The largest client/Huntsworth Health brand represents 1.6% of continuing revenue with the top 10 clients/brands accounting for 8.2% and the top 25 clients/brands 16.3%. Average annual fee income per client is £74,000. 33% of revenues were earned through companies working together with other group companies.
7. As at August 2009 shareholdings of Directors, employees and employee trusts represent approximately 14% of the Group's issued share capital. Institutional shareholdings hold approximately 78%, with the top 10 holding some 65% as of August 2009.

Unaudited consolidated income statement

for the six months ended 30 June 2009

		Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Audited Year ended 31 December 2008 £000
Turnover		100,280	106,915	209,870
Revenue	3	76,513	80,455	159,132
Operating expenses – excluding highlighted items		(65,659)	(67,178)	(132,814)
Operating expenses – highlighted items		(8,300)	(779)	(1,501)
Operating expenses – total		(73,959)	(67,957)	(134,315)
Operating profit before highlighted items	3	10,854	13,277	26,318
Highlighted items – operating expenses	4	(8,300)	(779)	(1,501)
Operating profit		2,554	12,498	24,817
Share of profit of associates		1,285	1,045	2,373
Highlighted item – impairment of associates	4	(1,285)	(1,045)	(2,373)
Finance income	5	267	442	385
Finance costs	5	(1,366)	(2,560)	(5,058)
Profit before tax and highlighted items		11,040	12,204	24,018
Highlighted items	4	(9,585)	(1,824)	(3,874)
Profit before tax		1,455	10,380	20,144
Taxation	6	(1,221)	(9,184)	(10,085)
Profit for the period		234	1,196	10,059
Attributable to:				
Parent company's equity shareholders		193	1,011	9,777
Minority interests		41	185	282
		234	1,196	10,059
Earnings per share:				
Basic – pence	8	0.1	0.5	4.8
Diluted – pence	8	0.1	0.5	4.7
Adjusted basic – pence*	8	3.8	4.2	8.5
Adjusted diluted – pence*	8	3.7	4.1	8.3

*Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items and the related tax effects (Note 8).

Unaudited consolidated balance sheet

As at 30 June 2009

		30 June 2009 £000	30 June 2008 £000	Audited 31 December 2008 £000
	Notes			
Non-current assets				
Intangible assets	9	250,232	236,502	258,857
Property, plant and equipment		4,854	5,596	5,605
Investment in associates		1,845	3,606	3,802
Derivative financial assets	10(c)	96	432	52
Deferred tax assets		2,693	3,788	3,844
		259,720	249,924	272,160
Current assets				
Work in progress		1,345	1,180	1,340
Trade and other receivables		40,422	46,291	45,666
Corporation tax receivable		1,918	1,346	1,679
Derivative financial assets	10(c)	366	3	—
Cash and short-term deposits	10(d)	6,848	6,343	13,774
		50,899	55,163	62,459
Current liabilities				
Bank loans and overdrafts	10(d)	(11)	(163)	—
Obligations under finance leases	10(c)	(140)	(198)	(242)
Trade and other payables		(45,891)	(48,163)	(51,783)
Corporation tax payable		(6,395)	(7,797)	(5,771)
Provisions		(11,878)	(11,500)	(6,750)
		(64,315)	(67,821)	(64,546)
Non-current liabilities				
Bank loans and overdrafts	10(c)	(46,071)	(48,054)	(46,172)
Obligations under finance leases	10(c)	(133)	(175)	(94)
Provisions		(16,046)	(20,104)	(18,544)
Trade and other payables		(263)	(316)	(313)
Derivative financial liabilities	10(c)	(849)	—	(818)
Deferred tax liabilities		(3,001)	(5,410)	(3,879)
		(66,363)	(74,059)	(69,820)
Net assets		179,941	163,207	200,253
Equity				
Called up share capital		106,006	105,017	106,006
Share premium account		23,760	23,623	23,760
Merger reserve		51,122	50,866	51,122
Foreign exchange translation reserve		17,097	4,191	33,279
Hedging reserve		(783)	98	(752)
Investment in own shares		(6,749)	(5,564)	(5,965)
Retained earnings		(11,537)	(15,923)	(8,196)
Equity attributable to equity holders of the parent		178,916	162,308	199,254
Minority interests		1,025	899	999
Total equity		179,941	163,207	200,253

