

M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS TO 30th JUNE 2005

15 September 2005

M&C Saatchi plc, the international advertising agency with offices in 15 locations including London, Paris, New York and across the Asia Pacific region, announces its interim results for the six months to 30th June 2005.

Financial Highlights:

- Revenues (gross profit) grow organically by 7.1% to £31.9 million (2004: £29.8 million)
- Operating profit (before the impact of the European investment) up 11.3% to £4.1 million (2004: £3.7 million)
- Operating Margin (before the impact of the European investment) up 0.5pts to 12.8% (2004: 12.3%)
- Profit before tax (before the impact of the European investment) up 14.8% to £4.6 million (2004: £4.0 million)
- Earnings per share (before the impact of the European investment) up 12.7% to 5.07 pence (2004: 4.5 pence)
- Operating profit (including European investment) down 2.8% to £3.6 million
- Profit before tax (including European investment) up 1.7% to £4.1 million
- Earnings per share (including European investment) down 2.9% to 4.37 pence (2004: 4.50 pence)
- Interim dividend 0.77 pence per share

Operational Highlights:

- New business wins in the first half included Ribena (GSK), ITV, Mini and Tourism Australia
- New offices open in Paris and Bangkok
- On target to open second new office in Europe by the year-end

Note: Figures are reported before the Amortisation of Goodwill.

Commenting on the results, David Kershaw, Chief Executive said:

“The first half of the year has been encouraging, with good organic growth driven by a healthy new business performance. The underlying business continues to perform well but the outcome of the BA review could have a major influence on the second half and beyond.

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Except where otherwise stated this report comments on the unaudited profit and loss account of M&C Saatchi plc (the "group") for the six months to 30 June 2005 compared with the unaudited pro forma profit and loss account for the same period in 2004. The report also comments on the numbers before the impact of the amortisation of goodwill. The report has been prepared to show for illustrative purposes only, the results as if the reorganisation which occurred immediately prior to its admission to trading on AIM on 14 July 2004, had occurred on 1 January 2004 (see note 4 for further details of the reorganisation). The directors believe that the presentation of the financial highlights and the financial report on this basis provide a clearer understanding of the Group's results.

Financial Review

Revenue grew by 7.1% to £31.9 million with all our key markets recording organic growth, driven by a healthy new business performance over the last 12 months. This represents our 11th year of consistent organic revenue growth. Significant wins have been Ribena (GSK), Mini, ITV, Weetabix and Tourism Australia. The first half also benefited from a number of clients spending more of their annual budgets in the first half when compared with previous years.

Our expansion into the key European markets is progressing well. We officially opened the doors of our new office in Paris on the 1st September, and plans are well advanced for the second office to be opened by the end of the year, discussions are progressing well in both Spain and Germany. As previously indicated our European investment will have a negative effect on the financial performance in 2005 and 2006. As expected the impact of the investment in the first half has been to reduce operating profit by £522k.

Excluding the impact of the European investment, operating profit increased by 11.3%, and the operating margin increased to 12.8% (2004: 12.3%), with increasing revenues matched by careful cost control. The impact of the European investment is to reduce the margin by 1.6pts.

Group net interest has increased by 95% to £647k (2004: £332K) resulting from good cash flows in the Group and the interest on the proceeds of the float.

The reported group tax rate of 33.8% is above the prior year (33.1%). The increase is due to the investment in Europe and a reduced contribution from low tax rate territories.

Minority interests have increased as a percentage of profits from 8.9% to 12.1%, due to the companies with substantial minorities outperforming the average across the Group.

The impact of our European investment and the increased minority interest contribution has led to a small decrease to our earnings per share to 4.37p (2004: 4.50p).

The board has declared an interim dividend of 0.77 pence per share, payable on 21st October 2005 to shareholders on the register as at 23rd September 2005.

Segmental Analysis

UK

Revenue in the UK increased by 7.9% to £19.0 million as a result of a healthy new business performance across all sectors and a number of one off projects in the first half.

Notable wins were:

- Advertising: Ribena (GSK), ITV, Cadbury Muller
- Direct Marketing (LIDA): Mini, NatWest Mortgages
- Sponsorship: Carlsberg, Reebok
- Media (Walker Media) Isolagen, Appletiser and more recently Weetabix
- PR (Talk): Ingenue, Perrier Jouet, Ovaltine
- Digital (Play) has won assignments from ITV, Privilege, The Link and Tourism Australia

The operating margin in the UK (before the impact of the group recharges) has increased by 0.5pts to 17.1%.

