

CRESTON PLC

The Insight and Communications Group

Interim Results September 2008

Don Elgie CEO

Barrie Brien COO & CFO

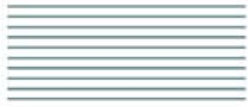
Agenda

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- Financial Results
- Debt and Banking Facility
- Positioned well for a downturn
- Divisional Structure & Performance
- Strategy and Priorities
- Summary
- Appendix
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 - Additional financial information

Introduction

- Another period of growth
- Group continues to benefit from providing a multi-service product offering
- Net new business wins of £11m revenue for the six months (2007: £5m)
- Wins include:





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Financial Results

Highlights



- Revenue increased to £41.3 million + 5%
- Digital and on-line revenue at 25% of Group, growth of + 72%
- Headline* EBITDA increased to £8.2 million + 3%
- Reported PBIT constant at £5.6 million 0%
- Headline PBIT margin constant at 17%
- Headline Diluted EPS increased to 8.24 pence + 10%

* Reconciliation of Headline to reported PBIT in Appendix

Income Statement

	Headline results		Reported results	
	Sept 2008 £'000	Growth %	Sept 2008 £'000	Growth %
Revenue	41,341	+5%	41,341	+5%
PBIT	7,031	+3%	5,588	0%
Pre-tax profit	6,269	+4%	4,413	+13%
Diluted EPS (pence)	8.24	+10%	5.45	+33%
Dividends per share (pence)	0.73	-25%	0.73	-25%

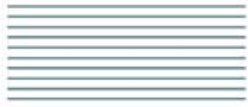
Balance Sheet

	Sept 2008 £'000	Mar 2008 £'000
Property, plant and equipment	4,630	5,062
Cash	(1,881)	3,785
Debtors & WIP	40,256	37,301
Creditors (ex acq.)	(31,968)	(31,312)
Net Trading Assets	11,037	14,836
Goodwill and other intangible assets	119,277	119,565
Investments	614	550
Bank loans and loan notes	(29,724)	(21,589)
Acquisition Creditors (loan notes and shares)	(16,967)	(30,458)
Net Assets	84,237	82,904

Operating Cash Flow

	Sept 2008 £'000	Sept 2007 £'000	Mar 2008 £'000
Headline PBIT	7,031	6,842	15,248
Depreciation & Share Based Payments	1,177	1,132	2,196
Headline EBITDA	8,208	7,974	17,444
Working Capital	(3,107)	(1,879)	938
Operating Cash Flow	5,101	6,095	18,382
Cash Conversion (Operating Cash Flow : Headline EBITDA)	62%	76%	105%

- Cash conversion was suppressed because of material receivable balances outstanding at 30 September 2008 which were collected in October 2008
- Positive cash conversion has continued in November.



Debt and Banking Facility

Expected Earn-out Settlement Dates

- All earn outs will crystallise in June 2009, post audited March 2009 financial statements, so contingent liability now almost certain
- Earn outs will be settled in 6 or 12 month loan notes; or part in shares at Creston's option

Estimated Headline Earn Outs	Dec' 2009 £'m	Jun' 2010 £'m	Total £'m
Cash/Loan Notes	10.2	-	10.2
Cash/Loan Notes or Shares to be Issued (*)	4.9	3.1	8.0
	15.1	3.1	18.2
Future IFRS costs charged to the income statement			(1.2)
Reported at Sept 2008 (post IFRS Adjustments)			17.0

* At Creston's option

Total Debt (Including Earn-Outs)

Group's Headline debt position	Total £'m
Net Debt at 30 September 2008	(31.6)
Net Debt at 25 November 2008	(25.0)
Headline earn-out liability (to be settled in FY10 and FY11)	(18.2)
Total Debt at 25/11/08	(43.2)
Existing Banking Facility	40.0
2008 Headline EBITDA	17.4
2008 Free Cash Flow (post interest, tax and capital expenditure)	10.6

Bank Facility and Covenants

- In June 2008 the Group re-agreed new £40m banking facilities
- Made up of
 - £15m term loan amortising to March 2011; and
 - £25m RCF available until March 2012.
- Margin based on Net Debt : EBITDA ratio
 - Ratchet of 1% - 2.15%
 - Average margin during period: 1.15%

Banking Covenants

Three key banking covenants:

(1) Headline EBITDA : Interest cover	> 3.5x
During 12 months to March 2008	10.2x
During 6 months to September 2008	9.0x

What this means.....