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2009

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Audited Year ended 31 December 2008 £000
Profit for the period	234	1,196	10,059
Other comprehensive (expense)/income			
Movement in financial instruments	(31)	374	(476)
Currency translation differences	(16,182)	4,096	33,160
Currency translation on disposal of subsidiaries	—	736	760
Tax recognised directly in equity	(288)	(78)	463
Other comprehensive (expense)/ income for the period	(16,501)	5,128	33,907
Total comprehensive (expense)/income for the period	(16,267)	6,324	43,966
Total comprehensive (expense)/income attributable to:			
- owners of the company	(16,308)	6,139	43,684
- minority interests	41	185	282

Unaudited consolidated cash flow statement

For the six months ended 30 June 2009

		Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Audited Year ended 31 December 2008 £000
	Notes			
Cash inflow from operating activities				
Cash inflow from operations	10(a)	2,596	5,227	24,471
Interest paid		(966)	(2,189)	(4,309)
Interest received		223	222	411
Corporation tax paid		(993)	(2,086)	(4,323)
Net cash inflow from operating activities		860	1,174	16,250
Cash (outflow)/ inflow from investing activities				
Acquisition of subsidiaries		(3,643)	(2,828)	(6,593)
Repayment of loan notes issued as acquisition consideration		—	(1,137)	(1,137)
Disposal of subsidiaries		(328)	15,341	13,979
Acquisition of minority interests		(315)	(2,517)	(2,517)
Cost of internally developed intangible assets		(168)	—	(240)
Purchases of property, plant and equipment		(758)	(744)	(1,628)
Proceeds from sale of property, plant and equipment		—	68	56
Proceeds from sale of associates		—	231	231
Dividends received from associates		1,642	1,127	2,114
Net cash acquired with subsidiaries		162	—	—
Net (cash)/overdraft disposed of with subsidiaries		(47)	—	154
Net cash (outflow)/inflow from investing activities		(3,455)	9,541	4,419
Cash outflow from financing activities				
Proceeds from issue of ordinary shares		—	20	20
Purchase of own shares		(2,129)	(137)	(216)
Repayment of finance lease liabilities		(24)	(114)	(249)
Drawdown/(repayment) of borrowings		49	(11,161)	(13,055)
Dividends paid to minority interests		(11)	(14)	(14)
Dividends paid to shareholder of acquired business		—	(321)	(321)
Dividends paid to equity holders of the parent		—	—	(4,708)
Net cash outflow from financing activities		(2,115)	(11,727)	(18,543)
(Decrease)/increase in cash and cash equivalents		(4,710)	(1,012)	2,126
Movements in cash and cash equivalents				
(Decrease)/increase in cash and cash equivalents		(4,710)	(1,012)	2,126
Effects of exchange rate fluctuations on cash held		(2,227)	330	4,786
Cash and cash equivalents at 1 January		13,774	6,862	6,862
Cash and cash equivalents at end of period	10(c), (d)	6,837	6,180	13,774

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2009

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Investment in own shares £000	Retained earnings £000	Total £000	Minority interests £000	Total equity £000
At 1 January 2008	105,000	23,620	50,866	(641)	(276)	(5,427)	(14,664)	158,478	1,960	160,438
Total comprehensive income for the period	—	—	—	4,832	374	—	933	6,139	185	6,324
Shares issued for cash	17	3	—	—	—	—	—	20	—	20
Acquisition of minority interests	—	—	—	—	—	—	—	—	(1,158)	(1,158)
Purchase of own shares	—	—	—	—	—	(137)	—	(137)	—	(137)
Credit for share-based payments	—	—	—	—	—	—	978	978	—	978
Equity dividends	—	—	—	—	—	—	(3,244)	(3,244)	—	(3,244)
Dividends to minority interests	—	—	—	—	—	—	—	—	(14)	(14)
Transfers	—	—	—	—	—	—	74	74	(74)	—
Balance at 30 June 2008	105,017	23,623	50,866	4,191	98	(5,564)	(15,923)	162,308	899	163,207
Total comprehensive income for the period	—	—	—	29,088	(850)	—	9,307	37,545	97	37,642
Acquisition of subsidiaries	559	—	256	—	—	—	—	815	—	815
Currency translation differences	—	—	—	—	—	—	—	—	3	3
Purchase of own shares	—	—	—	—	—	(401)	—	(401)	—	(401)
Share issue costs	—	(13)	—	—	—	—	—	(13)	—	(13)
Credit for share-based payments	—	—	—	—	—	—	460	460	—	460
Scrip dividend	430	150	—	—	—	—	—	580	—	580
Equity dividends	—	—	—	—	—	—	(2,040)	(2,040)	—	(2,040)
Balance at 31 December 2008 (audited)	106,006	23,760	51,122	33,279	(752)	(5,965)	(8,196)	199,254	999	200,253
Total comprehensive income for the period	—	—	—	(16,182)	(31)	—	(95)	(16,308)	41	(16,267)
Acquisition of minority interests	—	—	—	—	—	—	—	—	(4)	(4)
Purchase of own shares	—	—	—	—	—	(1,853)	—	(1,853)	—	(1,853)
Credit for share-based payments	—	—	—	—	—	—	1,427	1,427	—	1,427
Vesting of share incentive schemes	—	—	—	—	—	1,069	(592)	477	—	477
Equity dividends	—	—	—	—	—	—	(4,081)	(4,081)	—	(4,081)
Dividends to minority interests	—	—	—	—	—	—	—	—	(11)	(11)
Balance at 30 June 2009	106,006	23,760	51,122	17,097	(783)	(6,749)	(11,537)	178,916	1,025	179,941

