

M&C SAATCHI

2007 Interim Results

25th September

Analyst Presentation

Summary

- Results on track
- Significant developments in executing Group strategy
- Outlook for full year and for 2008 consistent with expectations

Results Headlines

- Strong performance in the UK
- Europe begins payback phase
- Setbacks in Asia Pacific & Australia
- Reorganised American business back into profit

The Headline P&L

6 Months to June 2007

	2007	2006	Inc/Dec	
	£000's	£000's	£000's	%
Revenue (gross profit)	37,309	34,655	2,654	7.7%
Operating Expenses	34,108	32,711	1,397	4.3%
LTIP Expense	379	188	191	101.6%
Operating profit	<u>2,822</u>	<u>1,756</u>	<u>1,066</u>	<u>60.8%</u>
Share of Associate	71	2	69	****
Net Interest	957	662	295	44.6%
Profit Before Tax	<u>3,850</u>	<u>2,420</u>	<u>1,430</u>	<u>59.1%</u>
Tax Rate	31.6%	47.2%		
Profit After Tax	<u>2,635</u>	<u>1,278</u>	<u>1,357</u>	<u>106.2%</u>
Minority Interest	(761)	(433)	(328)	75.8%
Profit for Period	<u>1,874</u>	<u>845</u>	<u>1,029</u>	<u>121.8%</u>
Headline EPS	3.50 p	1.56 p	1.94 p	124.4%

Revenue

6 Months to June 2007

	<u>2007</u>	<u>2006</u>	<u>Inc/Dec</u>	
	£000's	£000's	Reported Rates	Constant Rates
			%	%
UK	22,014	20,279	8.6%	8.6%
Asia & Australia	11,306	12,281	-7.9%	-5.8%
America	1,917	1,555	23.3%	35.6%
Europe	2,072	540	****	****
Group Total	<u>37,309</u>	<u>34,655</u>	<u>7.7%</u>	<u>9.1%</u>

Operating Profit

Six Months to June 2007

	<u>2007</u>		<u>2006</u>		<u>07 V's 06</u>	
	<u>Operating Profit</u> £000's	<u>Operating Margin</u> %	<u>Operating Profit</u> £000's	<u>Operating Margin</u> %	<u>Operating Profit</u> £000's	<u>Operating Margin</u> %
Underlying Operating Profit						
UK	4,553	20.7%	4,072	20.1%	481	0.6 pts
Asia Pacific	(63)	-0.6%	397	3.2%	(460)	-3.8 pts
USA	95	4.9%	(190)	-12.2%	285	17.1 pts
Europe	79	3.8%	(919)	-	998	*** pts
Total Operating Companies	<u>4,664</u>	<u>12.5%</u>	<u>3,360</u>	<u>9.7%</u>	<u>1,304</u>	<u>2.8 pts</u>
Group Costs	(1,462)	-3.9%	(1,416)	-4.1%	(46)	0.2 pts
LTIP	(379)	-1.0%	(188)	-0.5%	(191)	-0.5 pts
Reported Operating Profit	<u>2,822</u>	<u>7.6%</u>	<u>1,756</u>	<u>5.1%</u>	<u>1,066</u>	<u>2.5 pts</u>

The UK

Summary Profit & Loss

6 Months to June 2007

	<u>2007</u> £000's	<u>2006</u> £000's	<u>07 V's 06</u>	
			£000's	%
Revenue	22,014	20,262	1,752	8.6%
Underlying Operating Profit	4,553	4,072	481	11.8%
Group Costs	(1,465)	(1,416)	(49)	3.5%
Recharged	290	474	(184)	-38.8%
LTIP	(301)	(121)	(180)	148.8%
Reported Total Operating Profit	<u>3,077</u>	<u>3,007</u>	<u>70</u>	<u>2.3%</u>
Associate	(56)	2	(58)	***
Net Interest	951	611	340	55.6%
Profit Before Tax	<u>3,972</u>	<u>3,620</u>	<u>352</u>	<u>9.7%</u>
Underlying Margin	20.7%	20.1%		0.6 PTS
Reported Margin	14.0%	14.8%		-0.9 PTS

The UK

- Strong performance from Walker Media
- Good new business success will improve the second half
- Key account wins:
 - Heinz
 - Porsche
 - Abercrombie & Kent
 - Vodafone CRM
 - Jameson (Pernod Ricard)
 - Ladbrokes - media
 - Eurostar – St Pancras - media
 - Further Barclays media assignments

Europe

Summary Profit & Loss

6 Months to June 2007

	2007 £000's	2006 £000's	Inc/Dec	
			£000's	%
Revenue	2,072	540	1,532	***
Underlying Operating Profit	<u>79</u>	<u>(919)</u>	<u>998</u>	<u>****</u>
Group Recharge	32	21	11	52.4%
LTIP	0	15	(15)	0.0%
Reported Operating profit	<u>47</u>	<u>(955)</u>	<u>1,002</u>	<u>****</u>
Associate - 25% of Spain	126	0	126	****
Net Interest	(8)	(7)	(1)	20.7%
Profit Before Tax	<u>165</u>	<u>(962)</u>	<u>1,127</u>	<u>****</u>
Underlying Operating Margin	3.8%	-		-
Reported Operating Margin	2.3%	-		-

