

Charm Communications Inc.

NASDAQ: CHRM

2011 Q1 Corporate Presentation



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A leading domestic advertising and media agency

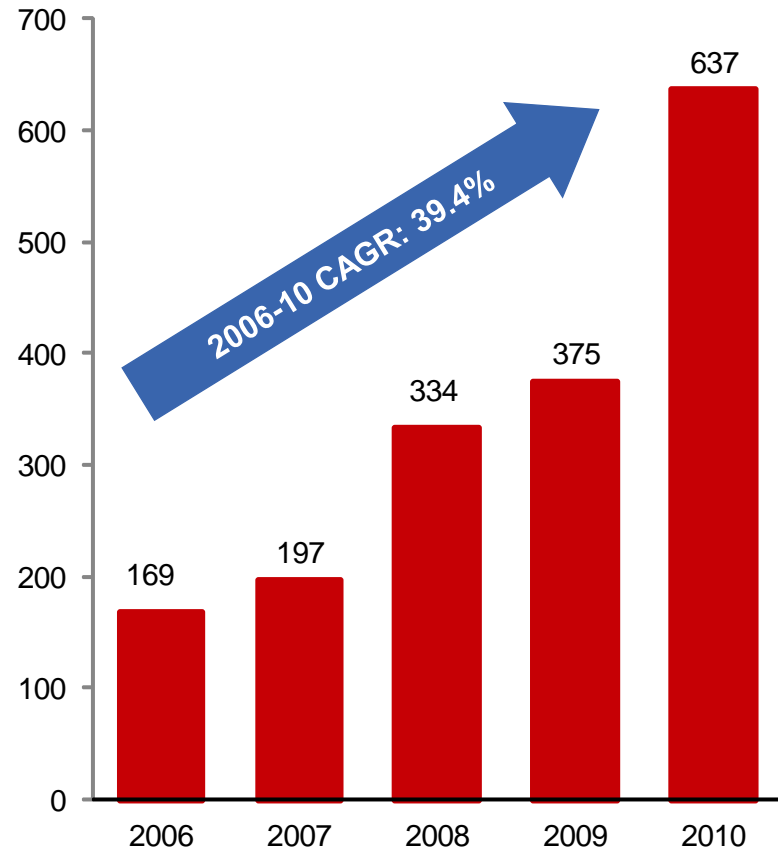
Market leadership attributes

- The leading domestic advertising agency in China with full service and full media planning & buying capacities
- #1 agency in total adspend on CCTV from 2004-2011⁽¹⁾
- Strategic partnership with Aegis Media leverage on international tools, expertise and global service network
- Well positioned to capture media spending growth in China
- Diversified portfolio of clients from industries well-exposed to China's increasing consumer spending: consumer products, home appliances, automobile, pharmaceutical, financial services.
- 140 agency clients and 325 media clients⁽²⁾
- 459 experienced advertising professionals⁽³⁾

Note:
(1) For year 2004-2011, based on CCTV data.
(2) For the quarter ended March 31, 2011
(3) As of March 31, 2011
(4) Total advertising spending placed through Charm's advertising agency and media investment management businesses.

Charm's total customer adspend or turnover⁽⁴⁾

(US\$m)



Pioneer with a long track record of leadership in the advertising market in China

1995 - 2003 Establish industry expertise

- Charm founded in Beijing, China in 1995
- Awarded the “Top Ten Advertising Agencies on CCTV” for the 1st time in 1996 (1996, 2000-2010)

2004 - 2008 Strengthen CCTV leadership Build strong client portfolio

- No. 1 in total advertising spending placed on CCTV for 7 consecutive years (2004-10)
- No. 1 in total value of successful bids of prime-time ad time on CCTV for 8 consecutive years (2004-11)
- Numerous advertising services/ad creative awards

2008 - 2010 Expand exclusive media resources

- Entered into exclusive agency arrangements with Shanghai Dragon TV and Tianjin Satellite TV
- Secured 4 CCTV programs on an exclusive basis

2010 onwards Enhance service capabilities

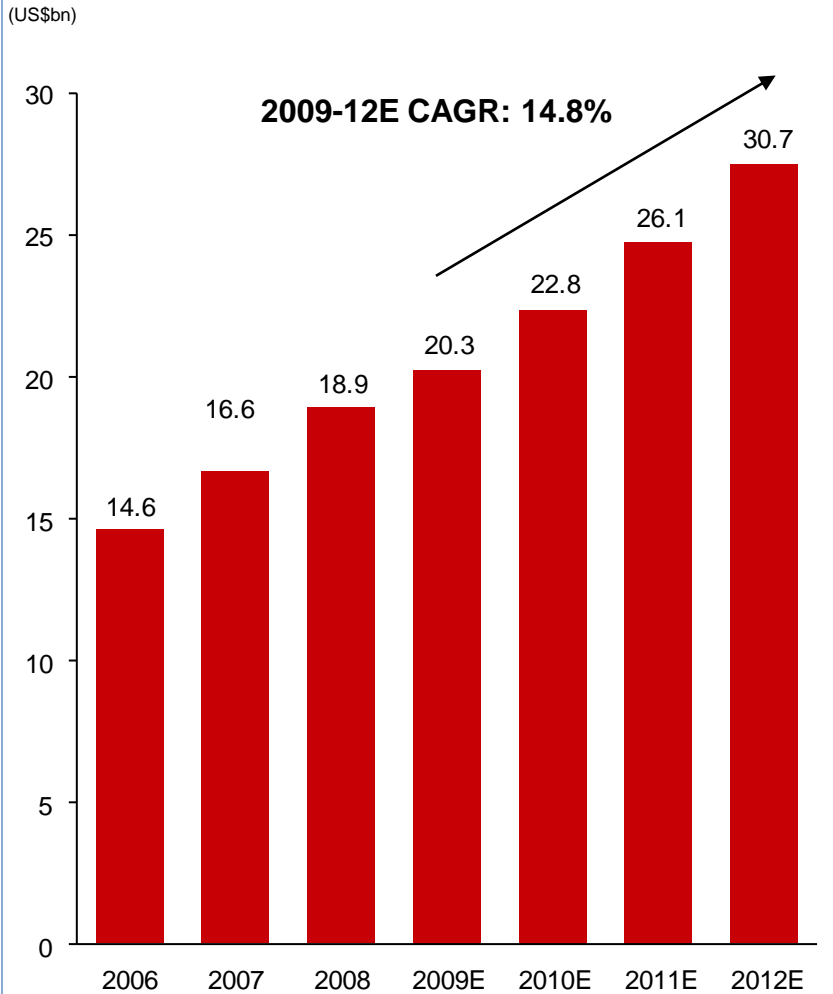
- Successful IPO on NASDAQ on May 5th, 2010 under the ticker CHRM
- Strategic investment of US\$50m from Aegis Media and formation of a JV – “Vizeum” in China in 2010
- Set up Charm Interactive
- Digital Cable TV: JV with Wasu and exclusive agency with BJ Gehua
- JV with Tianjin Satellite TV to launch into content production
- 3 year exclusive agreement Hubei Provincial Economic TV

Charm's vision

To become the largest integrated advertising and media group in China

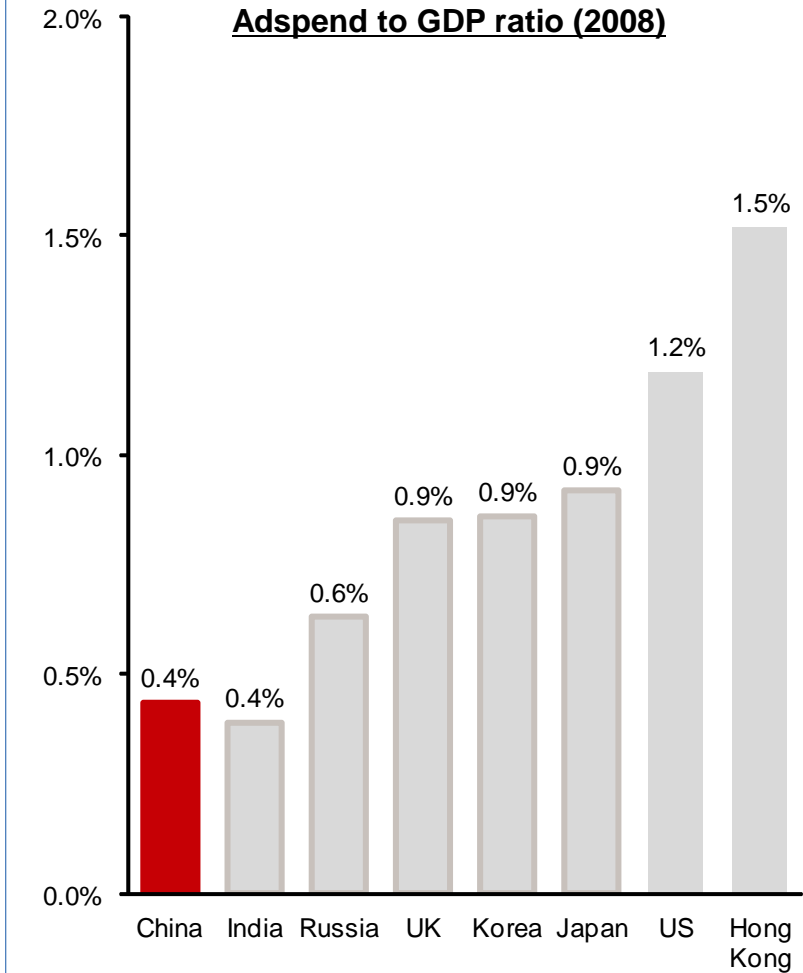
We operate in a large and fast-growing market

The Chinese advertising market is growing rapidly...