- EBITDA can fall by circa £11m or 65%*
- Interest charge could increase by circa £3.3m or 200%*

* Based on 12 months to March 2008

Banking Covenants (cont/...)

(2) NET DEBT : 12 month Headline EBITDA < 2.5x

As at 31 March 2008 1.0x

As at 30 September 2008 1.8x

As at 25 November 2008 1.4x

Assumptions

- EBITDA flat at FY08 level.
- All Deferred Consideration is settled loan notes / cash.
- Capital Expenditure and Dividends continue at £1.7m and £1.5m p.a. respectively.

What this means.....

- At March 2009, EBITDA can fall circa £7m or circa 35%
- At March 2010, EBITDA can fall circa £4m or circa 25%

Banking Covenants (cont/...)

(3) TOTAL DEBT : 12 month Headline EBITDA < 3.5x

As at March 2008 2.3x

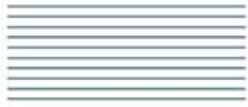
As at September 2008 2.3x

Assumptions

- £8m deferred consideration balance, which can be settled in equity, is treated as such until settled in loan notes.
- Based on same assumptions as Net Debt covenant.

What this means.....

- EBITDA can fall by circa £5.5m or 30%.



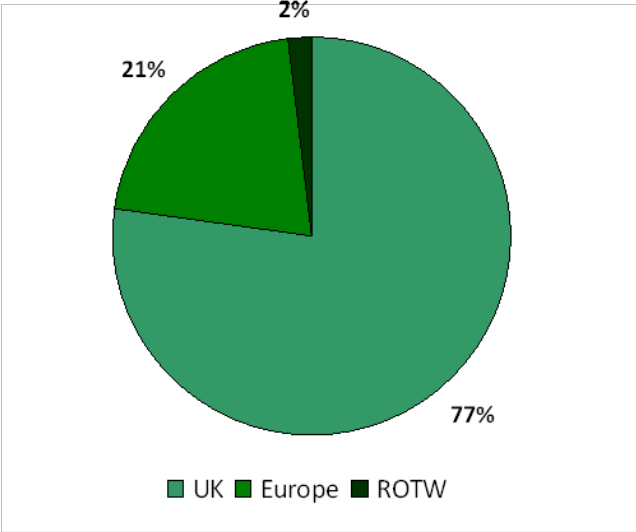