Asia and Australia

Our Asia Pacific region has seen revenue grow by 4.6% to £11.5 million (2004: £10.9 million). The most significant new client is Tourism Australia, which is a major new account for the group as a whole. The benefit from this win will be mainly felt in 2006. Other new clients across the region are Spirit of Tasmania, eBay, Microsoft, Vogue, and SIC (Malaysia F1).

The operating margin has increased by 4.1pts to 10.5% (2004: 6.3%) (before the impact of the Group recharges). The increase in the margin is due to both a reduction in the cost base and a change in the half on half revenue profile.

As already announced our new office in Bangkok has formally opened. The focus is now on India and Indonesia and talks are continuing with potential partners.

America

We continue to make good progress in America. Revenue has grown 18.6% to £1.4 million (2004: £1.2 million). The growth has come from clients won late in 2004 including San Diego Zoo and the Beverly Hills Conference Centre, and in 2005 Ghirdardelli chocolates.

Before Group recharges (£101k) and one off restructuring costs incurred following management changes (£98k), the region made an operating profit of £50k (2004: £38k).

Europe

M&C Saatchi GAD, our French office opened their doors on the 1st September. The new management team of Gilles Masson, Antoine Barthuel and Daniel Fohr who have joined from Leo Burnett in Paris is in place and we are optimistic of achieving some early new business wins. As already mentioned discussions continue with partners in both Germany and Spain.

Outlook

The first half has been encouraging with steady organic growth driven by a healthy new business performance and continued international expansion. The outlook for the full year is positive and in line with our expectations. However, the outcome of the review of the BA account could have a major influence on performance in the second half and beyond. The outcome of the review is due to be announced in mid October.

M&C SAATCHI PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE GROUP
SIX MONTHS ENDED 30 JUNE 2005

		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		Six months	PRO FORMA	Six months	Year
		Ended	Six months	ended	ended
		30 June	30 June	30 June	31 December
		2005	2004	2004	2004
	Note	£'000	£'000	£'000	£'000
Turnover	2	128,172	126,546	54,056	215,184
Cost of sales		(96,290)	(96,779)	(27,089)	(155,807)
Gross profit	2	31,882	29,767	26,967	59,377
Administrative expenses					
- ordinary		(28,263)	(26,100)	(24,063)	(52,907)
- exceptional		-	-	-	(2,795)
- options		(56)	-	-	-
- amortisation of goodwill		(821)	(827)	-	(777)
Operating profit	2	2,742	2,840	2,904	2,898
Share of operating (loss) / profit of associates		(143)	-	352	352
Interest receivable		657	356	225	800
Interest payable		(10)	(24)	(24)	(30)
Profit on ordinary activities before taxation	2	3,246	3,172	3,457	4,020
Taxation on profits from ordinary activities		(1,373)	(1,323)	(1,150)	(2,033)
Profit on ordinary activities after taxation		1,873	1,849	2,307	1,987
Minority interests		(326)	(238)	(420)	(531)
Profit for the financial period		1,547	1,611	1,887	1,456
Dividends		-	-	-	(2,942)
Retained profit / (loss) for the period		1,547	1,611	1,887	(1,486)
Earnings per share	3				
- Basic		2.85p	2.97p	5.81p	3.42p
- Diluted		2.83p	2.95p	5.81p	3.41p

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE GROUP
SIX MONTHS ENDED 30 JUNE 2005
STATEMENT OF RECOGNISED GAINS AND LOSSES

	UNAUDITED	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Profit for the financial year			
- Group	1,690	1,572	1,140
- Associates	(143)	315	316
	1,547	1,887	1,456
Exchange adjustments on foreign currency net investments	(158)	43	260
Total recognised gains and losses for the financial period	1,389	1,930	1,716

CONSOLIDATED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	UNAUDITED	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Profit for the financial year			
- Group	1,690	1,572	1,140
- Associates	(143)	315	316
Dividend	-	-	(2,942)
	1,547	1,887	(1,486)
Exchange differences	(158)	43	260
Issue of shares	-	-	27,155
Share issue cost	-	-	(835)
Issue of options	28	-	514
Net addition/(reduction) to shareholders' funds	1,417	1,930	25,608
Opening shareholders' funds	29,581	3,973	3,973
Closing shareholders' funds	30,998	5,903	29,581

All amounts relate to continuing activities

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M&C SAATCHI PLC
BALANCE SHEET
AT 30 JUNE 2005