Source: ZenithOptimedia (March, 2010)

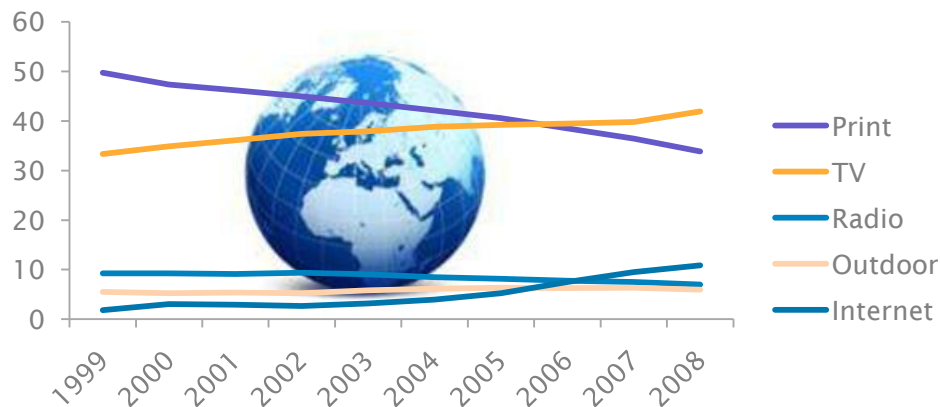
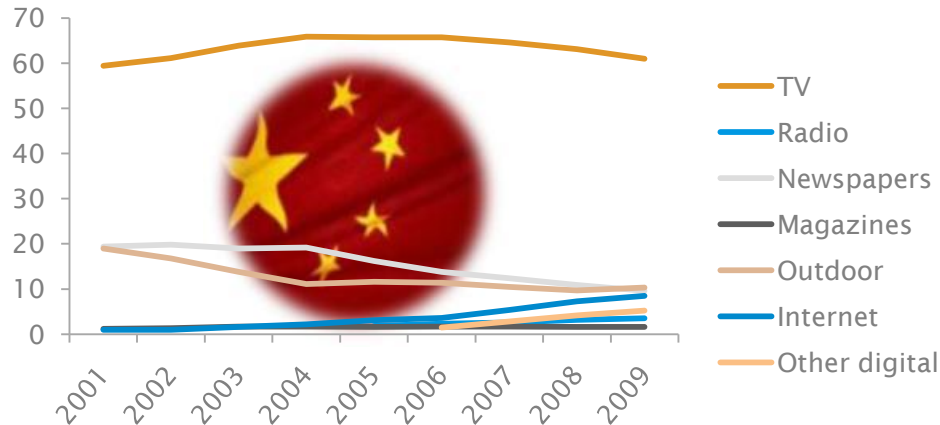
...with room for further growth in the future



Source: ZenithOptimedia (December 2009)

We focus on the most attractive media: TV and Internet

Market Share breakdown by media last 10 years



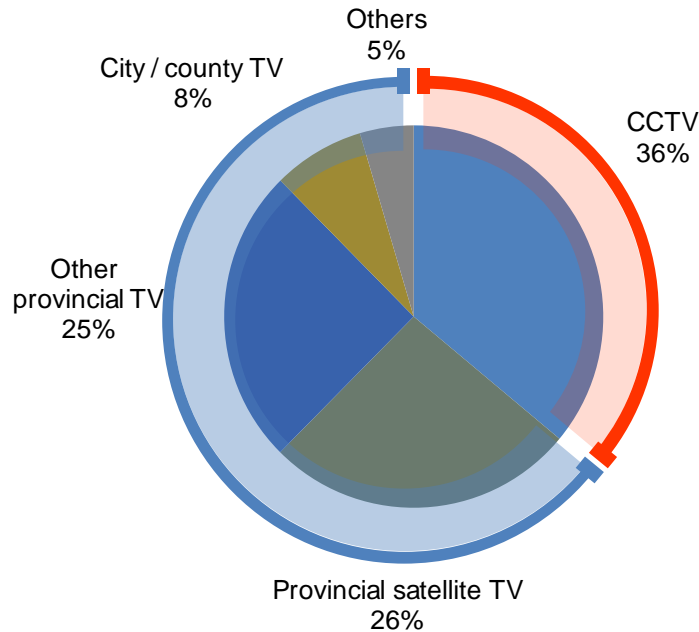
China's Media Trends follows the West

- TV continues to dominate media spending – over 60% of total adspend in China
- Internet growing rapidly – over 50% growth in 2010
- Print on the decline
- Stable mix for other media

Source: Aegis Media (May, 2010)

Television: CCTV dominates viewers and adspend

TV ad market share (by channel) (2009)



Source: CTR, 2010

- 1 CCTV network with 15 national channels
- 31 Provincial TV networks with 31 provincial satellite channels and over 150 provincial terrestrial channels
- Over 200 city/county stations

TV Channels Ranking by Viewership (Jan-Dec 2010)

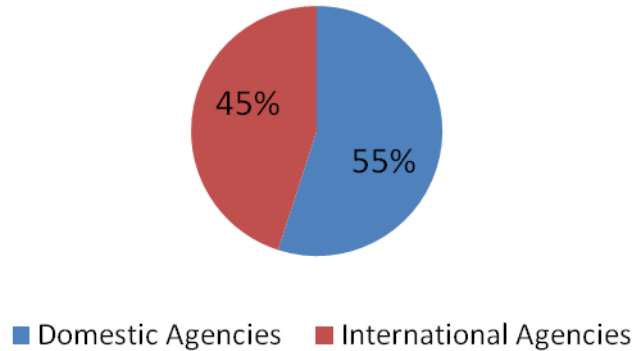
Ranking	Channel	Ratings (%)
1	CCTV-1	0.66
2	Hunan Satellite	0.42
3	CCTV-6	0.39
4	CCTV-5	0.38
5	CCTV-3	0.34
6	Jiangsu Satellite	0.31
7	Zhejiang Satellite	0.27
8	CCTV-News	0.26
9	CCTV-8	0.25
10	CCTV-4	0.24
11	Anhui Satellite	0.20
12	CCTV-Children	0.18
13	Beijing Satellite	0.18
14	Tianjin Satellite	0.15
15	CCTV-2	0.15
16	CCTV-10	0.15
17	Jiangxi Satellite	0.14
18	Liaoning Satellite	0.14
19	Heilongjiang Satellite	0.13
20	CCTV-12	0.13

Source: CSM (Jan –Dec, 2010), 4+, Full day, 31 provincial cities

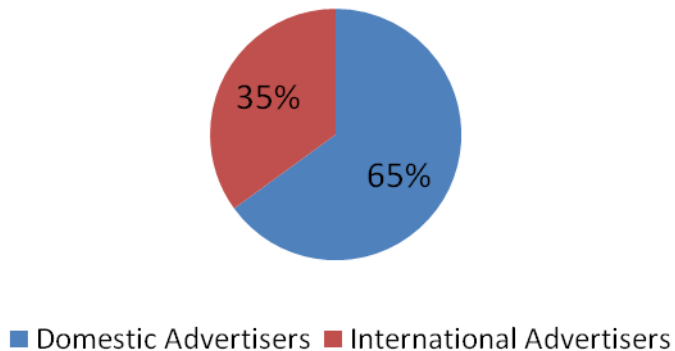
Competitive Landscape for Advertising Agencies

Market Dynamic for Agencies and Advertisers

Media Agency by Types (2009)



Advertiser by Types (2009)



Source: Nomura Research (June, 2010)

2009 Top 10 Media Agency Brands by Total Billings

- 1 Mindshare (WPP-GroupM)
- 2 ZenithOptimedia (Publicis-VivaKi)
- 3 Starcom (Publicis-VivaKi)
- 4 Carat (Aegis Media)
- 5 MediaCom (WPP-GroupM)
- 6 OMD (Omnicom)
- 7 MEC (WPP-GroupM)
- 8 Dentsu
- 9 Charm**
- 10 Maxus (WPP-GroupM)

Source: RECMA (July 2010)