Positioned well for a downturn

Revenue Analysis

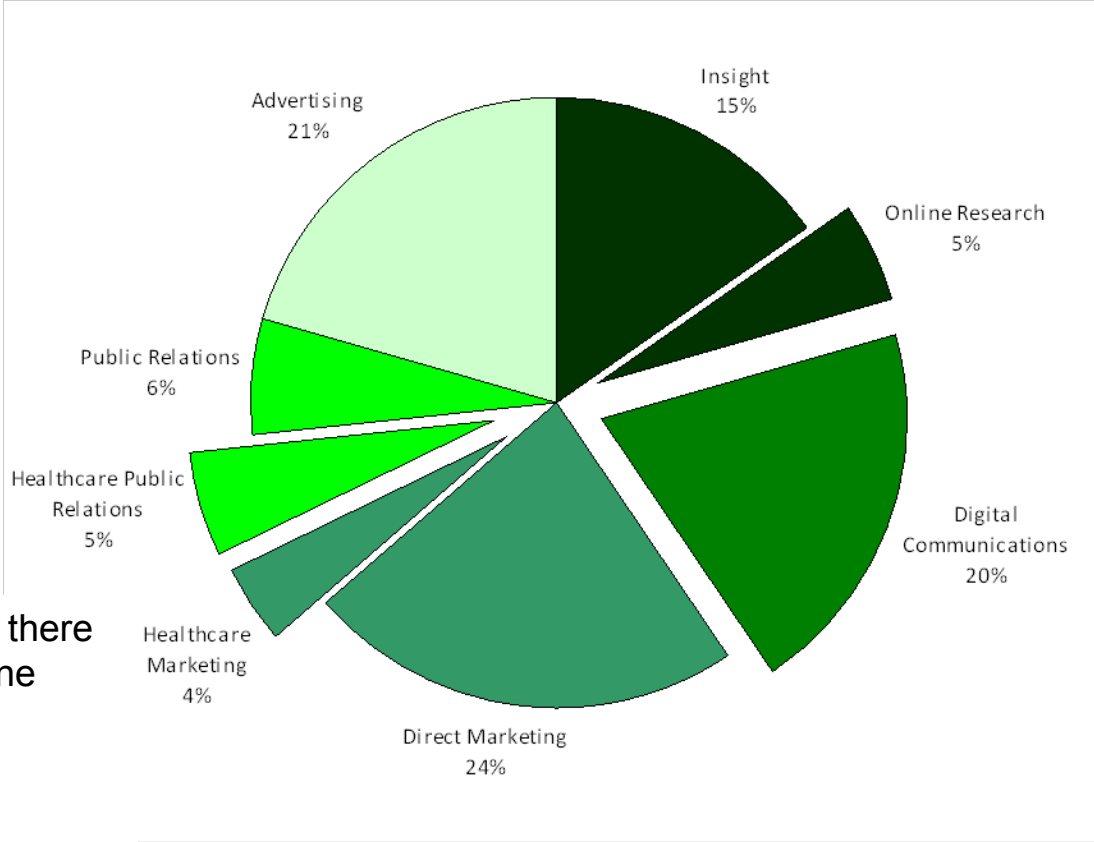
- Clients made up of national and international blue chip clients
- Approx 70% of Group profits are in market research, digital and direct marketing – historically resilient in previous downturns
- 10% of revenue in Healthcare, regarded as resilient in a downturn
- Integrated communication solutions are increasingly demanded by clients
- The Group has insignificant income linked to media commissions, traditionally why agencies suffered in previous downturns – only COI
- Our communication agencies are paid on resource based fees for an agreed scope of work and paid evenly across the year or life of project
- Market research companies have circa 25% of revenues secured for tracking studies with the balance being project fees from retained clients stretching back to 1990

Diversified Portfolio of Businesses

Group Revenue by Region



Group Revenue by Discipline



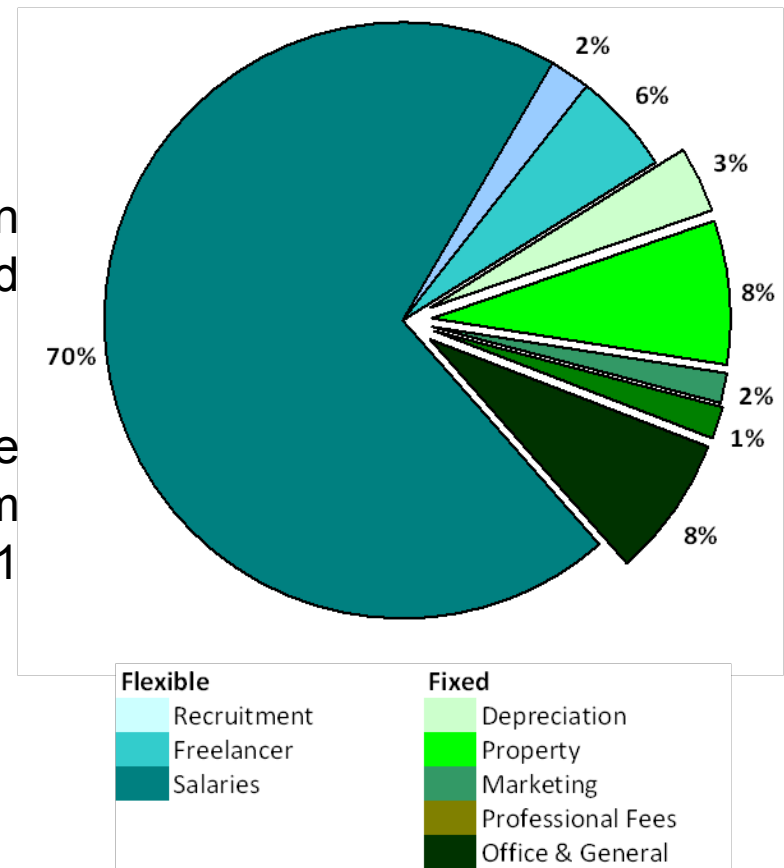
Due to the integrated nature of our business there is a degree of overlap between each discipline

