

M&C SAATCHI

2012 Interim Results

20th September 2012

Overview

- A strong first half with very good revenue momentum and earnings growth
- We continue to invest and build for the future
 - Two offices added (Abu Dhabi and Singapore)
 - New management team recruited in New York
 - Appraising Stockholm
- Balance sheet and cash remain robust
- Interim dividend increased 10% from 1.0p to 1.1p

Headline results

6 months to June 2012

	<u>2012</u>	<u>2011</u>	<u>12 v's 11</u>
	£000's	£000's	%
Revenue	82,846	71,906	15%
Operating profit	8,655	7,636	13%
Profit before tax	8,709	7,741	13%
Profit after tax	6,086	5,263	16%
Minority Interest	(1,081)	(829)	30%
Profit for period	5,005	4,434	13%
Basic EPS	7.95p	7.15p	11%

Key Ratios

6 months to June 2012

	2012	2011
Headline revenue growth	15.2%	23.5%
Like for like revenue growth	15.5%	21.2%
Operating margin	10.4%	10.6%
PBT margin	10.5%	10.8%
Effective tax rate	30.2%	32.5%
Minority interest: PAT	17.8%	15.8%
Basic E.P.S	7.95p	7.15p
Diluted E.P.S	7.74p	7.01p

The Headline P&L

6 months to June 2012

	<u>2012</u>	<u>2011</u>	<u>Movement</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	82,846	71,906	10,940	15%
Operating Expenses	73,813	63,807	10,006	16%
LTIP Expense	378	463	(85)	-18%
Operating profit	<u>8,655</u>	<u>7,636</u>	<u>1,019</u>	<u>13%</u>
Share of Associates	13	105	(92)	-88%
Net Interest	41	-	41	-
Profit Before Tax	<u>8,709</u>	<u>7,741</u>	<u>968</u>	<u>13%</u>
Tax Rate	30.2%	32.5%		
Profit After Tax	<u>6,086</u>	<u>5,263</u>	<u>823</u>	<u>16%</u>
Minority Interest	(1,081)	(829)	(252)	30%
Profit for Period	<u>5,005</u>	<u>4,434</u>	<u>571</u>	<u>13%</u>
Headline EPS	7.95p	7.15p	0.80p	11%

The Headline P&L

6 months to June 2012

	UK	Europe	Africa	Asia & Australasia	Americas	Clear	Central Costs	Group Total
Revenue	36,315	7,825	2,800	26,999	3,193	5,714	-	82,846
v's 2011	16%	18%	146%	14%	7%	-7%	-	15%
v's 2011 - like for like	16%	25%	146%	12%	12%	-9%	-	16%
Operating profit	7,512	1,115	330	1,880	(445)	489	(2,226)	8,655
v's 2011	15%	31%	-	41%	-	-60%	-	13%
Operating Margin	20.7%	14.2%	11.8%	7.0%	-	8.6%	-	10.4%
2011	20.8%	12.9%	-	5.6%	-	19.9%	-	10.6%
Share of Associates	75	(93)	31	-	-	-	-	13
Net Interest	40	(20)	3	34	(24)	2	6	41
Central Costs	(394)	(36)	-	(112)	(39)	-	581	-
Profit Before Tax	<u>7,233</u>	<u>966</u>	<u>364</u>	<u>1,802</u>	<u>(508)</u>	<u>491</u>	<u>(1,639)</u>	<u>8,709</u>
Tax Rate	22.1%	36.4%	29.7%	42.6%	-	26.1%	-	30.2%
Profit After Tax	<u>5,637</u>	<u>580</u>	<u>256</u>	<u>1,034</u>	<u>(426)</u>	<u>363</u>	<u>(1,358)</u>	<u>6,086</u>
Minority Interest	518	178	121	381	(116)	(1)	-	1,081
Profit for Period	<u>5,119</u>	<u>402</u>	<u>135</u>	<u>653</u>	<u>(310)</u>	<u>364</u>	<u>(1,358)</u>	<u>5,005</u>