- Top 5 advertisers in China are all large global brands: P&G, Unilever, L'Oreal, Yum and Coca-Cola
- International agencies more focus on international advertisers
- Domestic advertisers are more fragmented but are growing faster
- Charm well-levered to growth by domestic advertisers

Our business model is well positioned to capture the growth in the advertising and media market in China

Advertising agency
("Agency business")

Media investment management
("Principal Media business")



昌荣广告
charm advertising



昌荣互动
charm interactive

Vizeum
[Connections]



上星传媒
shangxing media

Target clients

National brands

National + regional brands

Profitability

High visibility, stable margins

Higher margins, high barriers to entry

Business characteristics

- Full service: Creative, Production, Media Planning and Buying
- Biggest scale of all domestic agencies
- Large client base consisting of blue-chip and emerging leading brands
- Strategic partnership with global 4A agency Aegis Media

- Takes inventory of ad-time on premium media resources
- Product placement and branded content offers value to clients
- Consultancy services enhance ratings for media owners
- Cross-selling with Agency business
- Build a portfolio of premium media resources

Summary of investment highlights

1

Leading domestic advertising agency with the biggest scale amongst domestic agencies

2

Integrated creative and media planning & buying platform

3

Strong client base: well-levered to domestic consumption growth and strength in domestic blue chip clients and industry leaders

4

Innovative media investment model offering sustainable higher return

5

Long track record of execution delivering above market revenue and profit growth

6

Strong and stable management team

1 The leading domestic advertising agency in China

#1 domestic TV advertising agency in China in 2009⁽¹⁾...

	<u>Company</u>	<u>Adspend (RMB billion)</u>
1		2.3+
2	Company A	1.5
3	Company B	0.8
4	Company C	0.4
5	Company D	0.4

Note:

(1) Based on a report prepared by CTR, an independent market research firm based in China, and commissioned by Charm. Rankings above based on 2009 prime-time ad time bidding amount split by company.

... with a leadership position on the single largest TV network in China



2004-2011:

#1 agency in prime-time advertising on CCTV-1 for 8 consecutive years



2004-2010:


#1 agency in terms of total advertising spending placed on CCTV for 7 consecutive years



1996, 2000-2010:

CCTV's top 10 advertising agencies

2010 CCTV Primetime Market Share

1		21.1%
2	Company X	13.6%
3	Company Y	11.0%

Source: CTR (January 2010)

Charm has the biggest scale of all domestic advertising agencies

1 Only domestic agency with 4A brand in China

International expertise with deep understanding of China's culture, ad industry and media

- The JV will
 - Enable us to attract multinational and domestic companies who desire to be represented by an international 4A brand, as well as domestic clients seeking to promote their brands outside of China
 - Strengthen our advertising service offerings, particularly in digital and other new media platforms
 - Further enhance operations and service capabilities by conforming our management structure and systems to those of an international advertising agency



Valuable international ad customer base

Nikon

Carlsberg



MANGO

TOTO

Our joint venture with Aegis Media will advance our goal of becoming the leading integrated advertising services provider in China

1 Charm Interactive: Well positioned to capture the growth in internet advertising spending

New media agency services



- Internet advertising spending in China was **US\$3.3bn** by 2009, and is expected to grow at a 2009-12 CAGR of **26.3%**
- Charm Interactive services:
 - Creative execution, media planning and buying, and data capture and analysis
- Industry focus:
 - pharmaceuticals, financial services, home appliances, travel and tourism, and automobiles
- An experienced team of 55 professionals already in place
- 2010 internet adspend: 50% on integrated portals like Sina and Sohu, 25% on industry verticals, 25% on search, SNS and online videos

Source: ZenithOptimedia (December 2009)

Key Strategic Partnerships



- A leading Japanese digital advertising agency
- Responsible for all of DAC's internet media buying in China, clients including Toyota and Suzuki



- Framework agreements with the top 7 online video websites in China with preferred buying rates



- Framework agreements with preferred media buying rates
- Potential cooperation with several key advertising industries: travel & tourism and pharmaceuticals

Significant growth potential in internet agency revenues, as it is currently less than 10% of agency revenues

2

Integrated creative and media planning service

Case study: Midea

Integrated advertising solutions

1 Creativity & ads production



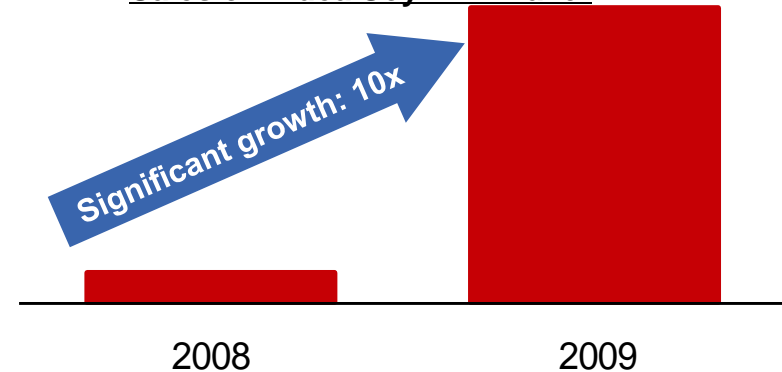
2 Media planning and buying

- Based on detailed analyses of Midea's major competitor and its advertising strategies, Charm crafted an ad placement plan targeting a combination of different channels for Midea
 - From Jul 2009-Jan 2010, Midea placed ads on CCTV's channels and programs
 - From Sep 2009-Jan 2010, Midea placed ads on Hunan Satellite's programs

Delivering results

3 Impressive sales growth

Sales of Midea Soy Milk Maker



Source: Midea

4 Expanding Business with Midea

- Charm expanded services to Midea from one product, Soy Milk Maker, in 2009 to four products in 2010
- For 2010, Charm has won the full television account for all of Midea's small home appliance products, which produces 12 main product lines, including microwaves, rice cookers, ovens, water coolers, water heaters, soy milk makers, dish washers, and vacuum cleaners, etc.

2 Integrated creative digital and TV solution

Case study: Diqiao

1 Clearly define target consumers

- Challenges: other relatively mature products (钙尔奇、三精) in the market already
- Strategy: define target as middle-high level women consumers

2 Clear Key Message

Communication Key Message: Diqiao
- Profession Calcium product from USA

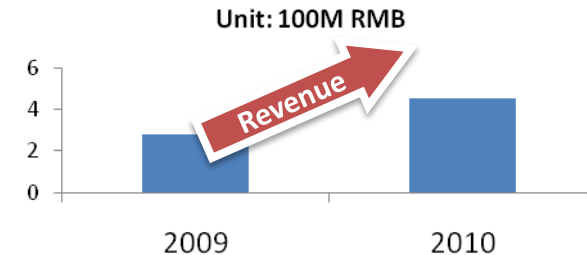


3 Internet for targeted reach; CCTV for branding

- A、 Use internet as communication basic tools, through combination of portal, vertical, and search engine to improve targeted audience contact frequency
- B、 Use CCTV as branding supporting, through CCTV's authority select matching programs to improve the brand in consumers and channels

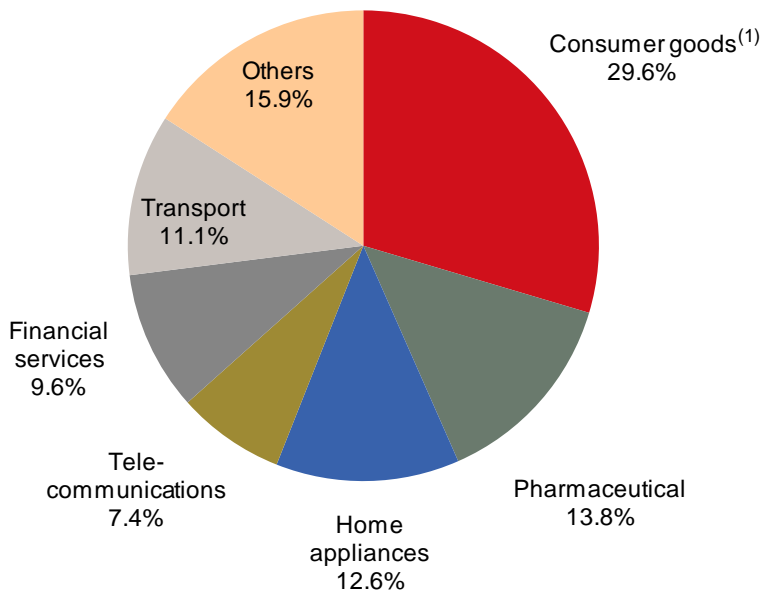
4 Deliver strong result

Adv Budget for half year: 10M RMB
Revenue Increase : 170M RMB



3 Strong Presence in domestic consumer brands

2010 adspend by industry



Note: (1) Consumer goods includes food, beverages, alcoholic drinks, cosmetics/toiletries, personal care and tobacco products.