- Direct Marketing 44%
- Insight 20%
- Digital 25%
- Consumer Advertising 21%
- PR 12%
- Healthcare 10%

Flexible Cost Base

Headline Operating Cost Base

- 8% of the cost base is in freelancers and recruitment and fully flexible (H1: circa £3m)
- Compensation costs are flexible in the short to medium term (generally 1-3 months notice) (H1 : circa £24m)



Creative excellence

- DLKW won the Retail Marketing Week Effectiveness Award – Morrisons ‘Fresh Choice for you’ campaign.
- TMW won Best Online campaign for Guinness’ ‘New Can’ campaign at the 2008 International Food & Beverage Awards (FAB).
- The Real Adventure won the Gramia Direct Marketing Agency of the Year award, for the second consecutive year, for their Quaker Oats campaign.
- RDC were nominated as PR Consultancy of the Year for a record sixth consecutive year at the 2008 Communique Awards, having won in 2004 and 2007.
- PAN and RDC have jointly reached the finals of the PharmaTimes Marketing Communications Agency Team of the Year award.



Divisional Structure & Performance

	Revenue £'000	Growth %	Headline Profit £'000	Growth %	Margin %
Insight	8,507	-5%	2,362	-14%	28%
On-line Research	2,242	+34%	-	-	-

- ICM and MSL continue to perform strongly
- Continued growth of newvista research
- ICM Research appointed sole research supplier to Aviva in the UK
- Poor performance in CML (niche area of qualitative research) has impacted the results
- Merger of MSTS sensory and concept testing function with MSL has impacted first half - cost savings will benefit 2009 calendar year

Communications Division

	Revenue £'000	Growth %	Headline Profit £'000	Growth %	Margin %
Communications	32,834	+9%	6,357	+11%	19%
Digital Communications	8,207	+86%	-	-	-

- DLKW - strong new business performance with wins including COI – Blood, GM Insignia, Health Lottery, House of Fraser, The Mirror and Invesco Perpetual
- EMO - continued growth in H1 after their strong FY08 new business performance (Lexus & Alfa Romeo). Current year wins of Jaguar, Land Rover and COI provide a strong funnel of activity heading into FY09 and will more than compensate for any auto cut backs
- TMW – benefited from continued new business performance plus fewer open positions now
- TRA – new management team driving growth in H1 with on and off-line wins from Cobra, McNeil, J&J and Danone Baby (Global CRM)

Communications Division (cont.)

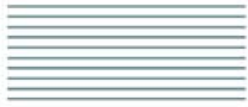
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Digital Communications	8,207	+87%	-	-	-

- NBC - impacted by softness in technology PR but their Consumer and Corporate PR is providing growth (eg Amazon, Beringer, COI roster)
- RDC -impacted by the SPMSD loss of Gardasil but making up with string of new business wins and the start up of Med Ed division
- PAN – growth driven by project wins from Astellas, GSK, Roche, Pfizer and new start up Hi Health (JV with TMW)