	UNAUDITED	UNAUDITED	AUDITED
	30 June	30 June	31 December
	2005	2004	2004
	£'000	£'000	£'000
Fixed assets			
Intangible assets	15,119	-	16,158
Tangible assets	3,048	3,301	3,047
Investments	15	1,271	15
	<u>18,182</u>	<u>4,572</u>	<u>19,220</u>
Current assets			
Work in progress	1,890	1,056	3,368
Debtors - within one year	26,434	17,927	46,374
Debtors - greater than one year	817	212	731
Cash in hand and bank	25,314	7,115	17,323
	<u>54,455</u>	<u>26,310</u>	<u>67,796</u>
Creditors: amounts falling due within one year	(39,967)	(23,170)	(55,980)
Net current assets	14,488	3,140	11,816
Total assets less current liabilities	32,670	7,712	31,036
Creditors: amounts falling due after more than one year	(758)	(831)	(774)
Provisions for liabilities and charges	(241)	(99)	(218)
Net assets	<u><u>31,671</u></u>	<u><u>6,782</u></u>	<u><u>30,044</u></u>
Capital & reserves			
Share capital	542	12	542
Share premium	9,618	-	9,618
Merger reserve	15,361	-	15,959
Share option reserve	542	-	514
Profit & loss account	4,935	5,891	2,948
Equity shareholders' funds	<u>30,998</u>	<u>5,903</u>	<u>29,581</u>
Equity minority interests	673	879	463
	<u><u>31,671</u></u>	<u><u>6,782</u></u>	<u><u>30,044</u></u>

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Operating profit	2,742	2,904	2,898
Amortisation on intangible fixed assets	821	-	777
Non cash flow expenses associated with reorganisation	-	-	460
Depreciation	558	584	1,167
Loss / (Profit) on sale of tangible fixed assets	57	14	(34)
Decrease in work in progress	1,575	189	(2,062)
(Increase) in debtors	20,212	(1,735)	(16,233)
Increase / (decrease) in creditors	(16,383)	2,506	17,902
Exchange differences	(105)	85	78
Cash inflow / (outflow) from operating activities	9,477	4,547	4,953
Dividend received from associates	-	-	728
Returns on investment and servicing of finance			
Interest received	657	113	687
Interest paid	(2)	(9)	(3)
Interest element of finance lease rental payments	(8)	(15)	(27)
Minority interest dividend paid / reserves retained	(232)	(938)	(1,296)
Taxation	(926)	(900)	(1,800)

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT (continued)
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(591)	(569)	(922)
Sale of tangible fixed assets	44	98	417
Sale of part share of subsidiary undertakings	-	-	527
Acquisitions & disposals			
Investment in subsidiary	-	-	(382)
Cash acquired with subsidiary undertaking	-	-	2,243
Equity dividends paid	(629)	-	(2,313)
Net cash inflow / (outflow) before financing	7,790	2,327	2,812
Financing			
Share placement	-	-	10,537
Share placement costs	-	-	(835)
Shares issued to minorities	116	-	107
Repayment of bank loans	-	(20)	(21)
Capital elements of finance lease rental payments	(57)	(144)	(225)
Increase / (Decrease) in cash in the period	7,849	2,163	12,375

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT (continued)
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Reconciliation of net cash flow to movement in net debt			
Increase / (decrease) in cash in the year	7,849	2,163	12,375
Cash outflow from decrease in lease finance	57	144	225
Inception of finance leases	(15)	(45)	(31)
Exchange differences	132	(63)	(87)
Cash out flow from repayment of bank loan	-	20	21
	<u>8,023</u>	<u>2,219</u>	<u>12,503</u>
Movement in net funds in the year			
Net funds at start of year	17,079	4,576	4,576
Net funds at end of year	<u>25,102</u>	<u>6,795</u>	<u>17,079</u>

Analysis of changes in net funds

	Balance at 1 January 2005 £'000	Cash inflow £'000	Finance lease £'000	Exchange Movements £'000	Balance at 30 June 2005 £'000
Cash at bank and in hand	17,323	7,849	-	143	25,315
Debt due within one year	-	-	-	-	-
Finance leases	(244)	57	(15)	(11)	(213)
Total	<u>17,079</u>	<u>7,906</u>	<u>(15)</u>	<u>132</u>	<u>25,102</u>

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2005

1. Accounting policies

The financial information included in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2004 has been extracted from the statutory accounts for that period, a copy of which has been delivered to the Registrar of Companies. The interim accounts for the six months to 30 June 2005 are unaudited.

