

FINAL RESULTS PRESENTATION FOR THE YEAR ENDED DECEMBER 2010



MARCH 2011

SUMMARY

- Headline operating profit up 21% to £7.3m (2009: 6.0m)
- Like-for-like gross profit up 3.6% in research and consulting
- Full year dividend up 10% to 1.43p (2009: 1.30p)
- Strong cash generation reduces net debt to £8.8m (2009: 11.5m)
- Acquisition of MedErgy announced today
- Good start to 2011
- Healthy profitability in US



WHAT IS CELLO?

Large independent UK based market research and consulting Group

- Split into 2 divisions:
 - Research and Consulting (c.69% gross profit)
 - Tangible (c.31%)
- Primary strength in pharmaceutical sector
- Good spread across different industry sectors
- Strong and growing online credentials
- Significant business base in the UK, Europe and USA
- Global expansion a key strategic intent



MARKET POSITION - UK

CELLO (RESEARCH AND CONSULTING)*

	Name	Turnover £m (2009)
1.	TNS UK	166
2.	Ipsos Mori	128
3.	GfK UK	125
4.	Cello	52
5.	Mintel	50
6.	Research Now	48
7.	Hall and Partners	20
8.	Harris Interactive	20
9.	ICM Research	19
10.	BDRC Continental	15

TANGIBLE**

	Name	Gross Profit £m (2009)
1.	Gyro HSR	44
2.	Iris Worldwide	43
3.	Digital Marketing Group	42
4.	Tangible	24
5.	Tullo Marshall Warren	22
6.	The Marketing Store	22
7.	CHI & Partners	20
8.	The Direct Marketing Gp	16
9.	Billington Cartmell	15
10.	Transactis	14

*Source: Marketing Market Research Leagues September 2010

**Source: Marketing magazine published March 2010



MARKET POSITION - INTERNATIONAL

CELLO (RESEARCH AND CONSULTING)

Name	Global revenue \$m (2009)	Name	Global revenue \$m (2009)
1.The Nielsen Co.	4,628	14. Video Research Ltd.	201
2.Kantar	2,823	15. Harris Internative Inc.	167
3.IMS Health Inc.	2,190	16. Maritz Research	155
4.GfK SE	1,623	17. IBOPE Group	146
5.Ipsos S.A.	1,315	18. comScore Inc.	127
6.Synovate	816	19. Opinion Research Corp.	98
7.Symphony IRI Group	706	20. Abt SRBI Inc.	90
8.Westat Inc.	502	21. Mediametric	89
9.Arbitron Inc.	385	22. Lieberman Research WW	88
10.INTAGE Inc.	369	23. Cello	82
11.JD Power and Associates	245	24. Market Strategies Int.	80
12.The NPD Group Inc.	226	25. Macromill Inc.	72
13.Dunnhumby Ltd.	203		

*Source: Inside Research published August 2010



CELLO CLIENT PROFILE

The client profile features logos for the following organizations:

- TESCO
- YOUR M&S
- British Heart Foundation
- bp
- Roche
- Pfizer
- Boehringer Ingelheim
- SONY
- Transport for London
- Eisai
- SANDOZ
- Boots
- sanofi aventis
- BRITISH AIRWAYS
- NOVARTIS
- gsk GlaxoSmithKline
- John Lewis
- Oxfam
- Shire
- NYCOMED
- Takeda
- eurostar
- novo nordisk
- AstraZeneca
- Abbott
- Unilever



CLIENT SECTOR FOCUS



- Continued strong growth in Pharmaceuticals
- In H2 2010 Public Sector contribution declined to 7%