Notes to the financial statements

for the six months ended 30 June 2009

1. BASIS OF PREPARATION

These consolidated interim financial statements, which are condensed and unaudited for the six months ended 30 June 2009, have been prepared in accordance with the Listing Rules of the Financial Services Authority. They have also been prepared in accordance with the accounting policies which the Group expects to adopt in its 2009 Annual Report and are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2008, except as noted below. These accounting policies are based on the EU-adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that the Group expects to be applicable at that time. The IFRS and IFRIC interpretations that will be applicable at 31 December 2009, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

These consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting, as adopted by the EU and under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value.

The information relating to the six months ended 30 June 2009 and 30 June 2008 is unaudited and does not constitute statutory financial statements as defined in Section 240 of the Companies Act 1985. They have however been reviewed by the auditors and their report to the Board of Huntsworth PLC is set out at the end of this document. The comparative figures for the year ended 31 December 2008 have been extracted from the Group Report and Accounts, on which the auditors gave an unqualified opinion and did not include a statement under section 237 (2) or (3) of the Companies Act 1985. The Group Report and Accounts for the year ended 31 December 2008 have been filed with the Registrar of Companies.

Changes in accounting policies

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of 'non-owner changes in equity' in the statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating segments'. IFRS 8 replaces *IAS 14, 'Segment reporting'*. The standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not led to a change in the classification of the Group's operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Board of Directors have been identified as the chief operating decision maker that makes strategic decisions.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but have no impact on the Group:

- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation';
- IAS 23 (amendment), 'Borrowing Costs'; and
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

Going concern

After reviewing the Group's performance and future cash flows, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Notes to the financial statements

for the six months ended 30 June 2009

2. ACQUISITIONS

The following acquisitions were made during the period:

(i) Momentum

On 16 February 2009, the Group purchased 100% of the issued share capital of Momentum International Limited ('Momentum') for initial cash consideration of US\$2,800,000 (£2,000,000). Deferred consideration is payable dependent on the future financial performance of Momentum and will be payable in cash or cash and shares at Huntsworth's discretion. The maximum total consideration payable is US\$12,000,000.

(ii) Connecting Point

On 24 April 2009, the Group purchased 100% of the ownership interest in Connecting Point Communications LLC ('Connecting Point') for cash consideration of US\$1,063,000 (£723,000). Deferred consideration is payable dependent on the future financial performance of Connecting Point and will be payable in cash or cash and shares at Huntsworth's discretion. The maximum total consideration payable is US\$2,500,000.

(iii) Huntsworth Health minority interest

On 15 May 2009, the Group purchased the remaining 20% stake of the issued share capital of Huntsworth Healthcare Group Limited and Huntsworth Healthcare Group Inc taking the total ownership interest to 100%. The cash consideration was US\$448,000 (£298,000).

The total net assets acquired with the above acquisitions was £320,000, resulting in goodwill and intangible assets of £5,860,000.

3. SEGMENTAL ANALYSIS

BUSINESS SEGMENTS

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment.