Client analysis – by division

Creston plc Top 20 Client – Sept 2008	Client	Division		Client Tenure
		Insight	Communications	
1	Nissan		•	1996
2	HBOS	•	•	2000
3	General Motors		•	2002
4	Morrisons		•	2006
5	COI	•	•	1987
6	T Mobile	•	•	2003
7	Numico	•	•	1998
8	Unilever	•	•	1990
9	Vodafone	•		1997
10	Canon	•	•	2001
11	Sainsbury's		•	2006
12	Homeform		•	2007
13	Burger King	•	•	2002
14	Tesco	•		1990
15	Lexus		•	2006
16	Lloyds TSB	•	•	1992
17	British Airways		•	1988
18	George Wimpey		•	1985
19	eBay	•	•	2007
20	Diageo		•	2002

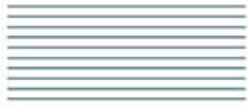
9 out of 20 in both divisions



Strategy and Priorities

Strategy and Priorities

- Our vision and long term strategy remain unchanged – insight led integrated communication meets client demands (especially in a downturn)
- Robust revenue growth, despite an uncertain economic climate, demonstrates strong fundamentals
- Maximise our financial performance, balance sheet and cash flow to continue gearing reduction
- Focus on maximising operational efficiencies across two divisions and cut out duplication
- Remain flexible to adjust cost base quickly to market changes

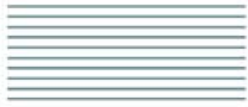


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Summary

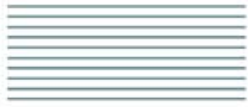
Summary

- Rapid growth in digital validates our integrated client offer
- Recurring revenue plus strong net new business performance
- Delivering best in class profit margins and have a flexible cost base
- Expanding overseas without an expensive network of offices
- Cash generative business with headroom across all banking covenants
- Leading agency brands with blue chip client base are better placed to trade through a downturn



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Creston Overview

What is Creston?



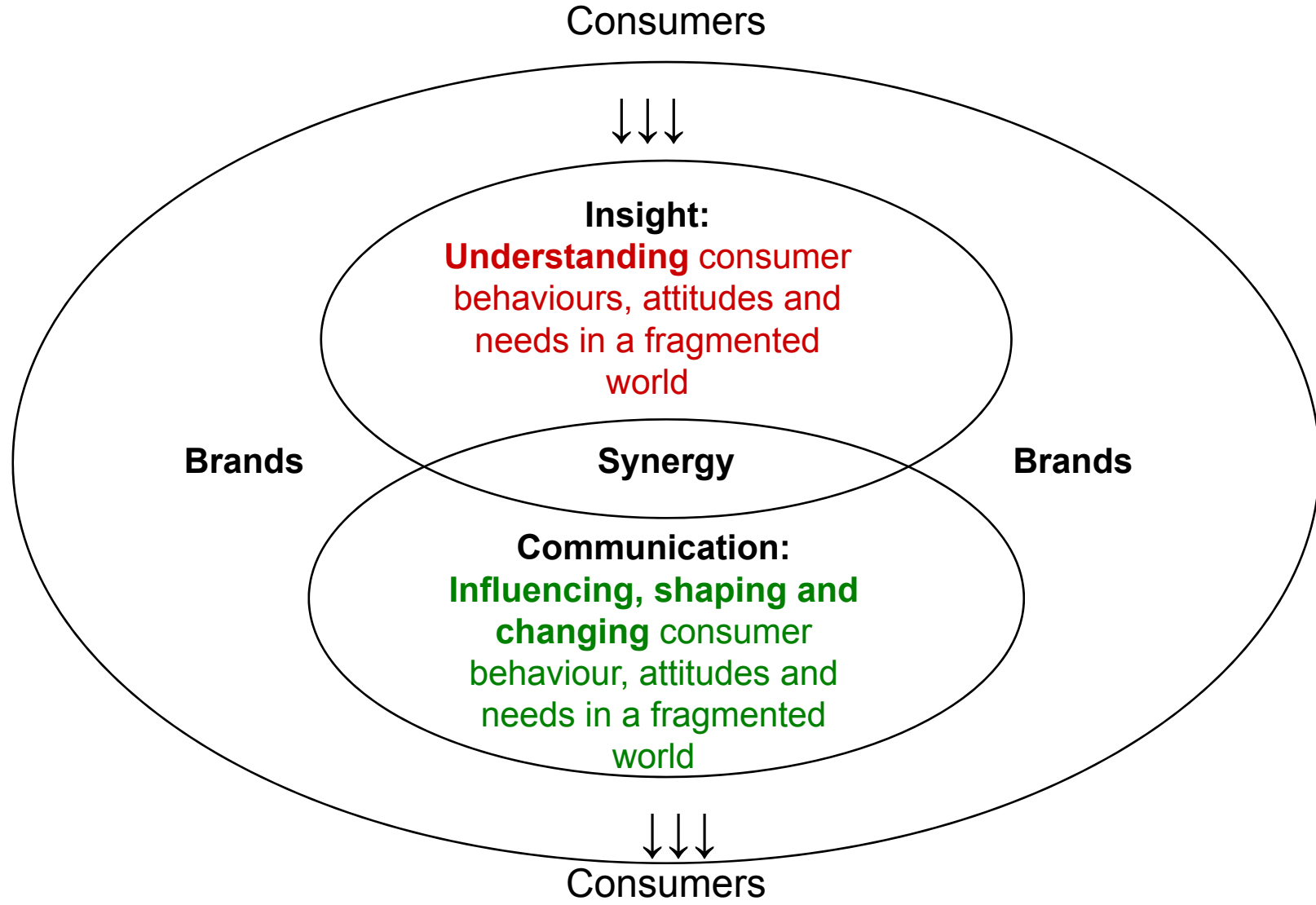
- A diversified marketing services group focusing on market research/insight and communications.
- 2 divisions with over 850 employees
- Annual turnover of £137m, Revenue of £81m and Headline PBIT of £15.2m in FY08
- Digital income represents over 25% of the Group
- International income of 23%
- History of strong organic growth and earnings enhancing acquisitions