DEVELOPMENT OF CELLO

2007

Multi sector, two divisional focus with large healthcare speciality

Predominantly UK based

Significant earn out incentive schemes



2011+

Integrated healthcare research and marketing services focus

International

Low earn out exposure and partnership ethos



CORE PRIORITIES

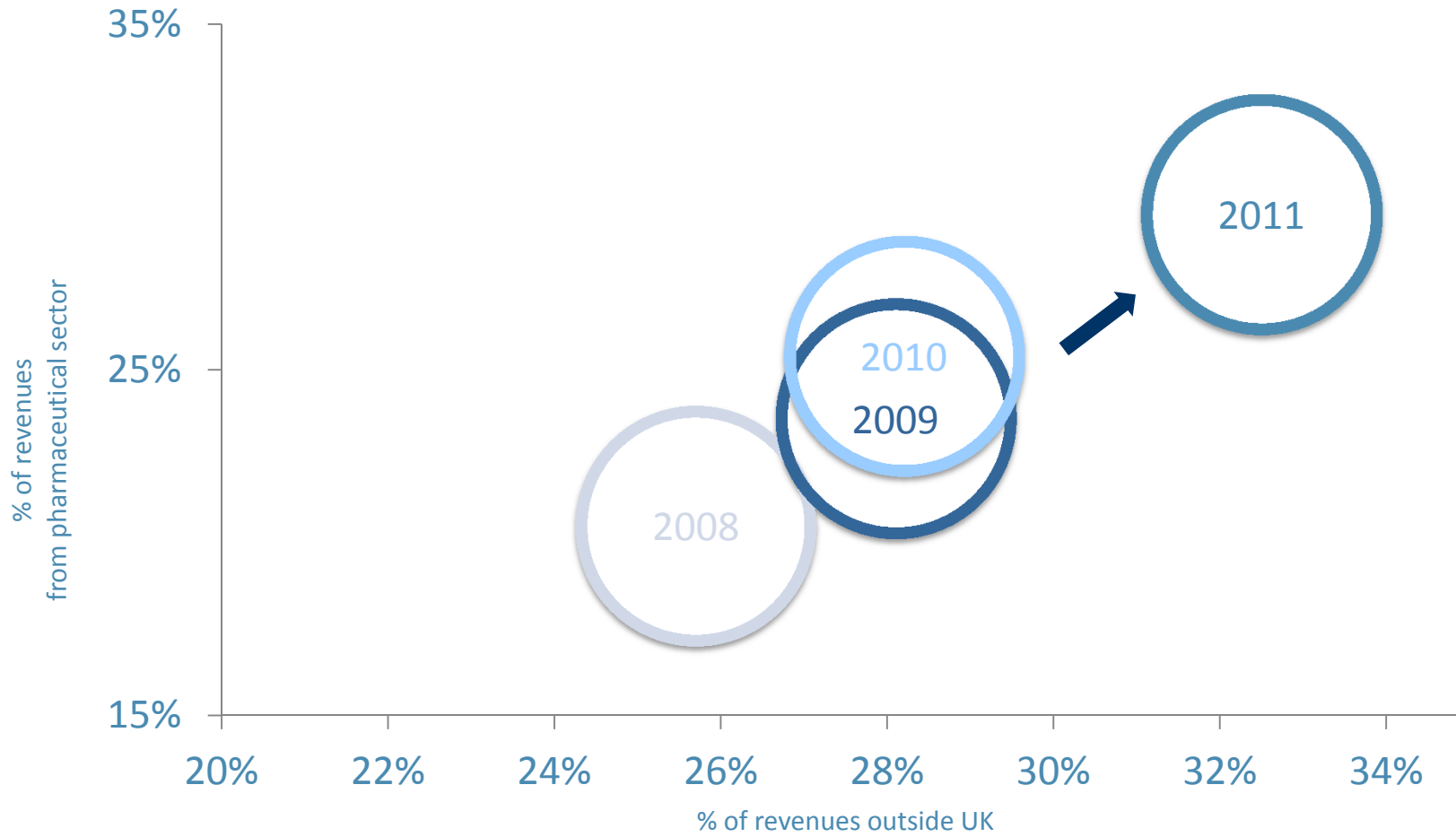
- Investing further in pharmaceuticals and healthcare
- Investing in further growth in USA
 - Manhattan hub and San Francisco hub
- Investing in service innovation
 - Marketing science product suite for pharmaceutical clients to be extended into FMCG clients
 - Online social network research capacity expanded into healthcare



MedErgy acquisition hits all priority areas



CELLO EVOLUTION



INCOME STATEMENT SUMMARY

	31 December 2010	31 December 2009*	% change
Turnover	£125.0m	£123.7m	↑ 1.1%
Gross profit	£60.3m	£59.7m	↑ 1.0%
Headline operating profit	£7.3m	£6.0m	↑ 21.7%
Headline basic eps**	7.67p	7.56p	↑ 1.5%
Dividend	1.43p	1.30p	↑ 10%
Net debt	£8.8m	£11.5m	↓ 23.5%

*after removal of discontinued operations

** shares in issue is weighted average issued share capital less treasury shares,

Operating cash flow conversion 107%



SEGMENTAL ANALYSIS

	31 December 2010			31 December 2009*		
	Operating Income £m	Headline Operating Profit £m	Margin %	Operating Income £m	Headline Operating Profit £m	Margin %
Research and Consulting	36.9	6.9	18.8%	36.3	5.6	15.4%
Tangible	23.4	2.2	9.4%	23.4	1.9	8.1%
Sub Total	60.3	9.1	15.1%	59.7	7.5	12.6%

*after removal of discontinued operations



PROFIT BEFORE TAX RECONCILIATION

	2010 £'000	2009* £'000
Headline operating profit	7,305	6,023
Net interest payable	(902)	(887)
Headline profit before tax	6,403	5,136
Exceptional costs	(822)	(1,949)
Amortisation of intangibles**	(344)	(455)
Deemed remuneration**	(362)	(163)
Share option charges	(39)	-
Impairment of intangible assets**	-	(778)
Impairment of goodwill**	-	(7,383)
Impairment of available-for-sale investment**	-	(207)
Notional interest**	(78)	(104)
Fair value gain on financial instruments	170	155
Reported profit/(loss) before tax	4,928	(5,748)