Consumer goods

Relationship

	■ Lolo	■ 10 years
	■ Snowbeer	■ 6 years
	■ Jin Mai Lang Food	■ 5 years
	■ Great Wall Wine	■ 4 years
	■ Bosideng	■ 8 years
	■ Feihe	■ 3 years
	■ Beinmate	■ 6 years

Financial services

Relationship

	■ Agricultural Bank of China	■ 5 years
	■ PICC	■ 5 years
	■ Citic Bank	■ 5 years

Others

Relationship

	■ Chery Automobile	■ 3 years
	■ Suning Appliance	■ 3 years

Our stable client base makes Charm well-levered to the consumption growth in China

3 Blue chip clients and industry leaders

Charm's market leadership and comprehensive advertising solutions have attracted a high-quality blue-chip client base of over 500 from all sectors, over 70 of which are long-term customers



■ Leading telecommunications provider

■ 6 years



■ China's largest P&C insurer

■ 5 years



■ Leading home appliance manufacturer

■ 4 years



■ China's leading life insurance service provider

■ 5 years



■ One of the largest banks in China

■ 5 years



■ China's 7th largest bank by asset size

■ 5 years



■ China's leading beer brand

■ 5 years



■ China's leading wine brand

■ 4 years



■ China's leading traditional pharmaceutical brand

■ 5 years



■ China's largest independent auto manufacturer

■ 3 years

■ One of the fastest growing automakers in the world

4 Innovative Media Investment and Management Business Model

Sustainable business platform offering higher returns comparing to agency

Scalable Capabilities



March 15, Consumers' Day

- CCTV-1 achieved 3.85% viewership with 8.6% market share on 3/15/09



Shanghai Dragon Satellite TV

- No.4 TV channel among high-end viewers during prime time with 0.75% viewership in 2009
- Successfully renewed for 2011



Tianjin Satellite TV

- No.6 satellite TV channel with 0.16% viewership in 2Q 2010
- Successfully renewed for 2011



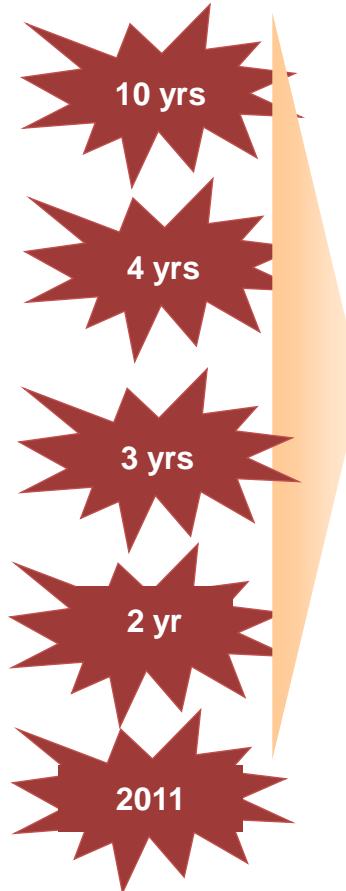
4 new programs

- Broadcasted on CCTV 1, 2 and 3 with viewership of 0.77%, 0.20% and 0.42%, respectively
- Successfully renewed for 2011



Hubei Economy Channel

- No. 2 rated channel in Hubei Province



- Successful experience with investing in and managing premium television media resources over several years
- Capabilities to replicate the model to other valuable media resources

Charm is building portfolio of premium media resources

Source: CSM

4

Delivering results for media partners

Case study: Tianjin Satellite TV rating improvement

Charm collaborated with Tianjin Satellite TV to help it on the positioning of the Channel resulting in:

Provincial satellite TV viewership ranking — 2009	
Ranking	Channels
1	Hunan Satellite TV
2	Jiangsu Satellite TV
3	Zhejiang Satellite TV
4	Beijing Satellite TV
5	Anhui Satellite TV
6	Jiangxi Satellite Channel
7	Shanghai Dragon TV
8	Shandong Satellite TV
9	Liaoning Satellite TV
10	Chongqing Satellite TV
11	Sichuan Satellite TV
12	Tianjin Satellite TV
13	Hubei Satellite TV
14	Heilongjiang Satellite TV
15	Henan Satellite TV

Source: CSM

Provincial satellite TV viewership ranking 2010	
Ranking	Channels
1	Hunan Satellite TV
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4	Anhui Satellite TV
5	Beijing Satellite TV
6	Tianjin Satellite TV
7	Jiangxi Satellite TV
8	Liaoning Satellite Channel
9	Heilongjiang Satellite TV
10	Shandong Satellite TV
11	Shanghai Dragon TV
12	Sichuan Satellite Channel
13	Yunnan TV Satellite TV
14	Henan TV Satellite Channel
15	Chongqing Satellite TV

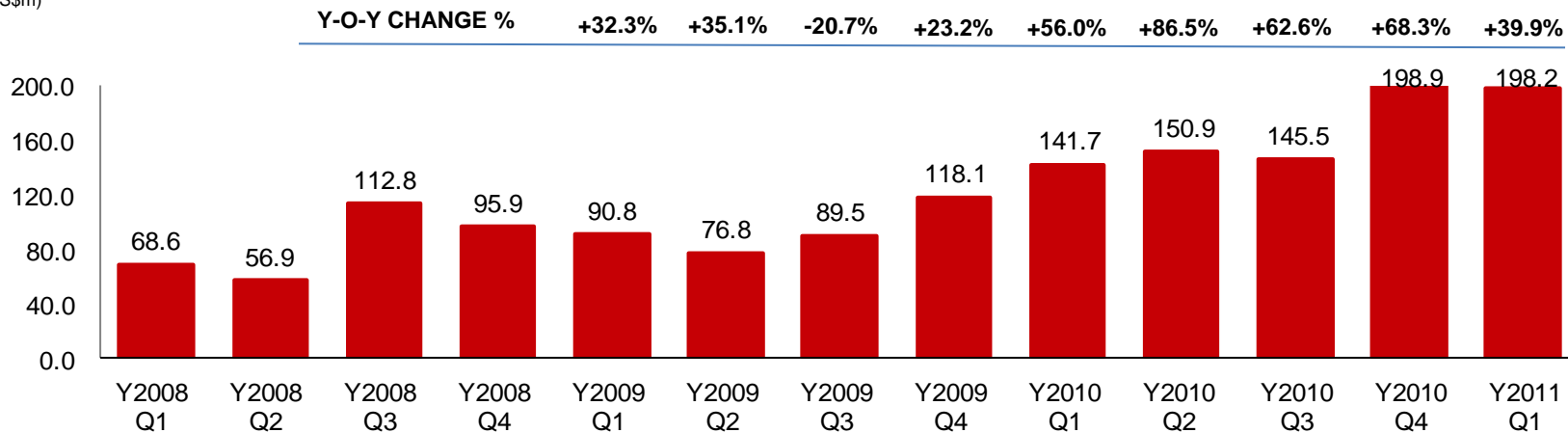
In 2010, Tianjin Satellite TV's ranking moved to 6th place amongst all Satellite Channels

5

Long track record of execution and delivering above market revenue growth

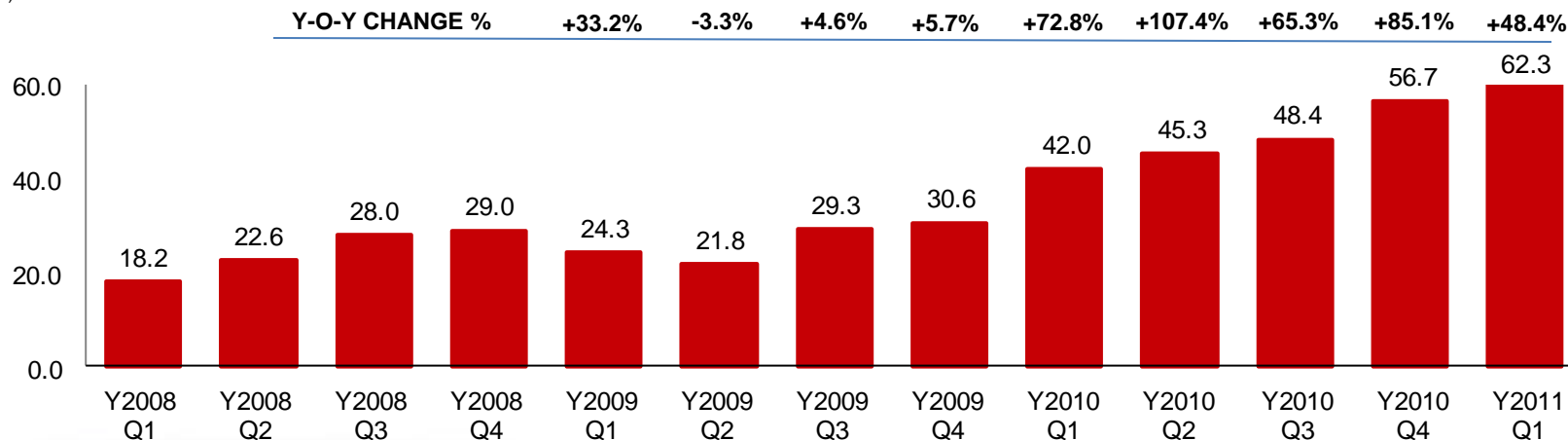
Non GAAP quarterly total turnover or adspend

