

# M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS ENDED  
30 JUNE 2017

25 September 2017

# M&C SAATCHI PLC

## Interim results for the six months ended 30 June 2017

25 September 2017

Strong revenue and earnings growth

Financial Highlights 2017		Growth versus 2016
Revenue	£121.0m	+ 21% (2016: £100.2m)
Revenue in constant currencies		+ 12%
Like-for-like Revenue		+ 10%
Operating Profit	£13.3m	+ 17% (2016: £11.3m)
Profit Before Tax	£13.3m	+ 17% (2016: £11.4m)
Earnings	£9.1m	+ 18% (2016: £7.7m)
EPS	11.94p	+ 11% (2016: 10.71p)
Dividend	2.13p	+ 15% (2016: 1.85p)

The highlights are headline results, see note on next page for definition.

### Operational Highlights

- Successful first half with strong revenue momentum and earnings growth
- Global Network performed very well:
  - UK: like-for-like revenues up 5%
  - Europe: like-for-like revenues up 15%
  - Middle East and Africa: like-for-like revenues up 9%
  - Asia and Australasia: like-for-like revenues up 12%
  - Americas: like-for-like revenues up 14%
- Net borrowing of £3.9m with increased working capital pressure (£8.5m net borrowing at 30<sup>th</sup> June 2016)
- Interim dividend increased 15% to 2.13p

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

“Growth across the Group remains strong with excellent revenue and earnings increases over the first half of 2017.

“In line with our long-term strategy, we have been busy starting new businesses and opening new offices. This is the fuel for growth in years to come.

“The second half has started well with trading in line with expectations.”

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## Notes to Editors

### Headline results

The term headline is not a defined term in IFRS. The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associate; profit/loss on disposal of associates; and income statement impact of put option accounting (whether accounted under IFRS2 or IAS39). See Note 4 for reconciliation between the Group’s statutory results and the headline results.

### Like-for-like

The like-for-like revenue comparisons referred to in this report are stated after excluding the impact of foreign currency movements and corporate acquisitions and disposals.

### Periods compared

This report comments on the unaudited consolidated income statement of M&C Saatchi plc (the “Group”) for the six months to 30 June 2017 compared with the unaudited consolidated income statement for the same period in 2016.

## SUMMARY OF RESULTS

The first six months of 2017 saw strong revenue momentum and earnings growth. Actual revenues grew by

21%, with constant currency revenues increasing by 12% and like-for-like revenues by 10%. Excluding new start-ups, we returned a headline operating margin of 11.5%, up from 11.3% in 2016. The headline profit before tax advanced 17% to £13.3m and headline net earnings rose 18%. Statutory profit before taxation was down 10% from £10.7m to £9.7m, primarily due to increased charges for put options accounted for as conditional share awards.

## **UK**

We posted an increase in UK revenues of 5%, with our CRM, Mobile, PR and Sport & Entertainment divisions continuing to trade particularly positively.

We returned a good run of account wins across our group of businesses in the first half, including Dreams, Visit Britain, The Body Shop, Costa Coffee and Clinique.

Our PR operation was awarded Outstanding Large Public Relations Consultancy, Mobile won Most Effective Mobile Agency and Sport & Entertainment were Sponsorship Agency of the Year.

In July, Giles Hedger joined as CEO of the London advertising agency, completing the new management team, who have been incentivised under our owner/driver model. The new team is working well and attracting new business.

M&C Saatchi Merlin, our talent management agency which flourished in the first six months, launched a social influencer division in May. We also started Re UK in June, importing our successful Sydney brand design consultancy.

The UK headline operating profit was 6% up on 2016 and the headline operating margin increased to 13.2% compared with 2016's 13.0%. These margins exclude the impact of Group costs.

## **Europe**

We made excellent progress in Europe with like-for-like revenues up 15%. Headline operating profit was up 22%, with a headline operating margin of 15.0% (2016: 16.2%).

