

M&C SAATCHI

2008 Interim Results

25th September 2008

Overview

- Strong first six months both in growth and absolute terms
- Good performance across the board except US and Spain
- Getting softer in second half, but full year in line with expectations
- Cautious about medium term visibility

Headline Results

6 Months to June 2008

	<u>Growth</u>	<u>2008</u>	<u>2007</u>
	%	£000's	£000's
Revenue	39%	51,769	37,309
Operating profit	174%	7,721	2,822
Profit before tax	107%	7,962	3,850
Profit after tax	105%	5,410	2,635
Minority Interest	-59%	(314)	(761)
Profit for period	172%	5,096	1,874
Basic EPS	147%	8.62 p	3.50 p

Key Ratios

	<u>2008</u>	<u>2007</u>
Revenue Growth	38.8%	7.7%
Operating Margin	14.9%	7.6%
PBT Margin	15.4%	10.3%
Effective Tax Rate	32.1%	31.6%
Minority Interest: PAT	5.8%	28.9%
E.P.S		
Basic	8.62 p	3.50 p
Diluted	8.02 p	3.45 p

The Headline P&L

6 Months to June 2008

	<u>2008</u>	<u>2007</u>	<u>Inc/Dec</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	51,769	37,309	14,460	38.8%
Operating Expenses	43,798	34,108	9,690	28.4%
LTIP Expense	250	379	(129)	-34.0%
Operating profit	7,721	2,822	4,899	173.6%
Share of Associate	(100)	71	(171)	****
Net Interest	341	957	(616)	-64.4%
Profit Before Tax (ex notional interest)	7,962	3,850	4,112	106.8%
Tax Rate	32.1%	31.6%		
Profit After Tax	5,410	2,635	2,775	105.3%
Minority Interest	(314)	(761)	447	-58.7%
Profit for Period	5,096	1,874	3,222	171.9%
Headline EPS	8.62 p	3.50 p	5.13 p	146.6%

The Headline P&L

6 months to June 2008

	<u>2008</u>	<u>2007</u>
	£000's	£000's
Revenue (gross profit)	51,769	37,309
<u>Headline</u>		
Operating profit	<u>7,721</u>	<u>2,822</u>
Profit Before Tax	<u>7,962</u>	<u>3,850</u>
<u>Less</u>		
Amortisation of intangible assets - group companies	466	17
Amortisation of intangible assets - associates	14	0
Revaluation of minority put option liabilities	(234)	501
Notional Interest on Deferred consideration	169	0
Deferred tax on Amortisation of intangibles	(82)	0
<u>Reported</u>		
Profit Before Tax	7,547	3,332
Profit After Tax	5,077	2,117
Profit for Period	4,763	1,356
Basic EPS	8.06 p	2.53 p

Revenue

6 months to June 2008

	2008	2007	08 V's 07	
	£000's	£000's	Reported Rates <u>%</u>	Constant Rates <u>%</u>
UK	25,195	22,014	14.4%	14.4%
Asia & Australia	14,219	10,600	34.1%	20.6%
America	1,541	1,656	-6.9%	-6.8%
Europe	4,145	2,072	****	74.2%
Organic total	45,100	36,342	24.1%	18.7%
Clear (group)	6,099	-	-	-
Discontinued operations	570	967	-41.1%	-45.9%
Group Total	51,769	37,309	38.8%	33.4%

Top 10 Clients

- RBS
- Optus
- Barclays
- DSG
- Glaxo SmithKline
- ANZ
- Qantas
- Tourism Australia
- Woolworths (Aus)
- Pernod Ricard

Top 5 23%

Top 10 37%

Headline Operating Profit

6 months to June 2008

	Operating Profit				Operating Margin		
	2008 £000's	2007 £000's	08 v's 07 £000's	%	2008 %	2007 %	08 v's 07 %
<u>Underlying Operating Profit</u>							
UK	5,947	4,553	1,394	31%	23.6%	20.7%	2.9 pts
Clear	1,659	0	1,659	***	27.2%	-	*** pts
Asia Pacific - Continuing operations	1,627	272	1,355	498%	11.4%	-0.6%	*** pts
- offices closed	(548)	(335)	(213)	64%	-	-	*** pts
USA	171	94	77	82%	11.1%	4.9%	6.2 pts
Europe	534	79	455	576%	12.9%	3.8%	*** pts
<u>Total Operating Companies</u>	<u>9,390</u>	<u>4,663</u>	<u>4,727</u>	<u>101%</u>	<u>18.1%</u>	<u>12.5%</u>	<u>5.6 pts</u>
Group Costs	(1,419)	(1,462)	43	-3%	-2.7%	-3.9%	1.2 pts
LTIP	(250)	(379)	129	-34%	-0.5%	-1.0%	0.5 pts
<u>Headline Operating Profit</u>	<u>7,721</u>	<u>2,822</u>	<u>4,899</u>	<u>174%</u>	<u>14.9%</u>	<u>7.6%</u>	<u>7.4 pts</u>