(US\$m)



US GAAP quarterly total revenues

(US\$m)

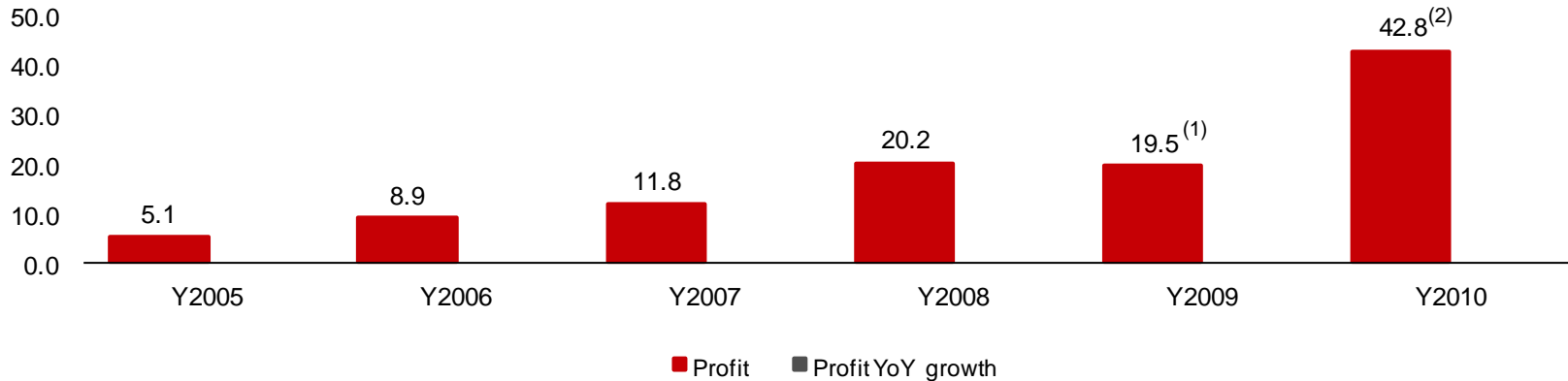


5

Long track record of execution and delivering above market profit growth

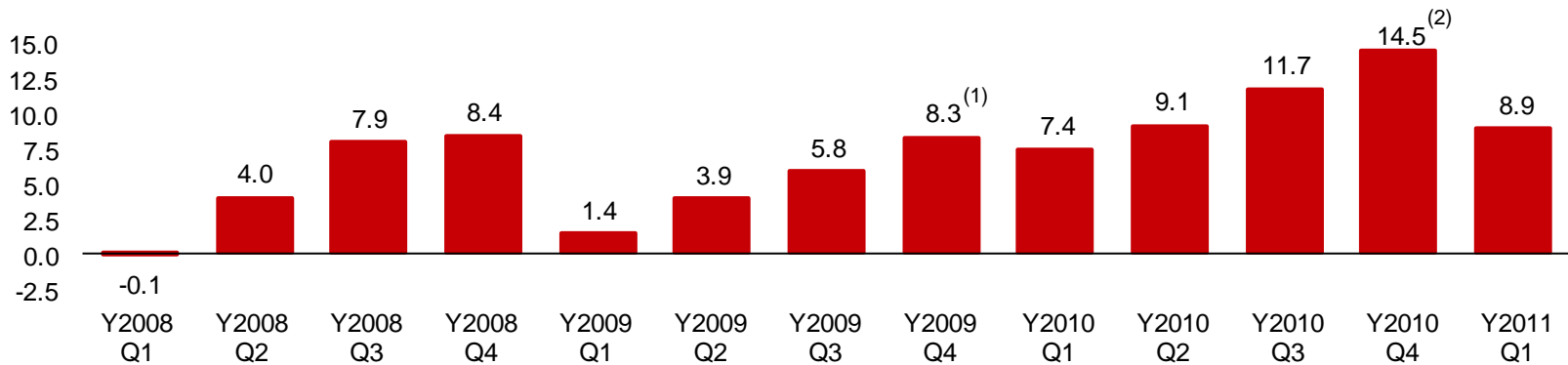
Non-GAAP Annual net income (excluding share based compensation)

(US\$m)



Non-GAAP quarterly net income (excluding share based compensation)

(US\$m)



Note: (1) Excludes a one-time impairment loss of US\$1.94 million.

(2) Excludes a one-time impairment loss of US\$1.81 million.

Strong management team and professionals with industry expertise

Executive Committee and Board of Directors



He Dang

- Company's founder, CEO and Chairman
- Over 15 years of experience in the television advertising industry
- Numerous awards related to his contribution to the advertising industry in China
- Prior to founding our company in 1995, Mr. Dang worked at the Ministry of Culture of China and China Culture and Art Development Company.



J. Patrick Stähle

- Director
- Chairman of Aegis Media's Global Solutions Committee
- CEO of Aegis Media APAC from 2006-10



Andrew J. Rickards

- Independent director
- Previously held senior positions in the Asian businesses of Providence Equity, NM Rothschild & Sons and Goldman Sachs
- UK Qualified Chartered Accountant



Wei Zhou

- CFO
- Ex-CFO of Zhaopin.com, one of the largest online recruitment websites in China
- 5 years of investment banking and investing experience at Goldman Sachs
- Bachelor's degree from Harvard University



Zhan Wang

- Independent director
- Vice President of Baidu, with responsibilities for Baidu's commercial product development, service management and search marketing services



Gang Chen

- Independent director
- Deputy dean of the School of Journalism and Communication of Peking University since March 2006

Strong management team and professionals with industry expertise

Service Solution Committee



Kun Xiao

- VP – Integrated Communication Solutions
- 15 year industry veteran, 10 years with Charm and VP of Charm since 2007
- Ad Man magazine's China Advertisement Case Study Golden Award - 2009
- Beijing creative designer of the year - 2008



Linna Li

- VP – CCTV Buying Platform
- 13 years with Charm
- Extensive specialist knowledge of media buying
- Contributed to Charm being the largest buyer on CCTV for 6 consecutive years



Xianhao Yu

- VP – Media Planning
- Former Director of Advertising and Planning at Jinmailang, leading F&B group
- 16 year experience in brand management across different media platforms in China and Taiwan, 5 years with Charm's client



Yihe Zhao

- VP – Market and Media Research
- 15 year experience in consumer behavior, marketing strategy, media research and brand research
- Helped over 100 brands
- Published author and lecturer at Tsinghua



Weimin Li

- VP – Healthcare and Pharmaceutical Strategist
- Specializes in sales, marketing and brand strategies for healthcare and pharma industry
- 20 year veteran in advertising and pharmaceutical industry



May Zhang

- VP – Integrated Communication Solutions, focusing on Creative and Production
- Former General Manager of McCann Healthcare
- 10 year veteran at Ogilvy
- Serviced both international and domestic brands, such as Nestle, GSK, J&J, China Merchants Bank

6 Award-winning creative team

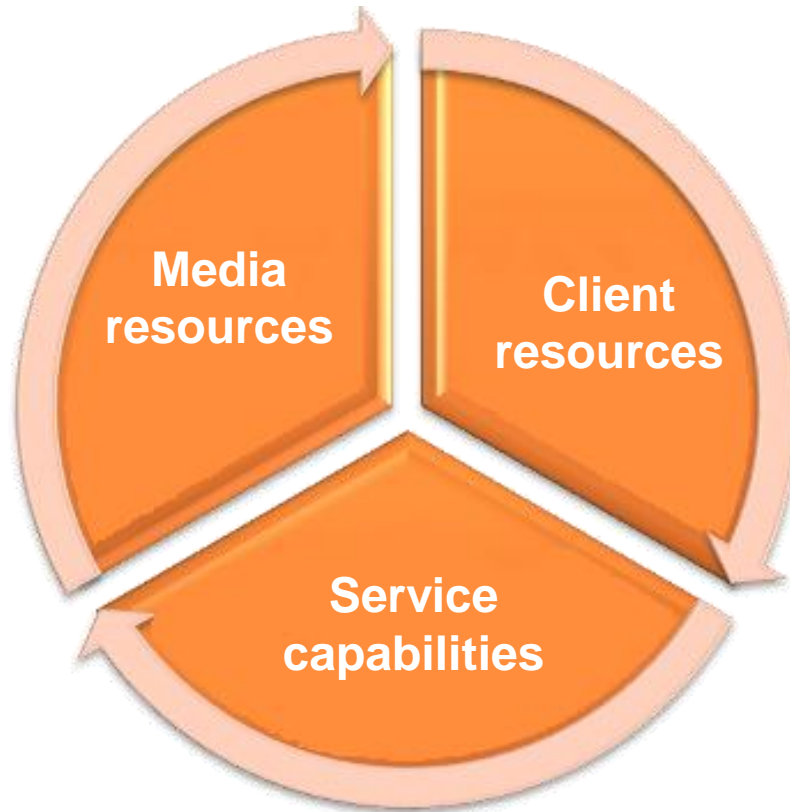
Selected awards related to creative design and production of ads