Revenue

6 months to June 2012

	2012	2011	12 v's 11	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	36,315	31,366	15.8%	15.8%
Europe	7,825	6,609	18.4%	24.9%
Africa	2,800	1,137	146.3%	173.8%
Asia & Australasia	26,999	23,641	14.2%	11.7%
Americas	3,193	2,978	7.2%	11.6%
Clear	5,714	6,175	-7.5%	-8.6%
Group Total	82,846	71,906	15.2%	15.5%

Top 10 Clients

- Boots
- Celcom
- Commonwealth Bank
- David Jones
- Dixons
- Ferrero*
- IKEA
- O₂*
- Optus
- RBS

Top 10 = 30% of Revenue (2011 30%)

* = new entries

UK

- Good revenue growth, particularly CRM and Mobile
- New business wins include:
O₂, Loewe, National Trust, Harveys, Spotify, Twitter,
Intercontinental Hotels, Saga, Viking and Virgin Holidays
- Increasing number of integrated wins across communication channels
- Operating margin held at 21%
- Close focus on cost control

Europe

- Revenue up 25% and operating profit increased 31%
- We are making very good progress despite the macro economic factors
- Germany and Switzerland performing well, Italy excelling
- In France, advertising remains slow but benefited from positive digital and PR contributions. Retained La Banque Postale
- Spain (Associate) continues to underperform

Middle East and Africa

- Strong growth in both Cape Town and Johannesburg
- Key wins in year: Edgars Department Stores and Nedbank BTL
- Mobile launched in August
- Well positioned to take advantage of growing African market
- Abu Dhabi opened on back of Etihad win
- Middle East (Associate) still a tough market

Asia and Australasia

- Revenue increased 12% and operating profit up 41%
- Key driver is Australia, now in calmer waters. Retained Optus and bedding in Commonwealth Bank. Also won Opal and Slater & Gordon (solicitors). Acquired Bang PR in February, who work with Optus and Woolworth
- New Zealand impacted by two of their main clients putting spends on hold
- Malaysia maintains strong contribution
- China remains challenging with pricing pressure and our lack of scale
- Japan and India both profitable but modest
- Investment in Singapore in February with experienced team

Americas

- Revenues up 12%
- Investment in New York with outstanding new management team
- Integrated agency launch in October building on success of Mobile and Sport & Entertainment
- Looking at tactical acquisitions to broaden offering
- Progress in Los Angeles and Sao Paulo who both continue to win new business

Clear

- Disappointing first half with revenues slowing
- 9 of top 10 clients spending less than last year - budget cuts, restructuring or switched into communications. Not felt anywhere else in Group
- Action taken with New York and Asian management strengthened in Q2
- Cost cutting undertaken across the board, netting a 15% saving

Balance Sheet, Cash and Dividend

- Balance sheet remains strong
- Net cash of £14.4m compares with £14.8m at 31st December – some timing differences in UK working capital, will correct in second half
- Minority put options up with 17% increase in share price (£1.165 on 31st December 2011 to £1.365 on 30th June 2012)
- Interim dividend increased 10% from 1.0p to 1.1p

Balance sheet

	2012	2011	2011
	30th June	30th June	31st Dec.
	£000's	£000's	£000's
Non Current Assets	72,092	70,965	70,494
Net Debtors	78,589	72,852	94,572
Net Creditors	(84,586)	(83,131)	(103,802)
Net Working Capital Position - Excl. Cash	<u>(5,997)</u>	<u>(10,279)</u>	<u>(9,230)</u>
Net Tax	(1,599)	(1,819)	(1,948)
Cash	18,066	17,420	18,779
Net Current Assets	<u>10,470</u>	<u>5,322</u>	<u>7,601</u>
Bank Loan	(3,712)	(2,614)	(3,890)
Deferred Consideration	-	(260)	(128)
Provision for minority put options	(19,531)	(19,703)	(17,092)
Non Current liabilities	(1,026)	(999)	(939)
Net assets	<u>58,293</u>	<u>52,711</u>	<u>56,046</u>

Cash

	<u>£000's</u>
Opening balance as at 1st January 2012	18,779
Effect of exchange revaluation	(104)
Operating profit	8,352
Net Interest received	42
Tax paid in period	(2,247)
Depreciation	1,864
Capital expenditure - cash & lease payments	<u>(1,278)</u>
Free cash flow before working capital	6,733
Impact of working capital movements	(4,459)
Dividends paid (ordinary & MI)	<u>(1,088)</u>
Net cash outflow before acquisitions	1,186
Acquisitions	(1,720)
Subsidiary sale of own shares to minorities	11
Increase in bank loans	(86)
Closing Balance as at 30th June 2012	<u>18,066</u>