- FRS 20 (Share based payment) has been adopted for the first time for the period under review.
- In accordance with FRS 21 (Events after balance sheet date), the interim dividend is not included in these financial statements.

With these exceptions the interim accounts for the six months ended 30 June 2005 have been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2004.

2. Profit and net assets

	UNAUDITED	UNAUDITED PRO FORMA	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Turnover				
Turnover arises from the principal activity of the Group.				
An analysis by geographical market.				
<i>By origin</i>				
UK	101,840	104,351	31,861	168,809
Asia and Australia	23,352	20,019	20,019	41,736
America	2,980	2,176	2,176	4,639
Europe	-	-	-	-
	128,172	126,546	54,056	215,184
	128,172	126,546	54,056	215,184

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED PRO FORMA	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000

Gross profit (Revenue)

An analysis by geographical market.

By origin

UK	19,026	17,635	14,835	33,717
Asia and Australia	11,458	10,953	10,953	23,126
America	1,398	1,179	1,179	2,534
Europe	-	-	-	-
	<u>31,882</u>	<u>29,767</u>	<u>26,967</u>	<u>59,377</u>

Operating profit / (loss) before amortisation of goodwill

An analysis by geographical market.

By origin

UK (1)	3,352	2,936	2,173	789
Asia and Australia	882	693	693	2,686
America	(149)	38	38	200
Europe (2)	(522)	-	-	-
	<u>3,563</u>	<u>3,667</u>	<u>2,904</u>	<u>3,675</u>

Operating profit / (loss)

An analysis by geographical market.

By origin

UK	2,531	2,109	2,173	12
Asia and Australia	882	693	693	2,686
America	(149)	38	38	200
Europe (2)	(522)	-	-	-
	<u>2,742</u>	<u>2,840</u>	<u>2,904</u>	<u>2,898</u>

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED PRO FORMA	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months Ended 30 June 2004 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000

Profit before taxation (before amortisation of goodwill)

An analysis by geographical market.

By origin

UK (1)	3,816	3,262	2,720	1,862
Asia and Australia	921	700	700	2,736
America	(148)	37	37	199
Europe (2)	(522)	-	-	-
	<u>4,067</u>	<u>3,999</u>	<u>3,457</u>	<u>4,797</u>

Profit before taxation

An analysis by geographical market.

By origin

UK	2,995	2,435	2,720	1,085
Asia and Australia	921	700	700	2,736
America	(148)	37	37	199
Europe (2)	(522)	-	-	-
	<u>3,246</u>	<u>3,172</u>	<u>3,457</u>	<u>4,020</u>

(1) Amortisation of goodwill of £821k was charged in the UK segment in the six month period to 30 June 2005, £777k in second half of 2004. There was an extrapolated amortisation of goodwill of £827k charged to the UK segment in the pro forma six month period to 30 June 2004.

(2) £522k of European investigative costs have been incurred in six month period to 30 June 2005. £70k of European costs were incurred and reported in the UK segment, in the second half of 2004.

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2005

	UNAUDITED	UNAUDITED	AUDITED
	Six months Ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Net assets			
An analysis by geographical market.			
<i>By origin</i>			
UK	31,466	7,583	29,945
Asia and Australia	3,143	1,024	2,466
America	(2,514)	(1,825)	(2,367)
Europe	(424)	-	-
	<u>31,671</u>	<u>6,782</u>	<u>30,044</u>

3. Earnings per share

	UNAUDITED	UNAUDITED PRO FORMA	UNAUDITED	AUDITED
	Six months Ended 30 June 2005	Six months Ended 30 June 2004	Six months ended 30 June 2004	Year ended 31 December 2004
Earning per share before amortisation of goodwill				
- Basic	4.37p	4.50p	5.81p	4.12p
- Diluted	4.33p	4.46p	5.81p	4.09p
Earnings per share				
- Basic	2.85p	2.97p	5.81p	3.42p
- Diluted	2.83p	2.95p	5.81p	3.42p

4. Flotation

M&C Saatchi plc was admitted to AIM on 14 July 2004. Immediately prior to the admission the Worldwide Group undertook an internal reorganisation. Reorganisation included the acquisition of M&C Saatchi Worldwide Ltd by M&C Saatchi plc and the acquisition of a further 29% of Walker Media Holdings share capital resulting in a 75% holding. At the same time a number of key executives who held shares in their operating companies had their interest acquired by M&C Saatchi plc. Full details were set out in the admission document.