Sweden maintains its strong new business performance, winning the property company AMFF and the engineering client PE Consulting.

Both Germany and Italy continue to thrive. Mobile opened in Berlin whilst Italy was appointed by Sisal, a gaming company, in addition to being reappointed by Unicredit. In France, advertising is still slow but our agency did win some Haribo business and the energy company Sowee. Madrid is developing well and we have started a Spanish sponsorship operation.

## **Middle East and Africa**

Like-for-like revenues in the Middle East and Africa were up 9%. Both our UAE and South African offices are rebuilding following account losses last year (Etihad and Edgars). The operating profit was consequently down 8% and the headline operating margin dipped from 7.9% in 2016 to 5.4%.

Our South African offices were appointed by Windhoek and Heineken Export. We also acquired the Johannesburg based Sport & Entertainment company Levergy. UAE recorded some good wins in the period; Aldar Properties, UAE Banks Federation and Unilever's Lipton account. M&C Saatchi PR opened in the UAE and have since won the Abu Dhabi Motors Rolls-Royce account.

Our office in Tel Aviv is building an exciting offer and was appointed by Jaguar.

### **Asia and Australia**

In Asia and Australasia, like-for-like revenues were up 12% on the same period last year. The headline regional operating margin was 12.0% (2016: 11.9%), with the headline operating profit up a remarkable 37% on the same period last year.

Our Australian offices are doing very well and continue to widen their offer. In February, we acquired Bohemia, a media buying and planning operation, which positions us favourably for satisfying the needs of our clients, who are increasingly seeking a closer relationship between their media agency and the content and creative providers. In March, we launched The Source, our successful UK research operation, in Melbourne.

Our associate in China, aeiou, continues to grow positively and was appointed by the car account SGMW and the walnut drinks provider New Farm. Malaysia is still shining and was awarded Social Media Agency of the Year. Singapore is developing encouragingly and won Bridgestone and the Bank of Singapore. We are looking to open a new office in Indonesia before the end of the year.

### **Americas**

Like-for-like revenues increased 14%. There was an 8% increase in operating profit to £3.6m and a headline operating margin dip from 17.1% in 2016 to 14.7%. This was after new start-up costs, which when excluded restates the first half margin at 17.1%, as last year.

Mobile continues to excel and has a very impressive business in the US. LIDA New York opened for business and was appointed by Aston Martin.

Our Los Angeles office made impressive progress and was appointed by Pacific Life. We launched both Sport & Entertainment and Clear there in the first half.

Within a challenging economic environment, trading in Brazil remains difficult. We have opened a new office in Mexico City.

### **Balance sheet and cash**

Our net borrowing at the half-year was £3.9m, which compares with £8.5m of borrowing at the same stage last

year. We continue to experience enhanced pressure from clients on payment terms over the last six months, particularly with our growing revenues in the US. We are putting in place strategies to redress this.

### **Outlook**

Growth across the Group remains strong with excellent revenue and earnings increases over the first half of 2017. In line with our long-term strategy, we have been busy starting new businesses and opening new offices. This is the fuel for growth in years to come. The second half has started well with trading in line with expectations.

**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**ENDED 30 JUNE 2017**

		Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	Note	£000	£000	£000
<b>BILLINGS</b>		261,194	217,222	458,180
<b>REVENUE</b>	4	<b>121,035</b>	<b>100,219</b>	225,387
Operating costs		(115,699)	(93,180)	(218,738)
<b>OPERATING PROFIT</b>	4	<b>5,336</b>	<b>7,039</b>	6,649
Share of results of associates		531	405	1,530
Finance income	6	4,520	3,797	440
Finance costs	7	(710)	(512)	(1,828)
<b>PROFIT BEFORE TAXATION</b>	4	<b>9,677</b>	<b>10,729</b>	6,791
Taxation on profits	8	(2,023)	(1,667)	(3,451)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b>7,654</b>	<b>9,062</b>	3,340
Profit attributable to:				
Equity shareholders of the Group	4	6,838	8,094	144
Non controlling interest		816	968	3,196
		<b>7,654</b>	<b>9,062</b>	3,340
<b>EARNINGS PER SHARE</b>	4			
Basic		8.98p	11.24p	0.20p
Diluted		8.74p	11.20p	0.19p

Reconciliation of the above numbers to the Headline numbers, discussed in the front of this report, can be found in note 4 on pages 17 to 19.