Europe

6 Months to June 2007

	<u>2007</u>		<u>07 V's 06</u>	
	Revenue	Operating Profit	Revenue	Operating Profit
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
France	1,611	68	1,071	519
Germany	461	40	461	40
Europe HQ		(29)		439
Total Operating profit	<u>2,072</u>	<u>79</u>	<u>1,532</u>	<u>998</u>
Spain - Associate (PBT)		188		188
Total Contribution		<u>267</u>		<u>1,186</u>

Europe

- £1.1 million improvement (P.B.T)
 - France now in profit and having an outstanding year
 - Contribution from Germany and performing well
 - Zapping acquired in March (25%)
 - Development process and costs concluded

Europe Key Account Wins

- Le Banque Postal (Dec 2006)
- Pages Jaunes
- The Green Party of Germany
- Apollinaris (Coca Cola)
- Freedom Finance España
- ING Bank (Real Estate development)
- Banesto

Asia & Australia

Summary Profit & Loss

6 Months to June 2007

	2007 £000's	2006 £000's	Inc/Dec	
			£000's	%
Revenue	11,306	12,281	(975)	-7.9%
Underlying Operating Profit	(63)	397	(460)	***
Group Recharge	225	404	(179)	-44.3%
LTIP	72	50	22	44.0%
Reported Operating profit	<u>(360)</u>	<u>(57)</u>	<u>(303)</u>	<u>***</u>
Associate	-	-	-	-
Net Interest	12	54	(42)	-77.8%
Profit Before Tax	<u>(348)</u>	<u>(3)</u>	<u>(345)</u>	<u>***</u>
Underlying Operating Margin	-0.6%	3.2%		-3.8 PTS
Reported Operating Margin	-3.2%	-0.5%		-2.7 PTS

Asia & Australia

6 Months to June 2007

By Location

	2007		V's 06	
	Revenue	Operating Profit	Revenue	Operating Profit
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
New Zealand	1,038	40	381	242
Singapore	476	(185)	(21)	161
India	558	75	443	161
Malaysia	809	307	195	90
Hong Kong	984	21	(215)	84
Japan	96	18	(56)	50
Thailand	134	(168)	(96)	(83)
Shanghai	250	(68)	(1)	(88)
Australia	6,961	(103)	(1,605)	(1,077)
Total	<u>11,306</u>	<u>(63)</u>	<u>(975)</u>	<u>(460)</u>

Asia & Australia

- Disappointing end to 2006
 - IAG lost in Australia
- Current intensive review of regional and office strategy
- Positive new business progress
 - India – Jet Airway / Jet Light
 - New Zealand – good 2nd half 06 continues into 07 – Buy NZ campaign
 - Malaysia – additional Celcom & Malaysian Grand Prix
 - Australia – Westfield, Abu Dhabi Tourism

America

- New York office reorganisation complete
- Los Angeles consolidating significant 2006 wins

America

Summary Profit & Loss

6 Months to June 2007

	2007	2006	Inc/Dec	
	£000's	£000's	£000's	%
Revenue	1,917	1,555	362	23.3%
Underlying Operating profit	94	(191)	285	***
Group Recharge	30	46		
LTIP	6	2	4	***
Reported Operating profit	58	(239)	297	***
Associate	0	0	0	0.0%
Net Interest	3	4	(1)	***
Profit Before Tax	61	(235)	296	***
Underlying Operating Margin	4.9%	-12.3%		17.2 PTS
Reported Operating Margin	3.0%	-15.4%		18.4 PTS

America

6 Months to June 2007

By Location

	<u>2007</u>		<u>V's 06</u>	
	Revenue	Operating Profit	Revenue	Operating Profit
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
New York	261	(263)	(114)	196
Los Angeles	1,656	357	475	88
Total	<u>1,917</u>	<u>94</u>	<u>361</u>	<u>284</u>

Cash

6 Months to June 2007

	<u>£000's</u>
Opening balance @ 1st January 2007	31,284
Inflow from operations (before depn & amort)	4,736
Tax paid in period	(2,245)
Capex - cash & lease payments	(740)
Repayment of loans	(6)
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Inflow from normal activities	1,745
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Outflow on investments - Spain	(1,542)
other	33
Dividends paid (ordinary & MI)	(2,509)
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Cash outflow in period	(2,273)
Impact of Working Capital movements	(3,191)
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Closing Balance @ 30th June 2007	25,820

Balance Sheet

6 Months to June 2007

	<u>£000's</u>
Assets & Investments	21,819
Current Assets	41,390
Current Creditors	(53,114)
Net Current Creditors	<u>(11,724)</u>
Cash	25,820
Net Current Assets excluding provision for put options	<u>14,096</u>
Creditors Over 12 months	(1,144)
Provision for minority put options	(25,024)
Net assets	<u><u>9,747</u></u>

Minority

6 Months to June 2007

	Minority Interest Charge	MI %	Put Option Date
	<u>£000's</u>		
Walker Media	620	25.0	Open
Talk PR/Immediate Sales	63	21.9/14.0	Open
Malaysia	43	20.0	2008
Los Angeles	32	16.0	2007
Germany	3	24.0	2011
Group Total	<u>761</u>		

Group Strategy

- First stage geographical expansion complete.
Will consider high growth / opportunity markets
- Greater opportunities for Worldwide new business
- Re-shifting of emphasis to higher growth / margin business streams
 - Acquisition of Clear
 - Buying Walker Media minorities

Outlook

- Continued profit growth from Europe and USA
- UK prospects good
- Asia & Australia reorganisation and re-energising is priority task
- Full year benefit of Clear and Walker Media acquisition
- Outlook for full year and 2008 consistent with expectations