

M&C SAATCHI PLC

INTERIM FINANCIAL STATEMENTS

6 MONTHS TO 30 JUNE 2004

14/9/2004

14th September 2004

M&C Saatchi

Interim Results for the Six Months to 30 June 2004

M&C Saatchi plc, the international advertising agency with offices in 13 locations announces its interim results for the six months to 30 June 2004.

- Revenues (gross profit) up 10.0% to £29.8 million (2003: £27.1 million)
- Operating profit up 9.8% to £3.7 million (2003: £3.3 million)
- Profit before taxation up by 8.8% to £4.0 million (2003: £3.7 million).
- Solid performance in UK with good new business wins including Halfords, London Olympics 2012, Thames Water, US Tourism and, in media, KFC and Halfords
- Very strong growth in Asia & Australia with encouraging progress made in America
- Earnings per share up 4.9% to 4.50 pence (2003: 4.29 pence)

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

“Following our recent IPO, we are pleased to report a 9% increase in first half profits. We continue to make good progress with our organic growth strategy and are encouraged by the new business performance in the first half of the year.”

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Except where otherwise stated, this report refers to the unaudited pro forma profit and loss account of M&C Saatchi plc (the “Group”). This has been prepared to show, for illustrative purposes only, the Group's results as if the reorganisation of the Group which occurred immediately prior to its admission to trading on AIM on 14 July 2004 had occurred on 1 January 2003. Comparisons are with the six months to 30 June 2003 unless stated otherwise.

Financial Review

Revenues in the period were 10.0% higher at £29.8 million, benefiting from new client wins during the last six months of 2003 and in the early part of 2004.

Operating costs of £26.1 million increased by 10.0%, in line with revenues.

Operating profit rose by 9.8% from £3.3 million to £3.7 million. The operating profit margin remained the same at 12.3% (full year 2003 11.6%).

Net interest receivable remained broadly flat at £332K.

Profit on ordinary activities before taxation rose by 8.8% to £4.0 million (2003: £3.7 million).

The Group's tax rate increased slightly to 33.1% (2003: 32.5%) due to a greater proportion of profits being earned in higher tax rate areas.

Minority interests increased by 53.5% to £238K (2003: £155K) as a result of a strong performance from the Group's majority owned interests in Walker Media Ltd and an increased contribution from the Malaysian subsidiary.

Group earnings per share rose by 4.9% to 4.50 pence (2003: 4.29 pence).

In the second half of the year, the Group expects to incur certain one off charges relating to the IPO. In addition, there will be a less significant increase in underlying costs associated with the recently acquired plc status. The company also expects to see some costs associated with the international expansion in the second half of the year.

Segmental Analysis

UK

Revenue at £17.6 million was broadly unchanged. This represented a strong new business performance in the UK business, given the revenue lost from Matalan and Rover, who both took their advertising in-house in mid 2003. The first half of 2004 saw new client wins in the UK Group including London Olympics 2012, US Tourism, Thames Water, and, in media, KFC and Halfords.

Operating profit was broadly the same at £2.9 million. The operating margin fell slightly to 16.6% (from 16.8%). Profit before tax was unchanged at £3.3 million.

In addition, the UK agency produced some notable campaigns for Transport for London, British Airways and Royal Bank of Scotland. PR and sponsorship won new projects for Orange and Adidas, and LIDA, the direct marketing business won new projects from Group clients BA and RBS.

Asia and Australia

Revenue at £10.9 million increased 30.8%, with these businesses performing well as a result of significant new business wins from Optus and Mediabank, and buoyant market conditions across the region. Revenues also benefited from contributions from Celcom and NTV7 in Malaysia. The Group's offices in China continue to perform strongly, both in terms of new business and additional revenue from existing clients.

Operating profit was £693K, a more than fourfold increase from £161K in 2003, which was adversely affected by the costs associated with two large new business wins. There was a consequent increase in operating margin to 6.3% in 2004, with these businesses beginning to realise the benefit of the investment made in prior years.

The Group has successfully grown its presence throughout Australia and Asia and currently has 10 offices in the region. The Group will continue to look for further opportunities to open new offices in the high growth markets in Asia.

America

Revenues in the US business increased to £1.2 million. This in large part reflects new opportunities generated from foundation clients in the Los Angeles office, namely Ketel One Vodka and Crystal Cruises. The New York office also had some good new business wins including a high profile assignment for the National Football League's season opening.

Operating profit of £38K (2003: £207K) fell as a result of investment in additional creative and client handling resource in the New York office.

Europe

An important part of the company strategy is to grow the business throughout the major European markets, namely France, Germany, Italy and Spain. Over the summer progress has been made with exploratory work in the European markets. The approach is one of organic growth, so the focus at this stage is on finding the right people to spearhead the establishment of offices in these markets.