	Public Relations	Huntsworth Health	Total
	£000	£000	£000
6 months ended 30 June 2009			
Revenue			
Total revenue	54,333	22,254	76,587
Intra-group eliminations	(67)	(7)	(74)
Segment revenue	54,266	22,247	76,513
Segment operating profit before highlighted items	10,875	3,976	14,851
6 months ended 30 June 2008			
Revenue			
Total revenue	59,842	20,618	80,460
Intra-group eliminations	(5)	—	(5)
Segment revenue	59,837	20,618	80,455
Segment operating profit before highlighted items	12,874	4,129	17,003

Notes to the financial statements

for the six months ended 30 June 2009

3. SEGMENTAL ANALYSIS (CONTINUED)

	Public Relations £000	Huntsworth Health £000	Total £000
Year ended 31 December 2008			
Revenue			
Total revenue	118,253	41,093	159,346
Intra-group eliminations	(214)	—	(214)
Segment revenue	118,039	41,093	159,132
Segment operating profit before highlighted items	24,779	8,687	33,466

A reconciliation of segment operating profit before highlighted items to total profit before tax is provided below:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Segment operating profit before highlighted items	14,851	17,003	33,466
Group costs	(3,997)	(3,726)	(7,148)
Operating profit before highlighted items	10,854	13,277	26,318
Highlighted items	(8,300)	(779)	(1,501)
Operating profit	2,554	12,498	24,817
Share of profit of associates	1,285	1,045	2,373
Highlighted items – impairment of investment in associates	(1,285)	(1,045)	(2,373)
Net finance costs	(1,099)	(2,118)	(4,673)
Profit before tax	1,455	10,380	20,144

Notes to the financial statements

for the six months ended 30 June 2009

3. SEGMENTAL ANALYSIS (CONTINUED)

ADDITIONAL INFORMATION

The table below presents revenue and operating profit before highlighted items by geographical origin:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Revenue			
United Kingdom	32,053	36,373	70,861
Other European	19,832	20,854	42,033
USA	21,283	20,547	40,592
Rest of World	3,419	2,686	5,860
Eliminations	(74)	(5)	(214)
Total	76,513	80,455	159,132
Operating profit before highlighted items			
United Kingdom	6,827	8,288	16,554
Other European	3,743	4,097	7,722
USA	3,119	3,860	7,616
Rest of World	1,162	758	1,574
Unallocated expenses	(3,997)	(3,726)	(7,148)
Total	10,854	13,277	26,318

Unallocated expenses comprise central head office costs.

4. HIGHLIGHTED ITEMS

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Charged to operating profit			
Amortisation of intangible assets	2,387	2,759	5,026
Loss/(profit) on disposal of subsidiaries	140	(2,350)	(4,147)
Acquisition payments to employees deemed to be remuneration	451	370	616
Net brand rationalisation and other non-recurring costs	5,322	—	6
	8,300	779	1,501
Charged to profit before tax			
Impairment of investment in associates	1,285	1,045	2,373
	9,585	1,824	3,874

Notes to the financial statements

for the six months ended 30 June 2009

4. HIGHLIGHTED ITEMS (CONTINUED)

Highlighted items charged to profit before tax comprise significant non-cash charges and non-recurring items which are highlighted in the income statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 3 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Profit/loss on disposal of subsidiaries

The profit on disposal of subsidiaries in 2008 principally arose from the sale of the CapitalBridge business (£2.2 million) and the release of provisions for indemnities and accruals on previous disposals that are no longer required (£1.8 million).

Acquisition payments to employees deemed to be remuneration

Certain payments of consideration to non-shareholding employees of acquired businesses under arrangements set up prior to acquisition are deemed to be remuneration in the post-acquisition period. These costs will cease once the relevant earn-outs have been settled. This remuneration is not payable to the individuals concerned until the end of the earn-out period. In the meantime, the related assets and liabilities are held in a separately managed fund within the Group. The balance on the fund is included in trade and other receivables.

Net brand rationalisation and other non-recurring costs

As a result of the strategic brand initiative, rebranding costs of £5.3 million were incurred in the six months ended 30 June 2009. This charge includes £4.3 million of severance costs and £1.0 million of property costs relating to the restructuring of teams and offices to align to the new structure.

Impairment of investment in associates

The recoverable amount of Sard Verbinnen is a fixed amount, determined by the sale agreement of 14 February 2006. Consequently all profits recognised subsequently are matched by an equal and opposite impairment of the Group's investment in the entity.