The UK

- Good six months for UK Group
- Organic revenue growth of 14.4%
- Margin improvement: Up 2.9 pts to 23.6%
- Contribution from Clear of:
 - Revenue £6.1 m
 - Operating profit £1.7m
- Significant new wins:
 - Department of Health anti-obesity
 - East Midland Trains

The UK

Summary Profit & Loss

6 Months to June 2008

	<u>2008</u> £000's	<u>2007</u> £000's	<u>08 V's 07</u>	
			£000's	%
Revenue	31,294	22,014	9,280	42.2%
Underlying operating profit	7,606	4,553	3,053	67.1%
Group costs	(1,419)	(1,465)	46	-3.1%
Recharged	146	290	(144)	-49.7%
LTIP	(212)	(301)	89	-29.6%
Reported operating profit	<u>6,121</u>	<u>3,077</u>	<u>3,044</u>	<u>98.9%</u>
Associate	0	(56)	56	***
Net interest	396	951	(555)	-58.4%
Profit before tax	<u>6,517</u>	<u>3,972</u>	<u>2,545</u>	<u>64.1%</u>
Underlying margin	24.3%	20.7%		3.6 PTS
Reported margin	19.6%	14.0%		5.6 PTS

Clear

Reconciliation of segmental reporting

6 months to June 2008

	UK			America			Europe		
	<u>Reported</u>	<u>Clear</u>	<u>Total</u>	<u>Reported</u>	<u>Clear</u>	<u>Total</u>	<u>Reported</u>	<u>Clear</u>	<u>Total</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Revenue	29,933	1,361	31,294	2,108	567	1,541	4,939	794	4,145
Operating profit	5,912	209	6,121	252	86	166	638	123	515
Profit before tax	6,306	211	6,517	252	86	166	449	125	324

Asia & Australia

- Australia back on track after weak 1st half 2007
- Like for like revenue growth across region of 21%
- Growth driven by account wins in 2nd half 2007 and from existing clients
- Strategy review of region completed by new CEO, Chris Jaques. Singapore and Thailand now closed
- Region offers significant opportunities. R.B.S assignment points way to regional focus

Asia & Australia

Summary Profit & Loss

Summary Profit & Loss 6 Months to June 2008

	<u>2008</u> £000's	<u>2007</u> £000's	<u>08 V's 07</u>	
			£000's	%
Revenue	14,789	11,306	3,483	30.8%
Underlying operating profit	1,079	(63)	1,142	***
Group Recharge	(126)	(225)	99	-44.0%
LTIP	(34)	(72)	38	-52.8%
Reported operating profit	<u>919</u>	<u>(360)</u>	<u>1,279</u>	<u>***</u>
Associate	0	0	0	***
Net interest	36	12	24	200.0%
Profit before tax	<u>955</u>	<u>(348)</u>	<u>1,303</u>	<u>***</u>
Underlying margin	7.3%	-0.6%		7.9 PTS
Reported margin	6.2%	-3.2%		9.4 PTS

America

- Like-for-like revenue decline of 7%
- Trading difficult since 4th Qtr 2007
- Spending cut back across all clients
- Clients loyal to Agency but offer few signs of short-term recovery

America

Summary Profit & Loss

	<u>2008</u> £000's	<u>2007</u> £000's	<u>08 V's 07</u>	
			£000's	%
Revenue	1,541	1,917	(376)	-19.6%
Underlying operating profit	171	94	77	81.9%
Group Recharge	(1)	(30)	29	-96.7%
LTIP	(4)	(6)	2	-33.3%
Reported operating profit	<u>166</u>	<u>58</u>	<u>108</u>	<u>186.2%</u>
Associate	0	0	0	***
Net interest	0	3	(3)	-100.0%
Profit before tax	<u>166</u>	<u>61</u>	<u>105</u>	<u>172.1%</u>
Underlying margin	11.1%	4.9%		6.2 PTS
Reported margin	10.8%	3.0%		7.7 PTS