Outlook

Our strategy is on track and working:

- Increasing penetration of multi-national clients
- Investing in higher growth new businesses
- Scaling up in desirable markets
- Exporting proven models across network

We are confident we will continue to make good progress in the full-year and beyond

Additional Financial Information

Regional Profit and Loss Accounts

UK

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	36,315	31,366	4,949	15.8%
Underlying operating profit	7,512	6,520	992	15.2%
Group costs	(2,226)	(2,179)	(47)	2.2%
Recharged	187	227	(40)	-17.6%
Reported operating profit	<u>5,473</u>	<u>4,568</u>	<u>905</u>	<u>19.8%</u>
Associate	75	-	75	-
Net interest	46	(2)	48	-
Profit before tax	<u>5,594</u>	<u>4,566</u>	<u>1,028</u>	<u>22.5%</u>
Underlying margin	20.7%	20.8%		-0.1 PTS
Reported margin	15.1%	14.6%		0.5 PTS

Europe

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	7,825	6,609	1,216	18.4%
Underlying operating profit	1,115	851	264	31.0%
Group recharge	(36)	(34)	(2)	5.9%
Reported operating profit	<u>1,079</u>	<u>817</u>	<u>262</u>	<u>32.1%</u>
Associate	(93)	118	(211)	-
Net interest	(20)	(23)	3	-
Profit before tax	<u>966</u>	<u>912</u>	<u>54</u>	<u>5.9%</u>
Underlying margin	14.2%	12.9%		1.3 PTS
Reported margin	13.8%	12.4%		1.4 PTS

Africa

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	2,800	1,137	1,663	146.3%
Underlying operating profit	330	(26)	356	-
Group Recharge	-	-	-	-
Reported operating profit	<u>330</u>	<u>(26)</u>	<u>356</u>	<u>-</u>
Associate	31	(13)	44	-
Net interest	3	2	1	-
Profit before tax	<u>364</u>	<u>(37)</u>	<u>401</u>	<u>-</u>
Underlying margin	11.8%	-		11.8 PTS
Reported margin	11.8%	-		11.8 PTS

Asia & Australasia

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	26,999	23,641	3,358	14.2%
Underlying operating profit	1,880	1,335	545	40.8%
Group recharge	(112)	(159)	47	-29.6%
Reported operating profit	<u>1,768</u>	<u>1,176</u>	<u>592</u>	<u>50.3%</u>
Associate	-	-	-	-
Net interest	34	35	(1)	-
Profit before tax	<u>1,802</u>	<u>1,211</u>	<u>591</u>	<u>48.8%</u>
Underlying margin	7.0%	5.6%		1.4 PTS
Reported margin	6.5%	5.0%		1.5 PTS

Americas

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	3,193	2,978	215	7.2%
Underlying operating profit	(445)	(96)	(349)	363.5%
Group recharge	(39)	(34)	(5)	14.7%
Reported operating profit	<u>(484)</u>	<u>(130)</u>	<u>(354)</u>	<u>272.3%</u>
Associate	-	-	-	-
Net interest	(24)	(15)	(9)	-
Profit before tax	<u>(508)</u>	<u>(145)</u>	<u>(363)</u>	<u>250.3%</u>
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS

Clear

Summary Profit & Loss 6 months to June 2012

	<u>2012</u> £000's	<u>2011</u> £000's	<u>12 v's 11</u>	
			£000's	%
Revenue	5,714	6,175	(461)	-7.5%
Underlying operating profit	489	1,231	(742)	-60.3%
Group recharge	-	-	-	-
Reported operating profit	<u>489</u>	<u>1,231</u>	<u>(742)</u>	<u>-60.3%</u>
Associate	-	-	-	-
Net interest	2	3	(1)	-
Profit before tax	<u>491</u>	<u>1,234</u>	<u>(743)</u>	<u>-60.2%</u>
Underlying margin	8.6%	19.9%		-11.3 PTS
Reported margin	8.6%	19.9%		-11.3 PTS