5. FINANCE COSTS AND INCOME

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Bank interest payable	940	2,175	4,241
Loan note interest	—	5	5
Finance lease interest	15	20	37
Financial instruments	—	—	32
Imputed interest on property provisions	80	127	202
Imputed interest on deferred consideration	331	233	541
Finance costs	1,366	2,560	5,058
Bank interest receivable	(24)	(78)	(132)
Financial instruments	(44)	(239)	—
Other interest receivable	(199)	(125)	(253)
Finance income	(267)	(442)	(385)
Net finance costs	1,099	2,118	4,673

Notes to the financial statements

for the six months ended 30 June 2009

6. TAXATION

The tax charge for the six months ended 30 June 2009 has been based on an estimated effective tax rate on profit before highlighted items for the full year of 28.0% (year ended 31 December 2008: 26.1%). The tax charge is analysed as follows:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Before highlighted items:			
Current tax	2,480	3,185	5,299
Deferred tax	609	171	963
	3,089	3,356	6,262
Highlighted items:			
Current tax	(1,180)	2,084	1,394
Deferred tax	(688)	3,744	2,429
	(1,868)	5,828	3,823
Total:			
Current tax	1,300	5,269	6,693
Deferred tax	(79)	3,915	3,392
Total tax charge	1,221	9,184	10,085

7. DIVIDENDS

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Equity dividends on ordinary shares:			
Final dividend for 2007 – 1.85 pence	—	3,825	3,825
Interim dividend for 2008 – 0.7 pence	—	—	1,459
Final dividend for 2008 – 2.0 pence	4,081	—	—
	4,081	3,825	5,284

The final dividend for the year ended 31 December 2008 of 2.0 pence per share was approved by shareholders at the Annual General Meeting on 14 May 2009 and was paid on 3 July 2009. This dividend is included in creditors at 30 June 2009.

The proposed 2009 interim dividend of 0.75 pence per share was approved by the Board on 26 August 2009 and in accordance with IFRS has not been included as a deduction from equity at 30 June 2009. The dividend will be paid on 6 November 2009 to those shareholders on the register on 2 October 2009.

Notes to the financial statements

for the six months ended 30 June 2009

8. EARNINGS PER SHARE

The data used in the calculation of the earnings per share numbers is summarised in the table below:

	Six months ended 30 June 2009		Six months ended 30 June 2008		Year ended 31 December 2008	
	Weighted average number		Weighted average number		Weighted average number	
	Earnings £000	of shares 000's	Earnings £000	of shares 000's	Earnings £000	of shares 000's
Basic	193	205,670	1,011	204,570	9,777	205,034
Diluted	193	209,383	1,011	208,130	9,777	208,613
Adjusted basic	7,833	205,670	8,621	204,570	17,395	205,034
Adjusted diluted	7,833	209,383	8,621	208,130	17,395	208,613

The basic earnings per share calculation is based on the profit for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated based on the profit for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period adjusted for the potentially dilutive impact of employee share option schemes.

Adjusted earnings per share is calculated in order to provide information to shareholders about continuing trading performance and is based on the profit attributable to parent company shareholders excluding highlighted items together with related tax effects as set out below:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Earnings:			
Profit for the period attributable to parent company's shareholders	193	1,011	9,777
Highlighted items (net of tax) attributable to parent company's shareholders	7,640	7,610	7,618
Adjusted earnings	7,833	8,621	17,395

Notes to the financial statements

for the six months ended 30 June 2009

9. INTANGIBLE FIXED ASSETS

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At 1 January 2009	25,216	20,314	250,850	265	296,645
Arising on acquisitions in the period	344	554	4,962	—	5,860
Adjustments to prior year acquisitions	—	—	2,881	—	2,881
Capitalised development costs	—	—	—	168	168
Exchange differences	(1,778)	(1,416)	(14,655)	(24)	(17,873)
At 30 June 2009	23,782	19,452	244,038	409	287,681
Amortisation and impairment charges					
At 1 January 2009	7,403	16,288	14,074	23	37,788
Charge for the period	589	1,798	—	45	2,432
Exchange differences	(497)	(1,072)	(1,200)	(2)	(2,771)
At 30 June 2009	7,495	17,014	12,874	66	37,449
Net book value at 30 June 2009	16,287	2,438	231,164	343	250,232
Net book value at 31 December 2008	17,813	4,026	236,776	242	258,857

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years. Details of acquisitions made during the period are set out in Note 2.

Adjustments to prior year acquisitions comprise changes to estimated contingent deferred consideration and costs of acquisition.

