15 February 2006

HUNTSWORTH PLC
Trading update

Huntsworth, the international public relations group, today issues its trading update for the twelve months to 31 December 2005.

Highlights

- Transformational year for the group successfully completed with strategy unchanged
- Continuing businesses performing slightly ahead of market expectations
- Continuing public relations operating margins, before central costs, close to 19%
- Cost savings of £5 million expected for a full year, well in excess of the £2.5 million estimated at the time of the merger
- Net debt significantly reduced to £23 million (2005 peak over £80m)
- Proposed final dividend of 1.2p, giving an increased total dividend to all shareholders
- In the period prior to disposal in November, Marketing Services and Advertising division profits were some £2.5 million behind market expectations
- Disposal of Citigate Sard Verbinnen to its management team sees end of post-merger disposal programme

Jon Foulds, Chairman of Huntsworth, commented: "Shareholders who have supported our corporate strategy so far have welcomed the steps we have taken to focus the enlarged business, improve margins, reduce debt and increase total dividends. Huntsworth now has manageable and falling debt levels and limited earn-out liabilities, which, coupled with predictable annual fee revenues, should allow the Group to achieve good organic growth, positive cash flows and a strong profit stream in the years ahead. "

Preliminary results for the year to 31 December 2005 will be reported in the third week of April.

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Strategy

Huntsworth's strategy, which is to build an international public relations group alongside a broader healthcare communications offering, has been pursued rigorously during a year of transformational change for the Group.

Each of the Huntsworth companies has undergone detailed review and only those which meet the Group's stringent strategic and tactical objectives have been retained to drive its long term future.

This strategic review led to the sale of the Group's Marketing Services and Advertising division to Media Square for £55 million in cash in November last year. A number of smaller, non-core businesses have also been, or will soon be, closed, merged or sold. The managements of these companies have been informed and are co-operating in the process. The final disposal in the refocusing of the Group following the merger of Huntsworth and Incepta, that of Citigate Sard Verbinnen to its management team, is also announced today.

Operational performance

The Group's continuing public relations businesses have achieved good organic growth, strong margins and excellent new business success. These on-going businesses are expected to perform slightly ahead of market forecasts in 2005, before IFRS and exceptional items.

Organic growth in those continuing public relations businesses exceeded 3% in the year with operating margins, before head office costs, of almost 19%, very close to the 20% margins the Board has established as its medium-term target.

Outstanding contributions were made in the UK by the Independent Brands Group, particularly Grayling and Red, while there was also a return to good profits from Harrison Cowley, the UK regional consultancy. In the financial sector the Citigate companies performed very well as did Hudson Sandler.

Heavy investment in people across the Healthcare division reduced operating profits but, as a result of that investment, strong new business and margin performance is expected in 2006.

The European business, Trimedia, is now achieving very strong profitability, particularly from some of the Incepta businesses in Continental Europe which have made a significant contribution in the second half. Trimedia should reach the Group's target operating margin of 20% in 2006.

Across all the Group's companies new business has been strong and includes new clients such as: the AA; Absolut Vodka; Altana Pharma; Baxter Healthcare; Biogen Idec UK; Dyson; New Star Asset Management; QinetiQ; and Typhoo Tea.

Additional work has been awarded to the Group from existing clients such as: itv plc; Logica CMG; Macquarie Bank; Nescafe; Nike; Novartis; Pfizer; Premier Foods' Branston brands; Sanofi-Aventis; Skandia; and Telefónica.

Around 70% of the Group's on-going public relations revenues are now either under annual contract or regular repeat business, an important strategic strength of the business.

Going forward, 50% of revenues from the Group's continuing businesses are now generated in the UK, 30% in Continental Europe and 20% in the Rest of the World. Around 38% of this revenue stream is in financial and public affairs; 53% in full service/consumer; with the balance in health care.

As indicated at the interim stage, the Group's Marketing Services and Advertising division continued to trade poorly in the period prior to its disposal in November. We expect these companies' profits to be some £2.5 million behind market expectations for the period up to divestment, before accounting for the disposal.

Cost management

Following the completion of the strategic review, costs at head office, regional and company levels have all been further reduced. The integration savings are expected to reach at least £5 million during a full financial year, compared to the £2.5 million forecast at the time of the merger. We expect to contain central costs to around £5.5 million in 2006.

Financial and treasury

The Group's cash performance has been strong in the second half, resulting in net debt of around £23 million at 31 December, following the sale to Media Square. This is significantly better than forecast at the interims and well below the Group's borrowing peak of over £80 million in 2005.

The Group's bank facilities, with Lloyds TSB Bank and The Royal Bank of Scotland, total £60 million, available until April 2008. Huntsworth has protected its US dollar and Euro earnings for 2006 by entering into hedging arrangements.

The tax rate for 2005 is expected to be around 25%, rising to an estimated 30% in 2006.

Earn-outs are now, in aggregate, estimated at less than £9 million payable over the next three years, mainly in shares or cash at Huntsworth's option.

The Board intends to propose a final dividend of 1.2p, with a scrip alternative, which provides an increased total dividend to all shareholders.

Disposals

In the next few days shareholders will receive a circular regarding the disposal of Citigate Sard Verbinnen ("CSV") to its management for a total cash consideration of up to $20 million.

Until the end of the purchase period, which may continue until 31 December 2009, Huntsworth will receive a share of the CSV earnings stream. By then, Huntsworth anticipates that the growth of its other US financial, public affairs and corporate businesses, particularly Global Consulting Group and Rose and Kindel, will more than offset any future lost profit stream from CSV.

A detailed announcement concerning the sale has been issued simultaneously with this trading statement.

The disposal of CSV marks the end of the integration process of Huntsworth and Incepta. While there will be some minor rationalisation of our structure during the spring and early summer, Huntsworth expects there to be no further significant sales of Group companies.

Outlook

Jon Foulds, Chairman of Huntsworth, commented: "Shareholders who have supported our corporate strategy so far have welcomed the steps we have taken to focus the enlarged business, improve margins, reduce debt and increase total dividends. Huntsworth now has manageable and falling debt levels and limited earn-out liabilities, which, coupled with predictable annual fee revenues, should allow the Group to achieve good organic growth, positive cash flows and a strong profit stream in the years ahead. "