**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**ENDED 30 JUNE 2017**

	<b>Six months ended 30 June 2017 £000</b>	<b>Six months ended 30 June 2016 £000</b>	<b>Year ended 31 December 2016 £000</b>
<b>Profit for the period</b>	<b>7,654</b>	<b>9,062</b>	3,340
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations	(625)	1,791	6,754
Total other comprehensive income for the period net of tax	(625)	1,791	6,754
<b>Total comprehensive income for the period</b>	<b>7,029</b>	<b>10,853</b>	10,094
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Group	6,213	9,885	6,898
Non controlling interests	816	968	3,196
	<b>7,029</b>	<b>10,853</b>	10,094



**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2017**

	<b>30 June 2017</b>	<b>30 June 2016</b>	31 December 2016
	<b>£000</b>	<b>£000</b>	£000
<b>NON CURRENT ASSETS</b>			
Intangible assets	52,681	47,546	51,004
Investments in associates	20,175	18,473	19,277
Plant and equipment	11,038	9,619	10,619
Deferred tax assets	3,059	2,609	3,112
Other non current assets	9,018	7,600	7,455
	<b>95,971</b>	<b>85,847</b>	91,467
<b>CURRENT ASSETS</b>			
Trade and other receivables	107,728	105,673	109,824
Current tax assets	4,164	2,199	1,057
Cash and cash equivalents	31,638	29,269	32,222
	<b>143,530</b>	<b>137,141</b>	143,103
<b>CURRENT LIABILITIES</b>			
Bank overdraft	–	(2,796)	–
Trade and other payables	(103,012)	(103,277)	(115,886)
Current tax liabilities	(2,482)	(2,885)	(1,186)
Other financial liabilities	(4,310)	(25)	(3,670)
Deferred and contingent consideration	–	–	–
Minority shareholder put options liabilities	(13,855)	(15,594)	(20,216)
	<b>(123,659)</b>	<b>(124,577)</b>	(140,958)
<b>NET CURRENT ASSETS</b>	<b>19,871</b>	<b>12,564</b>	2,145
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>115,842</b>	<b>98,411</b>	93,612
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	(100)	(36)	(380)
Other financial liabilities	(35,567)	(34,958)	(28,277)
Minority shareholder put options liabilities	(10,529)	(13,698)	(12,950)
Other non current liabilities	(2,390)	(1,630)	(2,608)
	<b>(48,586)</b>	<b>(50,322)</b>	(44,215)
<b>NET ASSETS</b>	<b>67,256</b>	<b>48,089</b>	49,397

**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AT 30 JUNE 2017**

	<b>30 June 2017</b>	<b>30 June 2016</b>	31 December 2016
	<b>£000</b>	<b>£000</b>	£000
<b>EQUITY</b>			
Share capital	790	737	749
Share premium	31,383	20,332	24,099
Merger reserve	31,592	31,592	31,592
Treasury reserve	(792)	(792)	(792)
Minority interest put option reserve	(14,540)	(22,379)	(20,598)
Non controlling interest acquired	(20,421)	(9,990)	(13,122)
Foreign exchange reserve	4,145	(193)	4,770
Retained earnings	29,380	23,412	15,871
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>61,537</b>	<b>42,719</b>	42,569
<b>NON CONTROLLING INTERESTS</b>	<b>5,719</b>	<b>5,370</b>	6,828
<b>TOTAL EQUITY</b>	<b>67,256</b>	<b>48,089</b>	49,397