Europe

- France strong and growing despite difficult new business environment
- Germany solid
- Very difficult in Spain
 - Further investments delayed

Europe

Summary Profit & Loss

Summary Profit & Loss
6 Months to June 2008

	<u>2008</u> £000's	<u>2007</u> £000's	<u>08 V's 07</u> £000's	%
Revenue	4,145	2,072	2,073	100.0%
Underlying operating profit	534	79	455	575.9%
Group Recharge	(19)	(32)	13	-40.6%
LTIP	0	0	0	0.0%
Reported operating profit	<u>515</u>	<u>47</u>	<u>468</u>	<u>995.7%</u>
Associate	(100)	126	(226)	***
Net interest	(91)	(8)	(83)	***
Profit before tax	<u>324</u>	<u>165</u>	<u>159</u>	<u>96.4%</u>
Underlying margin	12.9%	3.8%		9.1 PTS
Reported margin	12.4%	2.3%		10.2 PTS

Cash

	<u>£000's</u>
Closing balance @ 31st December 2007	16,895
Effect of exchange	236
Operating Profit	7,255
Net Interest Earned	342
Tax paid in period	(2,159)
Adjust for non cash items	1,352
Capex - cash & lease payments	(665)
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Free cash flow before working capital	6,125
Impact of Working Capital movements	(5,656)
Dividends paid (ordinary & MI)	(440)
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Net Cash inflow before acquisitions	29
Acquisitions	(14,122)
Bank Loans	(1,058)
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Closing Balance @ 30th June 2008	1,980

Balance Sheet

30th June 2008

	2008	2007
	<u>£000's</u>	<u>£000's</u>
Non Current Assets	73,687	71,483
Net Debtors	64,632	75,437
Net Creditors	(71,704)	(87,992)
Net Working Capital Position - Exc Cash	<u>(7,072)</u>	<u>(12,555)</u>
Net Tax	(1,698)	(1,091)
Cash	1,980	16,895
Net Current Assets	<u>(6,790)</u>	<u>3,249</u>
Bank Loan	(7,468)	(8,531)
Deferred Consideration	(5,029)	(18,136)
Provision for minority put options	(5,251)	(10,545)
Non Current liabilities	(1,539)	(1,622)
Net assets	<u>47,610</u>	<u>35,898</u>

Cash & Working Capital

	Cash Position			Working Capital position		
	Advance Payments	M&C Saatchi free cash	Total Cash	Advance Payments	Underlying position	Net Working Capital
31st December 2007	16.9	(0.0)	16.9	(16.9)	4.3	(12.6)
Exchange			0.2		0.0	0.0
2008 movements						
Free cash		6.1	6.1			
Working capital	(5.7)		(5.7)	5.7	(0.1)	5.6
Dividends		(0.4)	(0.4)			
Acquisitions		(14.1)	(14.1)			
30th June 2008	<u>11.2</u>	<u>(8.4)</u>	<u>3.0</u>	<u>(11.2)</u>	<u>4.2</u>	<u>(7.0)</u>
Bank Loans		(1.1)	(1.1)			
30th June 2008	<u>11.2</u>	<u>(9.5)</u>	<u>1.9</u>			

Acquisitions

6 months to June 2008

Entity	Play	Walker Media	Walker Media	Zapping Media	Clear	F5	Total
Aquired in:	May 2008	April 2008	July 2007	July 2007	July 2007	Jan 2008	
% Aquired	30%	5.5%	19.5%	25%	6.3%		
% Now held	80%	100%	100%				

Initial Consideration	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash paid	43	3,898					3,941
Shares issued		945			469		1,414
Total	43	4,843	0	0	469	0	5,355

Deferred Consideration	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash paid			5,369	2,376	2,436		10,181
Shares issued					469		469
Fair value provision			(242)	(160)	3,176	(145)	2,629
Fair value adjustment - notinal interest					(169)		(169)
Balance at 30th June			0	0	(4,884)	(145)	(5,029)

Total Cash Paid	£'000						
Cash Paid	43	3,898	5,369	2,376			14,122
Less cash Aquired							
Direct cost							
TOTAL	43	3,898	5,369	2,376	0	0	14,122

Outlook

- Softer 2008 second half but full-year in line with management expectations
- Cautious about medium-term visibility
- Will continue to invest in new markets and businesses to maximise long term growth