Outlook

The company has made a solid start to the second half of the year with new business wins including Harrods and, in media, Drambuie, together with further assignments from RBS and ANZ, and remains comfortable with expectations for the full year

Approved 13 September 2004

The following unaudited pro forma profit and loss account of the Group have been prepared for illustrative purposes only to provide information about the impact of the Reorganisation, the Placing and Admission of the Group and because of its nature may not give a true reflection of the results of the Group. It has been prepared on the basis that the Reorganisation, the Placing and Admission had effect from 1 January 2003 and on the basis set out in the notes. (Note 3)

	Six months ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Turnover	126,546	108,345	253,947
Cost of sales	(96,779)	(81,275)	(194,629)
Gross profit (referred to as Revenue in commentary)	29,767	27,070	59,318
Administrative expenses	(26,106)	(23,735)	(52,483)
Other operating income	6	5	35
Operating profit	3,667	3,340	6,870
Interest receivable	356	345	686
Interest payable	(24)	(9)	(56)
Profit on ordinary activities before taxation	3,999	3,676	7,500
Taxation on profits from ordinary activities	(1,323)	(1,195)	(2,368)
Profit on ordinary activities after taxation	2,676	2,481	5,132
Minority interests	(238)	(155)	(424)
Profit for the financial period	2,438	2,326	4,708

All amounts relate to continuing activities.

The accompanying notes form part of the unaudited financial statements.

M&C SAATCHI PLC**UNAUDITED PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE GROUP****SIX MONTHS ENDED 30 JUNE 2004**

	Six months Ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
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Gross profit arises from the principal activity of the Group.

By origin

UK	17,635	17,704	36,465
Asia and Australia	10,953	8,375	20,891
America	1,179	991	1,880
Other	0	0	82
	<u>29,767</u>	<u>27,070</u>	<u>59,318</u>

Operating profit / (loss)*By origin*

UK	2,936	2,972	5,187
Asia and Australia	693	161	1,934
America	38	207	(251)
Other	0	0	0
	<u>3,667</u>	<u>3,340</u>	<u>6,870</u>

Profit / (loss) before taxation*By origin*

UK	3,262	3,286	5,796
Asia and Australia	700	185	1,956
America	37	205	(252)
Other	0	0	0
	<u>3,999</u>	<u>3,676</u>	<u>7,500</u>

M&C SAATCHI PLC

THE REORGANISATION

This Interim Report is prepared under the requirement of the AIM rules as M&C Saatchi plc is listed on AIM and the most recent financial information provided in the previously published Admission Document was as at 31 December 2003. As at 30 June 2004, M&C Saatchi plc had yet to be admitted to AIM, had yet to acquire the M&C Saatchi Worldwide group, and was a "shell" company. The financial position of M&C Saatchi plc at that date was £2 issued share capital, and £2 debtors, being unpaid share capital. Included within this document is financial information for M&C Saatchi Worldwide Limited group ("the Worldwide Group") as at 30 June 2004. The Worldwide Group was subsequently acquired by M&C Saatchi plc on 14 July 2004. The accounts shown below are the accounts for the M&C Saatchi Worldwide Group, the pro forma accounts shown above are for the Group (i.e. with Walker Media Holdings Ltd fully consolidated). Further information on the reorganisation is given in the post balance sheet note (Note 3)

M&C SAATCHI WORLDWIDE LTD
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 30 JUNE 2004

	Note	Six months ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Turnover	2	54,056	44,648	101,219
Cost of sales		(27,089)	(20,120)	(47,608)
Gross profit	2	26,967	24,528	53,611
Administrative expenses		(24,069)	(21,727)	(48,194)
Other operating income		6	5	35
Operating profit	2	2,904	2,806	5,452
Share of operating profit of associates		352	246	652
Interest receivable		225	229	457
Interest payable		(24)	(9)	(55)
Profit on ordinary activities before taxation	2	3,457	3,272	6,506
Taxation on profits from ordinary activities		(1,150)	(1,062)	(2,117)
Profit on ordinary activities after taxation		2,307	2,210	4,389
Minority interests		(420)	(466)	(944)
Profit for the financial period		1,887	1,744	3,445
Dividends		0	(2,000)	(4,641)
Retained (loss) / profit for the period		1,887	(256)	(1,196)

All amounts relate to continuing activities.

The accompanying notes form part of the unaudited financial statements.