**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**SIX MONTHS ENDED 30 JUNE 2017**

	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
<b>2017 Half year</b>											
<b>At 1 January 2017</b>	<b>749</b>	<b>24,099</b>	<b>31,592</b>	<b>(792)</b>	<b>(20,598)</b>	<b>(13,122)</b>	<b>4,770</b>	<b>15,871</b>	<b>42,569</b>	<b>6,828</b>	<b>49,397</b>
<b>Reserve movement for six months ending 30 June 2017</b>											
Exercise of put options	16	5,788	–	–	6,060	(7,344)	–	–	<b>4,520</b>	–	<b>4,520</b>
Acquisitions	4	1,496	–	–	–	–	–	–	<b>1,500</b>	(230)	<b>1,270</b>
Disposals	–	–	–	–	–	–	–	(153)	<b>(153)</b>	59	<b>(94)</b>
Exchange rate movements	–	–	–	–	(2)	45	–	–	<b>43</b>	(106)	<b>(63)</b>
Option exercise	21	–	–	–	–	–	–	(21)	–	–	–
Share option charge	–	–	–	–	–	–	–	6,845	<b>6,845</b>	–	<b>6,845</b>
Dividends	–	–	–	–	–	–	–	–	–	(1,648)	<b>(1,648)</b>
<b>Total transactions with owners</b>	<b>41</b>	<b>7,284</b>	<b>–</b>	<b>–</b>	<b>6,058</b>	<b>(7,299)</b>	<b>–</b>	<b>6,671</b>	<b>12,755</b>	<b>(1,925)</b>	<b>10,830</b>
<b>Total comprehensive income for period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(625)</b>	<b>6,838</b>	<b>6,213</b>	<b>816</b>	<b>7,029</b>
<b>At 30 June 2017</b>	<b>790</b>	<b>31,383</b>	<b>31,592</b>	<b>(792)</b>	<b>(14,540)</b>	<b>(20,421)</b>	<b>4,145</b>	<b>29,380</b>	<b>61,537</b>	<b>5,719</b>	<b>67,256</b>

**M&C SAATCHI PLC**
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**
**SIX MONTHS ENDED 30 JUNE 2017**

2016 Half year	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
At 1 January 2016	727	17,338	31,592	(792)	(12,595)	(9,233)	(1,984)	12,673	37,726	4,295	42,021
Reserve movement for six months ending 30 June 2016											
Exercise of put options	10	2,994	–	–	551	(502)	–	(6)	<b>3,047</b>	(17)	<b>3,030</b>
Acquisitions	–	–	–	–	(10,248)	–	–	–	<b>(10,248)</b>	1,797	<b>(8,451)</b>
Exchange rate movements	–	–	–	–	(87)	(255)	–	–	<b>(342)</b>	(367)	<b>(709)</b>
Issue of shares to minorities	–	–	–	–	–	–	–	–	–	31	<b>31</b>
Share option charge	–	–	–	–	–	–	–	2,651	<b>2,651</b>	–	<b>2,651</b>
Dividends	–	–	–	–	–	–	–	–	–	(1,337)	<b>(1,337)</b>
Total transactions with owners	10	2,994	–	–	(9,784)	(757)	–	2,645	<b>(4,892)</b>	107	<b>(4,785)</b>
Total comprehensive income for period	–	–	–	–	–	–	1,791	8,094	<b>9,885</b>	968	<b>10,853</b>
<b>At 30 June 2016</b>	<b>737</b>	<b>20,332</b>	<b>31,592</b>	<b>(792)</b>	<b>(22,379)</b>	<b>(9,990)</b>	<b>(193)</b>	<b>23,412</b>	<b>42,719</b>	<b>5,370</b>	<b>48,089</b>