10. CASH FLOW ANALYSIS

(a) Reconciliation of operating profit to net cash inflow from operations

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Operating profit	2,554	12,498	24,817
Depreciation	1,269	1,233	2,467
Share-based payment charge	1,171	897	1,335
Loss on disposal of property, plant and equipment	1	1	19
Amortisation of intangible assets	2,432	2,759	5,047
Loss/(profit) on disposal of subsidiaries	140	(2,350)	(4,147)
Increase in work in progress	(68)	(206)	(195)
Decrease in debtors	2,095	1,931	8,774
Decrease in creditors	(6,798)	(10,721)	(10,627)
Decrease in provisions	(200)	(815)	(3,019)
Net cash inflow from operations	2,596	5,227	24,471

Notes to the financial statements

for the six months ended 30 June 2009

10. CASH FLOW ANALYSIS (CONTINUED)

(a) Reconciliation of operating profit to net cash inflow from operations (continued)

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Before highlighted items	7,764	7,401	28,824
Highlighted items	(5,168)	(2,174)	(4,353)
Net cash inflow from operations	2,596	5,227	24,471

Of the highlighted cash flows, £1.1 million relates to the cash impact of amounts provided for in prior periods and £4.1 million is in respect of brand rationalisation.

(b) Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
(Decrease)/ increase in cash and cash equivalents in the period	(4,710)	(1,012)	2,126
Cash (inflow)/outflow from debt (drawdown)/repayment	(49)	11,161	13,055
Purchase of financial instruments	444	—	—
Loan notes repaid	—	1,137	1,137
Repayment of capital element of finance leases	24	114	249
Change in net debt resulting from cash flows	(4,291)	11,400	16,567
Amortisation of loan fees	(72)	(89)	(101)
Movement in fair value of derivative financial instruments	(65)	686	(512)
Translation differences	(1,966)	325	4,683
(Increase)/decrease in net debt	(6,394)	12,322	20,637
Net debt at beginning of period	(33,500)	(54,137)	(54,137)
Net debt at end of period	(39,894)	(41,815)	(33,500)

Notes to the financial statements

for the six months ended 30 June 2009

10. CASH FLOW ANALYSIS (CONTINUED)

(c) Analysis of net debt

	1 January		Other £000	30 June
	2009 £000	Cash flow £000		2009 £000
Cash and short-term deposits	13,774	(4,698)	(2,228)	6,848
Bank loans and overdraft (current)	—	(12)	1	(11)
Net cash and cash equivalents	13,774	(4,710)	(2,227)	6,837
Bank loans and overdrafts (non-current)	(46,172)	(49)	150	(46,071)
Derivative financial assets	52	444	(34)	462
Derivative financial liabilities	(818)	—	(31)	(849)
Obligations under finance leases	(336)	24	39	(273)
Net debt	(33,500)	(4,291)	(2,103)	(39,894)

(d) Cash and cash equivalents

	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
Cash and short-term deposits	6,848	6,343	13,774
Bank loans and overdrafts (current)	(11)	(163)	—
Cash and cash equivalents	6,837	6,180	13,774

11. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Huntsworth PLC (incorporated in the United Kingdom). The Group has a related party relationship with its associates and with directors and executive officers.

During the period the Group and its associate Sard Verbinnen LLC carried out work on behalf of each other's clients. Aggregate amounts included in turnover and cost of sales in the consolidated income statement in respect of transactions with associates were £48,000 (2008: £73,000) and £25,000 (2008: £10,000) respectively. At 30 June 2009, there was a net trading balance due from associates of £36,000 (2008: £48,000).

12. POST BALANCE SHEET EVENTS

On 10 July 2009, the Group acquired the entire share capital of Tonic Life Communications Limited, a company incorporated in the UK, and its US-based subsidiaries (together "Tonic") for initial cash consideration of £3.0 million. Additional consideration is payable dependent on the future performance of Tonic for the four years to 30 June 2013 and will be paid in cash or a combination of cash and shares at Huntsworth's discretion. The maximum total consideration payable is £12.5 million.

On 19 August 2009, the Group acquired the entire share capital of Sund Kommunikation i Malmö AB ("Sund"), a leading public relations company operating in Sweden, for initial cash consideration of SEK 18.0 million (£1.5 million). Additional cash consideration may be payable, with an interim payment based on the profits for the twelve months to 30 June 2010 and a final payment based on the profits for the three years to 31 December 2012. The maximum total consideration payable is SEK 145.0 million.

Statement of Directors' responsibilities

for the six months ended 30 June 2009

We confirm that to the best of our knowledge this interim report:

- has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;
- includes a fair review of the information required by the Financial Services Authority's Disclosure and Transparency Rules ("DTR") 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Sally Withey
Chief Operating Officer

Tymon Broadhead
Group Finance Director

Independent review report to Huntsworth PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
27 August 2009