Our vision and strategy

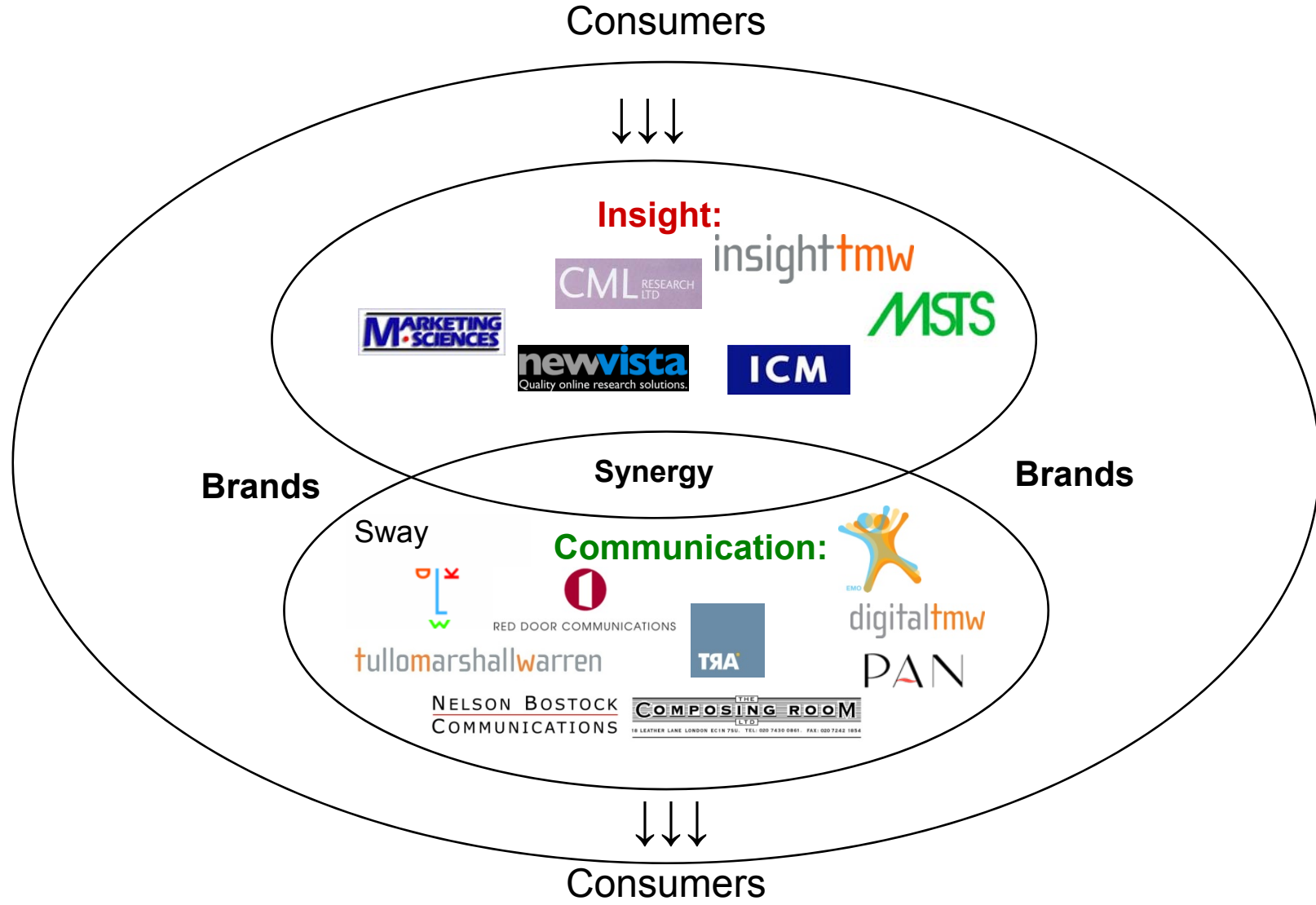


- To build a future-facing dynamic and diversified insight and communications group for the new marketing communication age
- To develop, acquire and nurture best-in-class companies and individuals in six countries in Europe, USA, Asia and Latin America
- To achieve strong growth organically as well as through highly selective earnings-enhancing acquisitions
- To strive to ensure that our entrepreneurial culture thrives in an atmosphere of openness where talent provides exceptional results for clients

Creston – helping brands “move markets”



Creston – helping brands move markets



What is our point of difference



We have leaders in their fields

DLKW