**M&C SAATCHI PLC**
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**SIX MONTHS ENDED 30 JUNE 2017**

2016 Year	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
At 1 January 2016	<b>727</b>	<b>17,338</b>	<b>31,592</b>	<b>(792)</b>	<b>(12,595)</b>	<b>(9,233)</b>	<b>(1,984)</b>	<b>12,673</b>	<b>37,726</b>	<b>4,295</b>	<b>42,021</b>
Reserve movement for year ending 31 December 2016											
Acquisitions	–	–	–	–	(10,249)	–	–	–	<b>(10,249)</b>	1,919	<b>(8,330)</b>
Acquisitions of minority interest	4	1,364	–	–	–	(1,222)	–	–	<b>146</b>	–	<b>146</b>
Exercise of put options	18	5,397	–	–	2,366	(2,366)	–	–	<b>5,415</b>	(47)	<b>5,368</b>
Disposals	–	–	–	–	–	–	–	–	–	(10)	<b>(10)</b>
Exchange rate movements	–	–	–	–	(120)	(301)	–	–	<b>(421)</b>	627	<b>206</b>
Issue of shares to minorities	–	–	–	–	–	–	–	–	–	14	<b>14</b>
Issue of options	–	–	–	–	–	–	–	515	<b>515</b>	–	<b>515</b>
Share option charge	–	–	–	–	–	–	–	7,997	<b>7,997</b>	–	<b>7,997</b>
Dividends	–	–	–	–	–	–	–	(5,458)	<b>(5,458)</b>	(3,166)	<b>(8,624)</b>
Total transactions with owners	22	6,761	–	–	(8,003)	(3,889)	–	3,054	<b>(2,055)</b>	(663)	<b>(2,718)</b>
Total comprehensive income for the year	–	–	–	–	–	–	6,754	144	<b>6,898</b>	3,196	<b>10,094</b>
<b>At 31 December 2016</b>	<b>749</b>	<b>24,099</b>	<b>31,592</b>	<b>(792)</b>	<b>(20,598)</b>	<b>(13,122)</b>	<b>4,770</b>	<b>15,871</b>	<b>42,569</b>	<b>6,828</b>	<b>49,397</b>

**M&C SAATCHI PLC**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**SIX MONTHS ENDED 30 JUNE 2017**

	Notes	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year Ended 31 December 2016 £000
<b>Revenue</b>		121,035	100,219	225,387
<b>Operating cost</b>		(115,699)	(93,180)	(218,738)
<b>Operating Profit</b>		<b>5,336</b>	<b>7,039</b>	6,649
<b>Adjustments for:</b>				
Depreciation of plant and equipment		1,348	1,159	2,668
Losses on sale of plant and equipment		27	36	542
Losses on sale of software intangibles		–	–	10
Fair value revaluation of associate on step acquisition		–	–	859
Impairment and amortisation on acquired intangible assets		737	1,638	2,324
Impairment of associate and investments		–	–	4,389
Amortisation of capitalised software intangible assets		44	60	354
Equity settled share based payment expenses		6,845	2,651	7,997
<b>Operating cash flow before movements in working capital and provisions</b>		<b>14,337</b>	<b>12,583</b>	25,792
Decrease/(Increase) in trade and other receivables		1,980	(1,449)	(22,334)
(Increase)/Decrease in trade and other payables		(14,195)	(8,781)	19,342
Cash generated from operations		<b>2,122</b>	<b>2,353</b>	22,800
Tax paid		(3,881)	(2,901)	(4,073)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,759)</b>	<b>(548)</b>	18,727
<b>Investing activities</b>				
Acquisitions net of cash acquired	10	(834)	(11,033)	(12,822)
Disposal of subsidiaries net of cash divested		–	–	(263)
Acquisition of investments		(1,140)	(581)	(1,056)
Proceeds from sale of plant and equipment		4	8	32
Purchase of intangibles		–	–	–
Purchase of plant and equipment		(773)	(1,495)	(3,873)
Purchase of capitalised software		(85)	(156)	(34)
Dividend from associates		–	–	177
Interest earned		166	169	440
<b>Net cash consumed by investing activities</b>		<b>(2,662)</b>	<b>(13,088)</b>	(17,399)
<b>Net cash consumed by operating and investing activities</b>		<b>(4,421)</b>	<b>(13,636)</b>	1,328