Year	Awards	Awarding institutions
2010	China Media Case Awards	
2010	China Media Creative Awards	
2009	China Advertisers – Chinese Ad Award 2008	
2008	China Advertisers – Chinese Ad Award 2007	
2007	Top 50 Chinese Advertising Companies with Creative Strength in the 6 th IAI Yearbook	
2007	Ad selected for the IAI China Ads Yearbook – China Telecom’s “Florist”	
2007	Bronze Award in the 7 th Yearbook Awards of IAI China Ads – CCTV’s “One Power”	
2007	Silver Award in Ad Production - Bank of China’s Telephone Information Services	
2007	Silver Enterprise Award in Ad Production – Innovative marketing for Jin Mai Lang	

Ads produced by Charm



“3-engine” Strategies



To consistently deliver above-market growth

Key financial highlights

1 Track record of strong revenue growth – outperforming the overall Chinese advertising industry

2 Strong profitability with sustainable margin trends

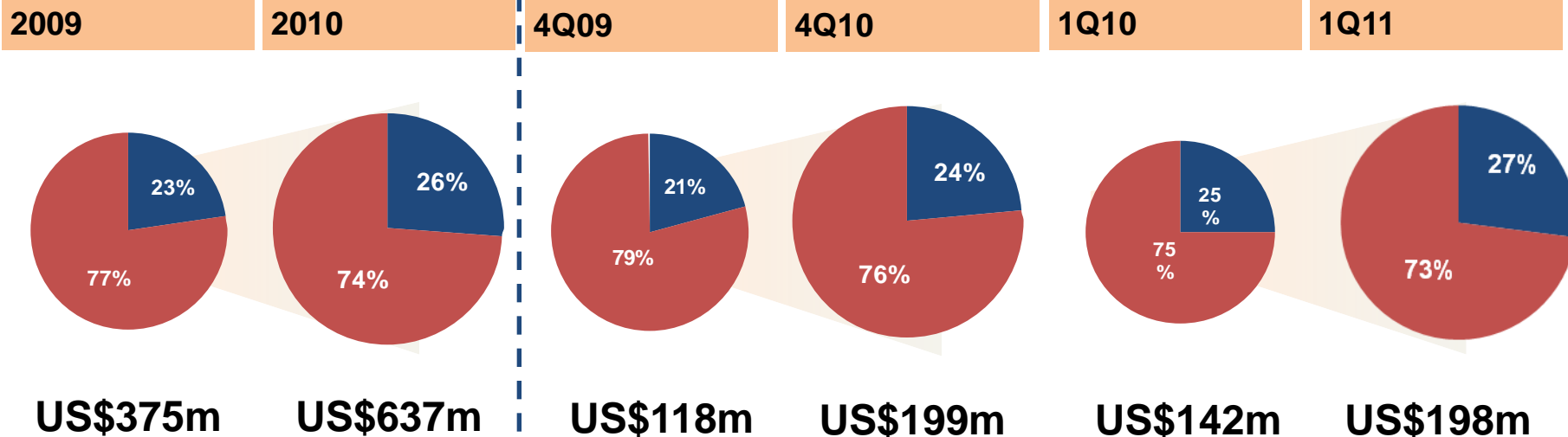
3 Strong cash position with positive operating cash flow

4 Healthy account receivable turnover rate with minimal bad debt

5 Highly scalable business model with limited capital expenditure

Our core revenue drivers and operating metrics

Charm's total adspend or turnover (Non-GAAP)⁽¹⁾



2009-10 YoY of 69.7% vs. 15% industry growth⁽²⁾

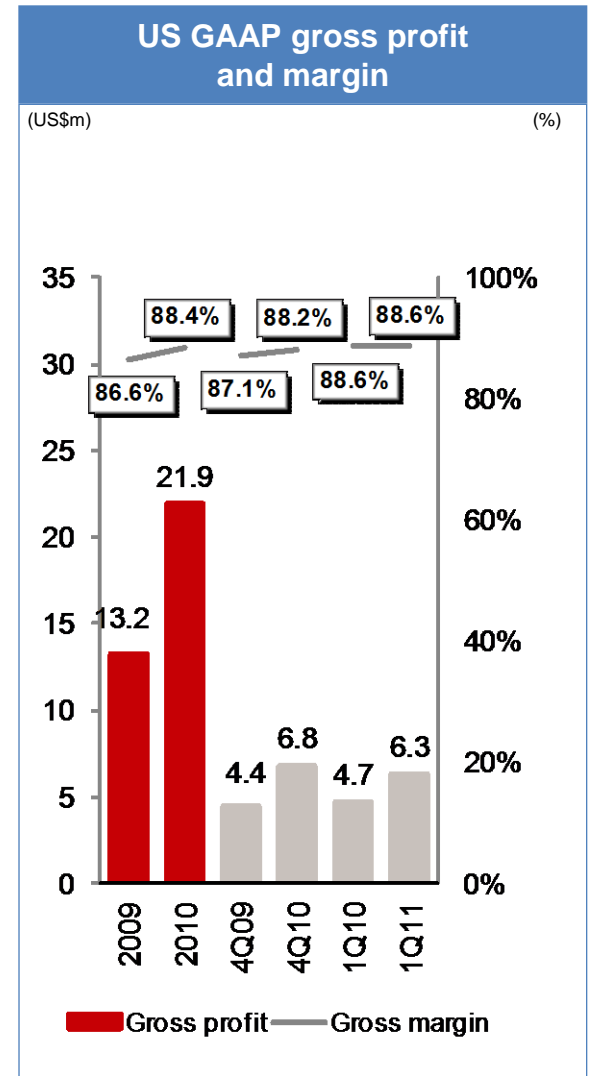
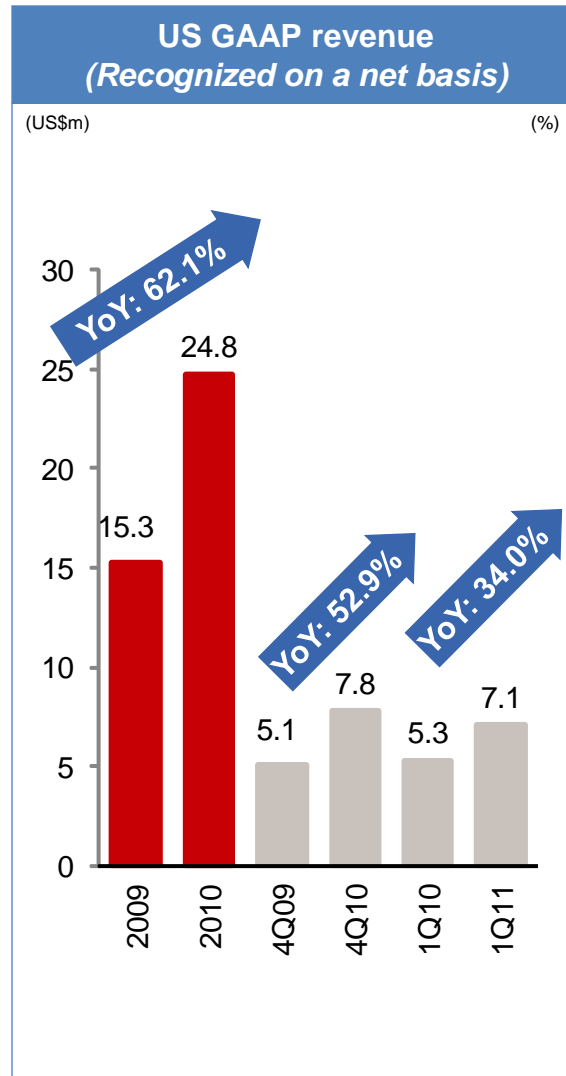
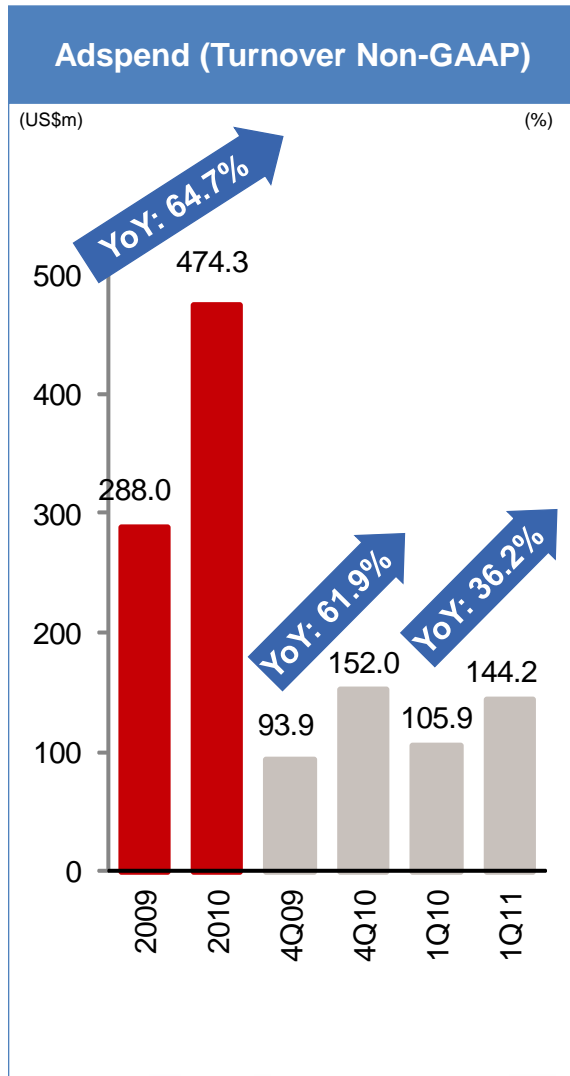