*after removal of discontinued operations

**non cash



BALANCE SHEET

		30 December 2010	30 December 2009
		£m	£m
Fixed assets	Goodwill	71.2	67.9
	Intangible assets	1.1	1.2
	Fixed assets	2.1	2.5
	Deferred tax asset	1.0	1.0
Current non cash assets		26.4	25.7
Cash		0.8	3.1
Creditors < 1 year		(30.0)	(40.9)
	Provisions	(5.3)	(2.5)
Net current liabilities		(8.1)	(14.6)
Creditors > 1 yr		(6.7)	(0.3)
Earn out liabilities/provisions		(2.4)	(3.3)
Net assets		58.2	54.4



EARN OUT LIABILITIES

Estimated earn out liabilities of £7.4m over three years

- Estimated deferred cash acquisition costs of £3.5m payable 2011-13
- Return to 2008 estimates – reflects strength of recovery in R&C

	2011 Estimate £m	2012 Estimate £m	2013 Estimate £m *	Total Estimate £m
Cash/loan notes	2.4	-	1.1	3.5
Shares to be issued (£m)	2.8	-	1.1	3.9
Total	5.2	-	2.2	7.4

* Capped at £2.4m



CASH FLOW

	31 Dec 2010 £m	31 Dec 2009 £m
Net cash inflow from operating activities	7.8	5.2
Tax paid	(0.7)	(0.6)
Cash outflow from investing activities	(1.7)	(2.2)
Cash outflow from financing	(6.9)	(3.6)
Dividends paid	(0.8)	(0.7)
Decrease in cash for period	(2.3)	(1.9)



NET DEBT POSITION

- Net debt/EBITDA < 1.5 → margin drops to 275 pts over libor
- Facility renewed until March 2013
- £8m amortising loan; £7m RCF; £2m working capital

	£m
Cash	0.8
Loan notes	(0.5)
RCF drawn down	(1.0)
Loan balance	(8.0)
Finance leases	(0.1)
Net debt at 31 December 2010	8.8



MEDERGY BACKGROUND

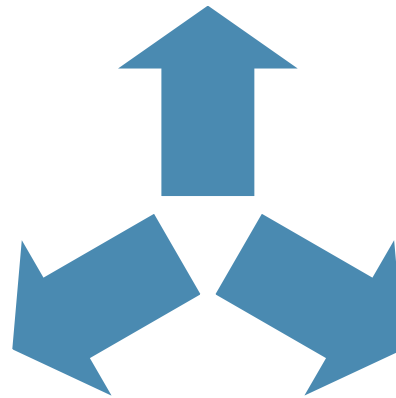
- Provides marketing consultancy and communications services to major pharmaceutical clients, with focus on pre-launch
- Company founded in January 2002
- Consistent top line growth
- Good, sustainable margins
- Reputation for excellence and professionalism
- US and global experience
- Experienced and stable management team



MEDERGY SERVICE OFFERING

Strategic Consulting

Prelaunch Consultancy
Strategic Mapping and Communication Planning
Brand Development
Competitive Analyses



Scientific Communications

Needs Assessments and Literature
Monitoring
Scientific Platform Development
Publication Planning and Execution
External Expert Services
Advisory Boards and Faculty Meetings

Medicinal Education and Clinician
Learning

Disease Awareness
Promotional Medical Education
Clinical and Surgical Training
Speaker and Congress Events
Digital and Multimedia Programs



MEDERGY RESULTS

\$ (000)	Actual				
	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010 (unaudited)
Net Revenue	6,854	8,152	8,598	8,420	9,003
PBT	1,672	1,812	1,947	1,844	2,258



MEDERGY DEAL

- a) Initial consideration (including payments to management)
- \$5.5m cash, to be partly funded by institutional placing
 - 5.8m new ordinary shares in Cello
 - 12% to management, 88% to private equity owner
 - 12 month lock-in (\$750k worth of shares locked in for 18 months)
 - \$500k net current assets to be delivered at closing
- b) Earn Out
- Total maximum of \$3.5m
 - Up to 75% payable in shares at Cello's discretion
 - 50% to management



SUMMARY AND OUTLOOK FOR 2011

- Solid like for like revenue growth (boosts double digit profit growth)
- Low leverage
- Long standing client relationships remain strong and growing
- Increasing international exposure
- Focus on pharmaceutical sector
- Strong new client wins provide good visibility for H1 2011
- MedErgy provides added momentum and accelerates strategy
- MedErgy earnings enhancing in 2011





CELLO

GROUP POWERFUL REALISATION



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