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year Ended 31 December 2016 £000
<b>Net cash consumed by operating and investing activities</b>	<b>(4,421)</b>	<b>(13,636)</b>	1,328
Dividends paid to equity holders of the Company	–	–	(5,458)
Dividends paid to non controlling interest	(1,648)	(1,337)	(3,166)
Issue of shares to minorities	–	–	514
Repayment of finance leases	(15)	(21)	(36)
Inception of invoice discounting	291	–	4,455
Repayment of invoice discounting	–	(3,130)	(3,943)
Inception of bank loans	6,315	10,646	11,433
Repayment of bank loans	(184)	–	(7,191)
Interest paid	(709)	(510)	(1,230)
<b>Net cash generated / (consumed) from financing activities</b>	<b>4,050</b>	<b>5,648</b>	(4,622)
<b>Net decrease in cash and cash equivalents</b>	<b>(371)</b>	<b>(7,988)</b>	(3,294)
Effect of exchange rate changes	(213)	2,215	3,270
Cash and cash equivalents at the beginning of the period	32,222	32,246	32,246
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>31,638</b>	<b>26,473</b>	32,222

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017****1. GENERAL INFORMATION**

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 36 Golden Square, London W1F 9EE.

The Company has its primary listing on the AIM market of the London Stock Exchange.

This consolidated half-yearly financial information was approved for issue on 22 September 2017.

These results do not constitute the Group's statutory accounts. The information presented in relation to 31 December 2016 is extracted from the statutory financial statements for the year then ended and which have been delivered to the Registrar of Companies. The auditor's report on the statutory financial statements for the year ended 31 December 2016 was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report(s) and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

**2. BASIS OF PREPARATION**

This consolidated half-yearly financial information for the half-year ended 30 June 2017 has been prepared in accordance with the AIM Rules for companies. The half-yearly consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

**3. ACCOUNTING POLICIES**

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2016 and which will form the basis of the 2017 financial statements.



**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017****4. EARNINGS PER SHARE AND RECONCILIATION BETWEEN HEADLINE AND STATUTORY RESULTS**

The analysis below provides a reconciliation between the Group's statutory results and the headline results.

<b>Six Months to 30 June 2017</b>	<b>Reported results £000</b>	<b>Amortisation of acquired intangibles £000</b>	<b>Allocations and dividend paid to conditional share awards</b>	<b>Fair value adjustments to minority put option liabilities £000</b>	<b>Headline results £000</b>
<b>Revenue</b>	<b>121,035</b>	–	–	–	<b>121,035</b>
<b>Operating profit</b>	<b>5,336</b>	737	332	6,845	<b>13,250</b>
Share of results of associates & JV	531	–	–	–	531
Finance income	4,520	–	–	(4,355)	165
Finance cost	(710)	–	–	–	(710)
<b>Profit before taxation</b>	<b>9,677</b>	737	332	2,490	<b>13,236</b>
Taxation	(2,023)	(245)	–	(600)	(2,868)
<b>Profit for the period</b>	<b>7,654</b>	492	332	1,890	<b>10,368</b>
Non controlling interests	(816)	(135)	(332)	–	(1,283)
<b>Profit attributable to equity holders of the Group</b>	<b>6,838</b>	357	–	1,890	<b>9,085</b>

**BASIC EARNINGS PER SHARE**

Weighted average number of shares (Thousands)	76,115	76,115
<b>Basic EPS</b>	<b>8.98p</b>	<b>11.94p</b>

**DILUTED EARNINGS PER SHARE**

Weighted average number of shares (Thousands) as above	76,115	76,115
Add		
– Conditional shares	2,139	2,139
Total	78,254	78,254
Diluted earnings per share	<b>8.74p</b>	<b>11.61p</b>

The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance. The headline result is used for internal performance management, calculating the value of subsidiary convertible shares and minority interest put options. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associates and investments; profit and loss on disposal of associates; and the income statement impact of put option accounting and share based payment charges.