One of the largest and most successful integrated agencies in the UK with clients like General Motors, HBOS, Morrisons, WH Smith and COI

TMW

One of the largest integrated direct marketing and digital agencies in the UK with over 60 staff working on digital. Clients like Nissan, Diageo, eBay, Sainsbury's, T-Mobile and Unilever

What is our point of difference (cont/..)

ICM

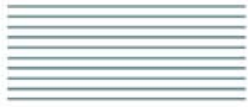
- Formerly Britain's largest independent market research company
- A household name due to its opinion polling
- Clients like Vodafone, Aviva, Orange and O2

RED DOOR

- Specialist healthcare PR agency
- Clients like AstraZeneca, Pfizer, Bayer

PAN

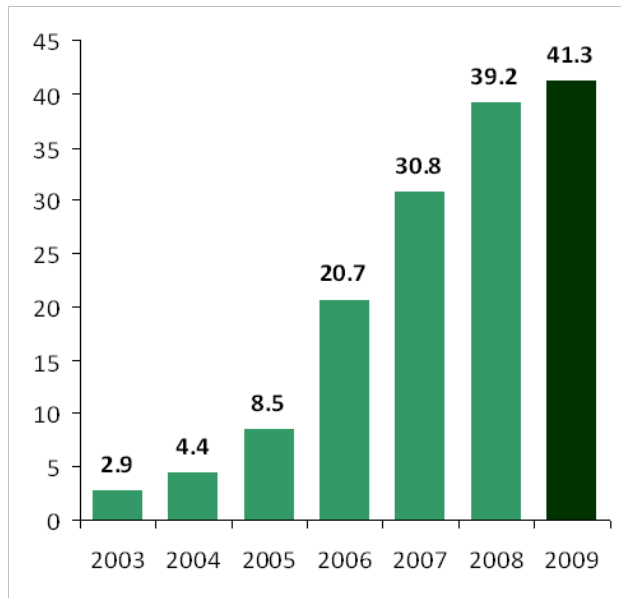
- Formerly Britain's largest independent healthcare communications agency
- Introduced by Red Door
- Clients like Astellas, GSK, Ipsen