M&C SAATCHI WORLDWIDE LTD
UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
SIX MONTHS ENDED 30 JUNE 2004

	Six months ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Profit for the financial year			
- Group	1,572	1,504	2,812
- Associates	315	240	633
	<hr/> 1,887	<hr/> 1,744	<hr/> 3,445
Exchange adjustments on foreign currency net investments	43	194	526
Total recognised gains and losses for the financial period	<hr/> 1,930	<hr/> 1,938	<hr/> 3,971
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The accompanying notes form part of the unaudited financial statements.

M&C SAATCHI WORLDWIDE LTD
UNAUDITED CONSOLIDATED BALANCE SHEET
30 JUNE 2004

	Six months Ended 30 June 2004 £'000	Six months Ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Fixed assets			
Tangible assets	3,301	3,001	3,453
Investments	1,271	1,391	985
	<u>4,572</u>	<u>4,392</u>	<u>4,438</u>
Current assets			
Work in progress	1,056	1,162	1,334
Debtors - within one year	17,927	15,917	16,028
Debtors - greater than one year	212	1,029	1,061
Cash in hand and bank	7,115	3,539	5,047
	<u>26,310</u>	<u>21,647</u>	<u>23,470</u>
Creditors: amounts falling due within one year	(23,170)	(19,217)	(21,367)
Net current assets	3,140	2,430	2,103
Total assets less current liabilities	7,712	6,822	6,541
Creditors: amounts falling due after more than one year	(831)	(858)	(950)
Provisions for liabilities and charges	(99)	(258)	(208)
Net assets	<u><u>6,782</u></u>	<u><u>5,706</u></u>	<u><u>5,383</u></u>
Capital & reserves			
Share capital	12	12	12
Profit & loss account	5,891	4,569	3,961
Equity shareholders' funds	<u>5,903</u>	<u>4,581</u>	<u>3,973</u>
Equity minority interests	879	1,125	1,410
	<u><u>6,782</u></u>	<u><u>5,706</u></u>	<u><u>5,383</u></u>

All amounts relate to continuing activities.

The accompanying notes form part of the unaudited financial statements.

M&C SAATCHI WORLDWIDE LTD
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2004

	Six months ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Operating profit	2,904	2,806	5,452
Depriceation including permanent diminution in value	584	516	1,141
Loss / (Profit) on sale of tangible fixed assets	14	1	(1)
Decrease in work in progress	189	753	463
(Increase) in debtors	(1,735)	(2,906)	(2,998)
Increase / (decrease) in creditors	2,506	(6,852)	(4,183)
Exchange differences	85	214	265
Cash inflow / (outflow) from operating activities	4,547	(5,468)	139
Dividend received from associates	0	0	810
Returns on investment and servicing of finance			
Interest received	113	123	261
Interest paid	(9)	(7)	(7)
Interest element of finance lease rental payments	(15)	(2)	(45)
Minority interest dividend paid / reserves retained	(938)	(536)	(743)
Taxation	(900)	(623)	(1,739)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(569)	(467)	(1,591)
Sale of tangible fixed assets	98	0	133
Acquisitions & disposals	0	0	1
Equity dividends paid	0	(2,000)	(4,641)
Net cash inflow / (outflow) before financing	2,327	(8,980)	(7,422)
Financing			
Shares issued to minorities	0	6	6
Repayment of bank loans	(20)	(17)	(34)
Capital elements of finance lease rental payments	(144)	(108)	(165)
increase / (Decrease) in cash in the period	2,163	(9,099)	(7,615)

All amounts relate to continuing activities.

The accompanying notes form part of the unaudited financial statements.

M&C SAATCHI WORLDWIDE LTD
UNAUDITED NOTES TO CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2004

	Note	Six months Ended 30 June 2004 £'000	Six months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Reconciliation of net cash flow to movement in net debt				
Increase / (decrease) in cash in the year		2,163	(9,099)	(7,615)
Cash outflow from repayment of bank loans		20	17	34
Cash outflow from decrease in lease finance		144	108	165
Change in net funds resulting from cash flows		2,327	(8,974)	(7,416)
Inception of finance leases		(45)	(8)	(96)
Exchange differences		(63)	208	228
Movement in net funds in the year		2,219	(8,774)	(7,284)
Net funds at start of year		4,576	11,860	11,860
Net funds at end of year		<u>6,795</u>	<u>3,086</u>	<u>4,576</u>

Analysis of changes in net funds

	Balance at 1 January 2004 £'000	Cash inflow £'000	Finance lease £'000	Exchange Movements £'000	Balance at 30 June 2004 £'000
Cash at bank and in hand	5,047	2,163	0	(95)	7,115
Debt due within one year	(20)	20	0	0	0
Finance leases	(451)	144	(45)	32	(320)
Total	<u>4,576</u>	<u>2,327</u>	<u>(45)</u>	<u>(63)</u>	<u>6,795</u>

1. Accounting policies

The information contained in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparatives for the full year ended 31 December 2003 are not the company's full statutory accounts for that year. A copy of those statutory accounts has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237 (2)-(3) of the Companies Act 1985.