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS**

SIX MONTHS ENDED 30 JUNE 2017

<b>Six Months to 30 June 2016</b>	<b>Reported results £000</b>	<b>Amortisation of acquired intangibles £000</b>	<b>Allocations and dividend paid to conditional share awards</b>	<b>Fair value adjustments to minority put option liabilities £000</b>	<b>Headline results £000</b>
<b>Revenue</b>	<b>100,219</b>	–		–	<b>100,219</b>
<b>Operating profit</b>	<b>7,039</b>	1,637		2,651	<b>11,327</b>
Share of results of associates & JV	405	–		–	405
Finance income	3,797	–		(3,628)	169
Finance cost	(512)	–		–	(512)
<b>Profit before taxation</b>	<b>10,729</b>	1,637		(977)	<b>11,389</b>
Taxation	(1,667)	(645)		–	(2,312)
<b>Profit for the period</b>	<b>9,062</b>	992		(977)	<b>9,077</b>
Non controlling interests	(968)	(403)		–	(1,371)
<b>Profit attributable to equity holders of the Group</b>	<b>8,094</b>	589		(977)	<b>7,706</b>

**BASIC EARNINGS PER SHARE**

Weighted average number of shares (Thousands)	71,982				71,982
<b>Basic EPS</b>	<b>11.24p</b>				<b>10.71p</b>

**DILUTED EARNINGS PER  
SHARE**

Weighted average number of shares (Thousands) as above	71,982				71,982
Add					
– Conditional shares	300				300
Total	72,282				72,282
Diluted earnings per share	<b>11.20p</b>				<b>10.66p</b>

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017**

<b>Year ended</b>	<b>Reported results</b>	<b>Amortisation of acquired intangibles</b>	<b>Impairment of associate and provision against investment</b>	<b>Revaluation of an associate on acquisition</b>	<b>Acquisition related remuneration</b>	<b>Put option accounting</b>	<b>Headline results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>31 December 2016</b>							
Revenue	225,387	–	–	–	–	–	225,387
Operating profit	6,649	2,324	4,389	859	819	7,997	23,037
Share of results of associates & JV	1,530	–	–	–	–	–	1,530
Finance income	440	–	–	–	–	–	440
Finance cost	(1,828)	–	–	–	–	597	(1,231)
Profit before taxation	6,791	2,324	4,389	859	819	8,594	23,776
Taxation	(3,451)	(659)	–	–	–	–	(4,110)
Profit for the year	3,340	1,665	4,389	859	819	8,594	19,666
Non controlling interests	(3,196)	(256)	–	–	(540)	(251)	(4,243)
Profit attributable to equity holders of the Group	144	1,409	4,389	859	279	8,343	15,423

**BASIC EARNINGS PER SHARE**

Weighted average number of shares (Thousands)	73,193	73,193
Basic EPS	0.20p	21.07p

**DILUTED EARNINGS PER SHARE**

Weighted average number of shares (Thousands) as above	73,193	71,319
Add		
– Conditional shares	1,867	1,867
Total	75,060	75,060
Diluted earnings per share	0.19p	20.55p

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017****5. SEGMENTAL INFORMATION**

This segmental information is reconciled to the statutory results in Note 4.