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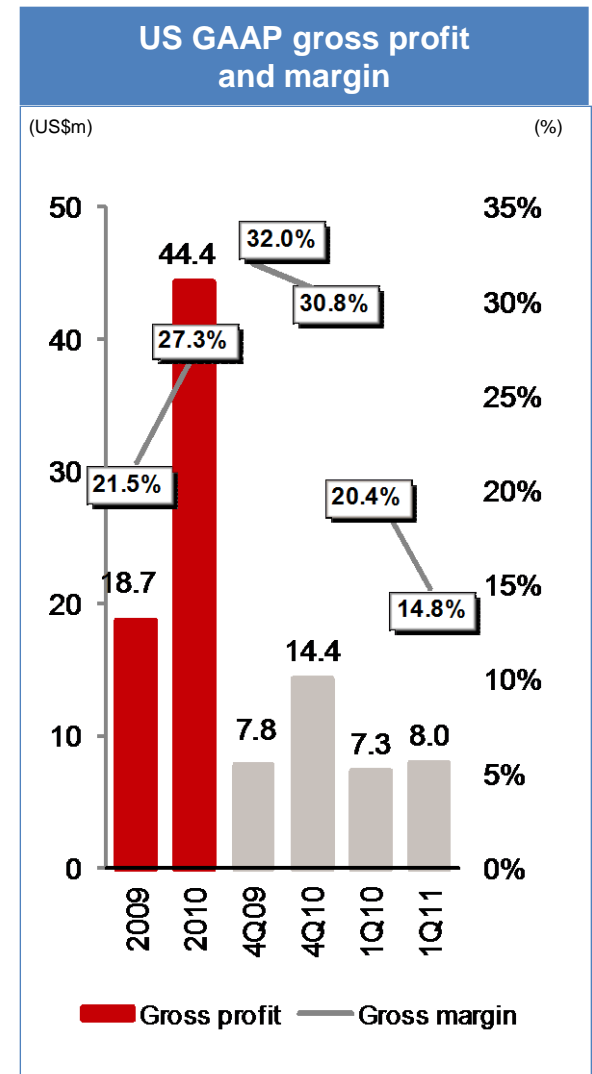
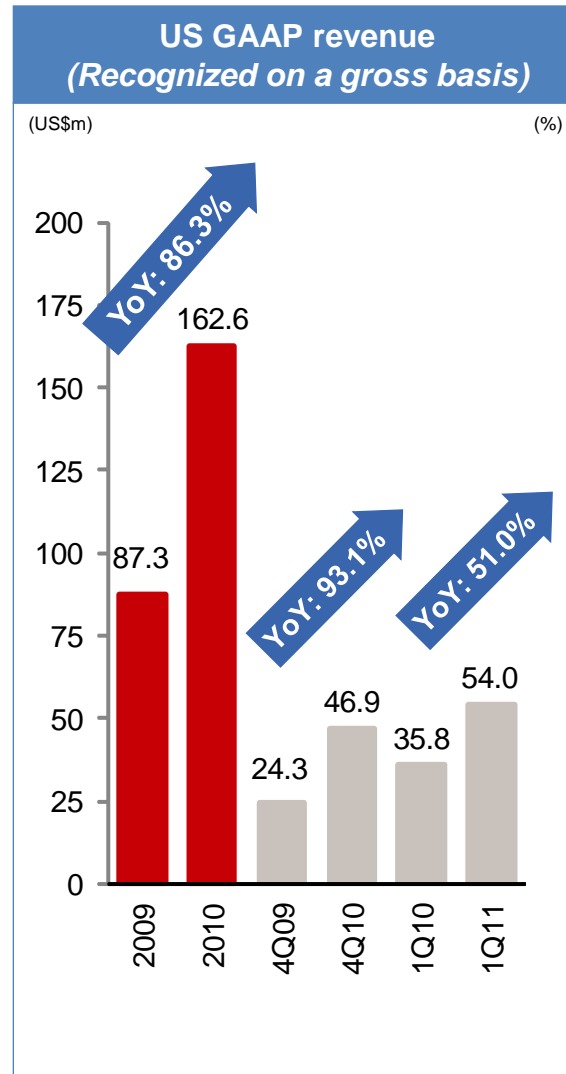
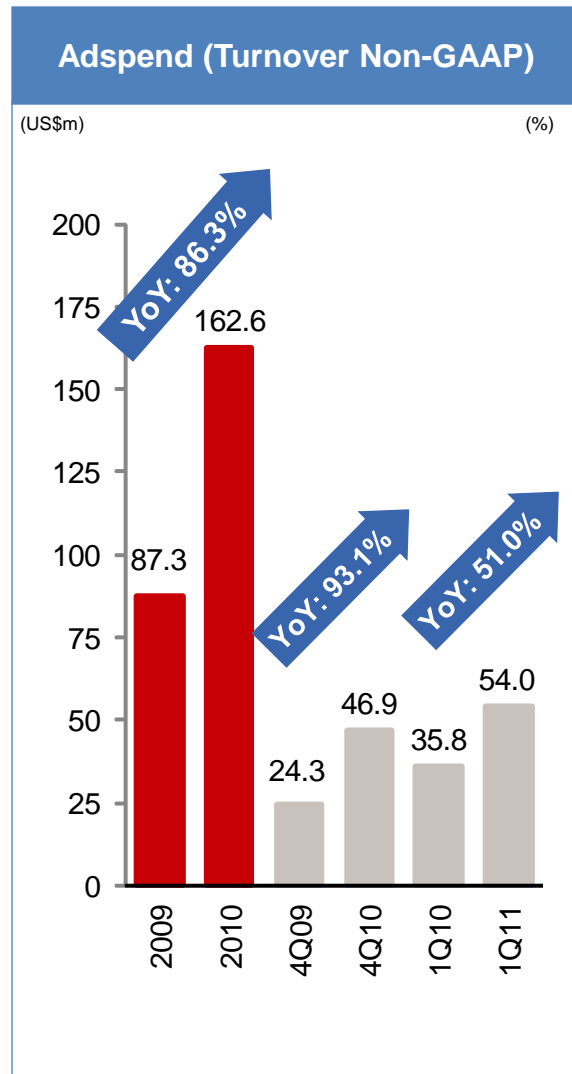
- (1) Total advertising spending placed through Charm's advertising agency and media investment management businesses
 (2) Based on China's overall advertising market growth (ZenithOptimedia 12/2009)

Our revenue growth is driven by increasing adspend from existing clients and additions of new clients