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporates the results of M&C Saatchi Worldwide and all of its subsidiary and associated undertakings made up to the relevant balance sheet dates. The Group has used the method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings have been included from the date of acquisition.

An entity is treated as an associated undertaking where the Group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the financial information interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the Group's share of the operating results, interest, pre tax results and attributable taxation of such undertakings based on unaudited financial statements for the relevant year. In the consolidated balance sheet, the interests in associate undertakings are shown as the Group's share of the net assets.

Turnover

Turnover represents amounts invoiced to clients, excluding sales taxes, for services provided to clients. Commissions are recognised when charges are made to clients, usually when advertisements appear in the media, or when production work is completed. Fees are recognised over the period of the relevant assignments or agreements.

Work in progress

Work in progress comprises all outlays incurred on behalf of clients which have still to be recharged, and is stated at cost less any provisions for any amounts that may not be recovered.

Pensions

The Group does not operate any company pension schemes. The Group makes payments to certain employees to enable them to contribute to their personal pension plans. Payments are charged to the profit and loss account in the period in which they are due.

Foreign currency

Foreign currency transactions arising from normal trading activities are recorded in local currency at average exchange rates.

Monetary assets and liabilities denominated in foreign currencies at year end are translated at the year end exchange rate.

Foreign currency gains and losses are credited or charged to the profit and loss account as they arise.

The balance sheets of overseas operations are translated at the closing rate of exchange and the results are translated at the average rate. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

M&C SAATCHI WORLDWIDE LTD
UNAUDITED NOTES TO INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2004

2. Profit and net assets

	Six months Ended 30 June 2004	Six months ended 30 June 2003	Year ended 31 December 2003
	£'000	£'000	£'000
Turnover			
Turnover arises from the principal activity of the Group.			
<i>By origin</i>			
UK	31,861	28,004	56,716
Asia and Australia	20,019	15,157	41,928
America	2,176	1,487	2,575
Other	0	0	0
	54,056	44,648	101,219
	54,056	44,648	101,219
 Gross profit			
<i>By origin</i>			
UK	14,835	15,162	31,004
Asia and Australia	10,953	8,375	20,805
America	1,179	991	1,802
Other	0	0	0
	26,967	24,528	53,611
	26,967	24,528	53,611
 Operating profit / (loss)			
<i>By origin</i>			
UK	2,173	2,438	3,769
Asia and Australia	693	161	1,934
America	38	207	(251)
Other	0	0	0
	2,904	2,806	5,452
	2,904	2,806	5,452

Profit before taxation

An analysis by geographical market.

By origin

UK	2,720	2,882	4,802
Asia and Australia	700	185	1,956
America	37	205	(252)
Other	0	0	0
	<u>3,457</u>	<u>3,272</u>	<u>6,506</u>

Net assets

An analysis by geographical market.

By origin

UK	7,583	6,198	6,055
Asia and Australia	1,024	1,182	1,957
America	(1,825)	(1,674)	(2,629)
Other	0	0	0
	<u>6,782</u>	<u>5,706</u>	<u>5,383</u>

M&C SAATCHI WORLDWIDE LTD
UNAUDITED NOTES TO INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2004

3. Post balance sheet events

M&C Saatchi plc was admitted to AIM on 14 July 2004. Immediately prior to 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 are set out in the Admission document.

4 No account has been taken of:

- dividends of £2.313 million that were paid by M&C Saatchi Worldwide Ltd prior to Admission and acquisition by M&C Saatchi plc.
- net dividends of £2.100 million M&C Saatchi (UK) Ltd of which £0.377 million was paid to minorities.
- the proceeds from placing £10 million, less the estimated expenses of the placing £2.799 million. (Some of these expenses had been incurred prior to 30 June 2004 but have been excluded from the 30 June 2004 results.)
- proceeds from the sale of interests in a freehold property and repayment of loans of £1.146 million.

The total cash effect of the above is to increase the cash reserves of the Group by £5.657 million. On the 31 August 2004, with most of the float expenses, paid M&C Saatchi plc had £9 million on deposit.

5. No account has been taken of Walker Media group's cash deposits at 30 June 2004 of £10.870 million nor the subsequent dividends out of Walker Media group companies of £2.500 million (£0.728 million of which was paid to M&C Saatchi Worldwide Ltd).

Had account been taken of the items in note 4 & 5 then the unaudited cash balance of the combined Group at 30 June 2004 would have been £21.142 million.