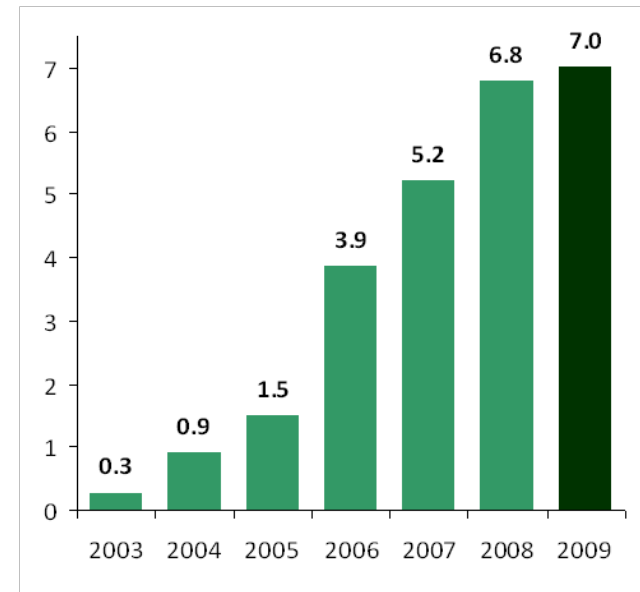
Additional Financial Information

History of Growth

Growth in H1 Group Revenue
£'m



Growth in H1 Group Headline PBIT
£'m



Headline to IFRS reconciliation

September 2008

	PBIT £'000	PBT £'000	PAT £'000
Headline	7,031	6,269	4,458
Deemed remuneration	(499)	(499)	(499)
Advisor fees on aborted offer for the company	(160)	(160)	(160)
Non-recurring restructuring costs (DLKW and MSTs)	(784)	(784)	(784)
Notional Interest	-	(413)	(413)
Taxation Impact	-	-	349
Reported (IFRS)	5,588	4,413	2,951

Cash Flow

	Sept 2008 £'000	Mar 2008 £'000	Sept 2007 £'000
Operating Cash Flow	5,101	18,382	6,095
Exceptional costs	(944)	(586)	(245)
Net Finance costs & Income from Financial Assets	(569)	(1,856)	(446)
Tax Paid	(1,952)	(3,661)	(1,479)
Purchase of subsidiary undertakings	(2,385)	(3,949)	(2,511)
Purchase of property, plant and equipment	(735)	(1,729)	(887)
Change in borrowings	(3,200)	(2,800)	(1,500)
Equity Dividends paid	(971)	(1,520)	(978)
Other items	(8)	(151)	(137)
Net Movement in Cash	(5,663)	2,130	(2,088)

Analysis of Net Debt

	As at 1 April 2008 £'000	Cash Flow £'000	Acquisitions £'000	As at 30 September 2008 £'000
Cash and short term deposits	3,763	(3,763)	-	-
Bank overdrafts	-	(1,900)	-	(1,900)
Revolving credit facility	(3,000)	1,000	-	(2,000)
Acquisition loan notes	(1,432)	2,385	(13,720)	(12,767)
Bank loans	(17,157)	2,200	-	(14,957)
Finance leases	(39)	5	-	(34)
Net (debt)	(17,865)	(73)	(13,720)	(31,658)
Restricted cash deposits	22	(3)	-	19
Net (debt) including restricted cash deposits	(17,843)	(76)	(13,720)	(31,639)