Advertising agency business: Financial snapshot

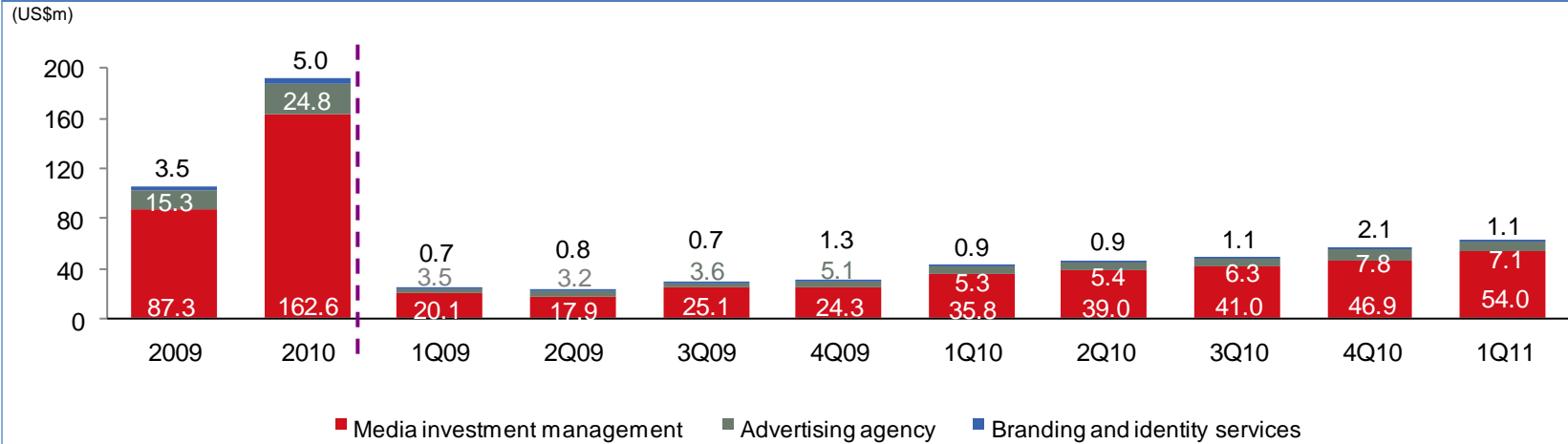


Media investment management business: Financial snapshot

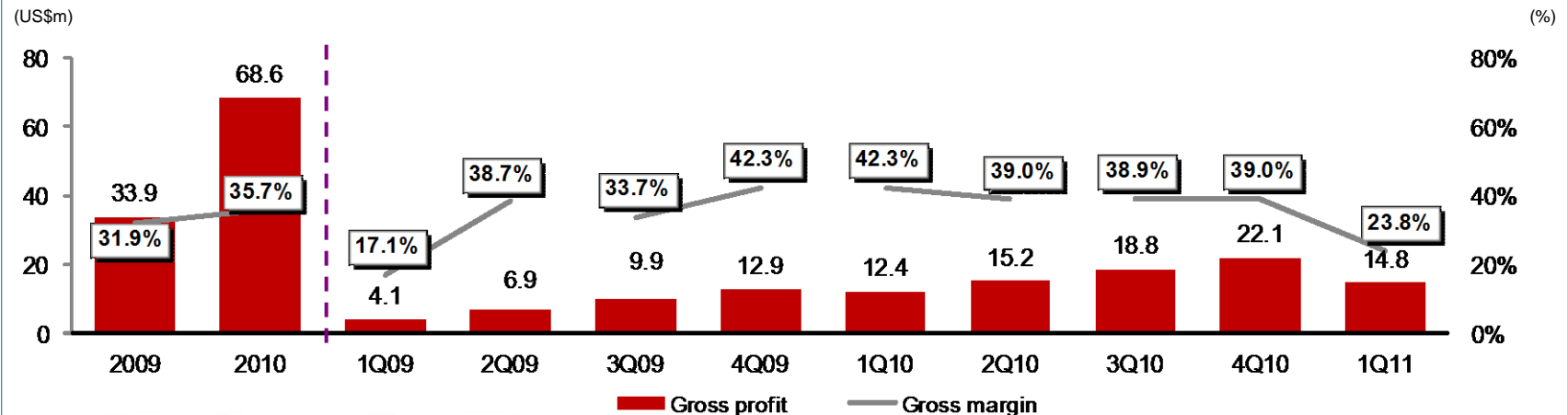


Strong financial track record

US GAAP total revenues

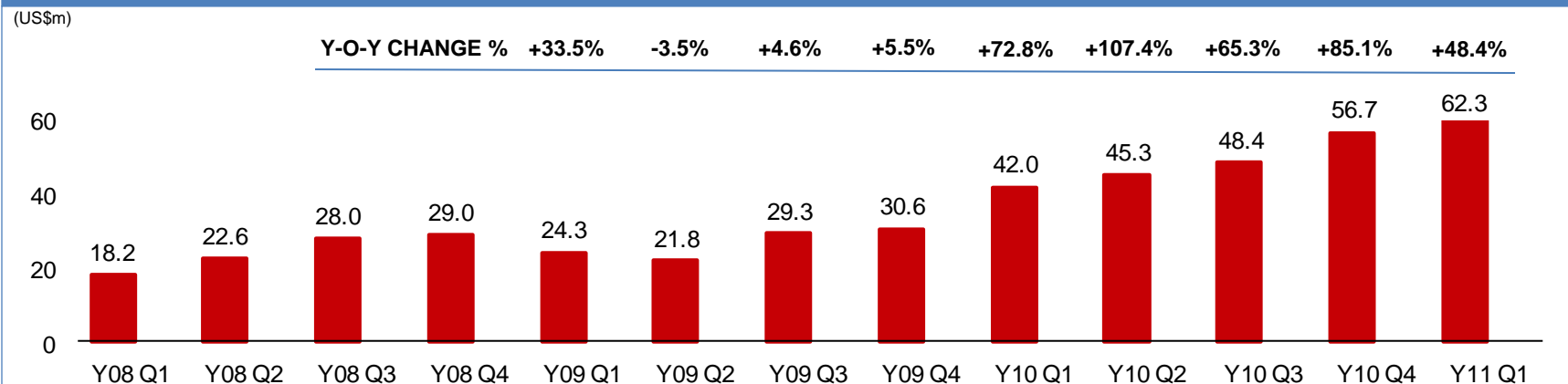


US GAAP gross profit

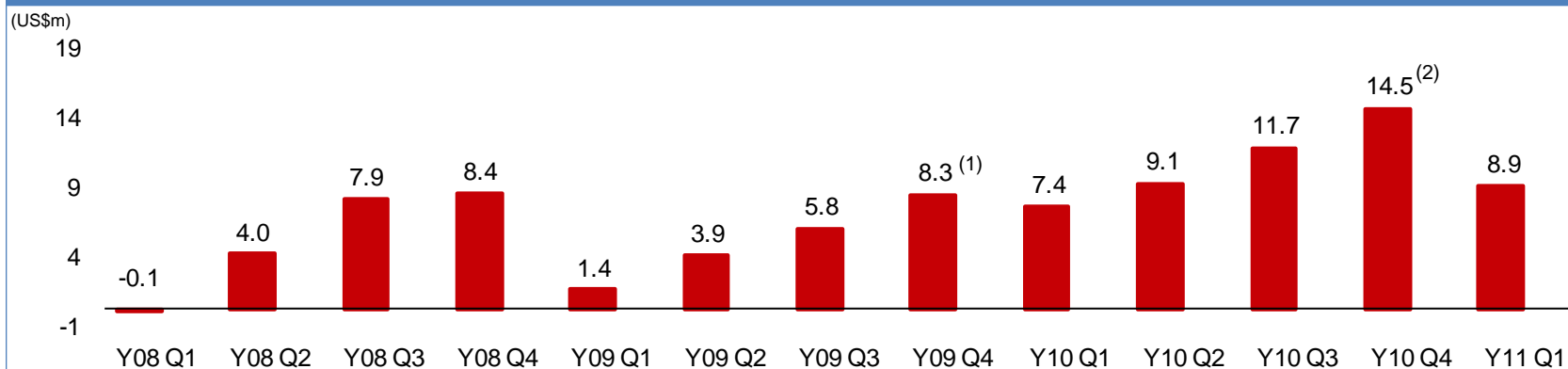


Quarterly revenues and net profit

US GAAP total revenues



Non-GAAP net income (excluding share based compensation)



Note: (1) Excludes a one-time impairment loss of US\$1.94 million.

(2) Excludes a one-time impairment loss of US\$1.81 million.

Balance sheet

Selected balance sheet items

(US\$'000)	Dec 09	Dec 10	Mar 11
Cash & cash equivalents	54,737	123,320	130,509
Notes receivable	2,878	15,323	14,292
Prepaid expenses	31,670	63,680	63,736
Deposits	19,637	28,409	27,922
Accounts receivable	29,798	49,746	62,913
Current assets	139,290	284,550	304,208
Total assets	142,600	286,632	306,189
Accounts payable	1,401	19,341	29,978
Advances from customers	30,564	57,970	61,744
Accrued expenses and other current liabilities	9,803	18,516	14,586
Total liabilities	61,897	106,357	115,744
Total shareholders' equity and series A	80,703	180,275	190,445
Total liabilities and shareholder's equity	142,600	286,632	306,189

Key highlights

- Strong cash-balance to support potential strategic investments
- Blue-chip customer base with minimal bad debt
- Limited capital expenditure needs to grow the business
- Healthy AR turnover rate

Summary of investment highlights

1

Leading domestic advertising agency with the biggest scale amongst domestic agencies

2

Integrated creative and media planning & buying platform

3

Strong client base: well-levered to domestic consumption growth and strength in domestic blue chip clients and industry leaders

4

Innovative media investment model offering sustainable higher return

5

Long track record of execution delivering above market revenue and profit growth

6

Strong and stable management team

Contact information

THANK YOU

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