<b>Six months to 30 June 2017</b>	<b>UK £000</b>	<b>Europe £000</b>	<b>Middle East and Africa £000</b>	<b>Asia and Australia £000</b>	<b>Americas £000</b>	<b>Total £000</b>
<b>Revenue</b>	<b>42,553</b>	<b>16,195</b>	<b>6,352</b>	<b>31,102</b>	<b>24,833</b>	<b>121,035</b>
Operating profit excluding Group costs	5,612	2,433	341	3,717	3,642	15,745
Group costs	(2,247)	(44)	-	(171)	(33)	(2,495)
<b>Operating profit</b>	<b>3,365</b>	<b>2,389</b>	<b>341</b>	<b>3,546</b>	<b>3,609</b>	<b>13,250</b>
Share of results of associates and JV	332	6	-	193	-	531
Financial income and cost	(227)	(35)	24	27	(334)	(545)
<b>Profit before taxation</b>	<b>3,470</b>	<b>2,360</b>	<b>365</b>	<b>3,766</b>	<b>3,275</b>	<b>13,236</b>
Taxation	(393)	(958)	21	(1,048)	(490)	(2,868)
Profit for the period	3,077	1,402	386	2,718	2,785	10,368
Non controlling interests	(642)	(213)	25	(436)	(17)	(1,283)
<b>Profit attributable to equity shareholders of the Group</b>	<b>2,435</b>	<b>1,189</b>	<b>411</b>	<b>2,282</b>	<b>2,768</b>	<b>9,085</b>
HEADLINE BASIC EPS						11.94p
Non cash costs included in headline operating profit:						
Depreciation & Amortisation of software	(552)	(116)	(176)	(305)	(243)	(1,392)
Share option charges	-	-	-	-	-	-
OFFICE LOCATION	London	Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

**M&C SAATCHI PLC**
**UNAUDITED NOTES TO THE INTERIM STATEMENTS**
**SIX MONTHS ENDED 30 JUNE 2017**

Six months to 30 June 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
<b>Revenue</b>	<b>40,595</b>	<b>12,371</b>	<b>4,725</b>	<b>22,787</b>	<b>19,741</b>	<b>100,219</b>
Operating profit excluding Group costs	5,270	1,999	371	2,720	3,378	13,738
Group costs	(2,188)	(44)	-	(160)	(19)	(2,411)
<b>Operating profit</b>	<b>3,082</b>	<b>1,955</b>	<b>371</b>	<b>2,560</b>	<b>3,359</b>	<b>11,327</b>
Share of results of associates and JV	425	20	-	25	(65)	405
Financial income and cost	(142)	(22)	23	38	(240)	(343)
<b>Profit before taxation</b>	<b>3,365</b>	<b>1,953</b>	<b>394</b>	<b>2,623</b>	<b>3,054</b>	<b>11,389</b>
Taxation	(685)	(661)	(211)	(722)	(33)	(2,312)
Profit for the period	2,680	1,292	183	1,901	3,021	9,077
Non controlling interests	(404)	(294)	(61)	(326)	(286)	(1,371)
<b>Profit attributable to equity shareholders of the Group</b>	<b>2,276</b>	<b>998</b>	<b>122</b>	<b>1,575</b>	<b>2,735</b>	<b>7,706</b>

**HEADLINE BASIC EPS**
**10.71p**

Non cash costs included in headline operating profit:

Depreciation & Amortisation of software	(633)	(86)	(77)	(168)	(255)	(1,219)
Share option charges	-	-	-	-	-	-

<b>OFFICE LOCATION</b>	London	Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo
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**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017**

<b>Year ended 31 December 2016</b>	<b>UK £000</b>	<b>Europe £000</b>	<b>Middle East and Africa £000</b>	<b>Asia and Australia £000</b>	<b>Americas £000</b>	<b>Total £000</b>
Revenue	88,504	26,685	11,673	52,531	45,994	225,387
Operating profit excluding Group costs	10,398	4,028	1,085	5,754	7,119	28,384
Group costs	(4,879)	(87)	–	(343)	(38)	(5,347)
Operating profit	5,519	3,941	1,085	5,411	7,081	23,037
Share of results of associates and JV	1,323	(3)	-	290	(80)	1,530
Financial income and cost	(343)	(43)	43	124	(572)	(791)
Profit before taxation	6,499	3,895	1,128	5,825	6,429	23,776
Taxation	(811)	(1,350)	(362)	(1,458)	(129)	(4,110)
Profit for the year	5,688	2,545	766	4,367	6,300	19,666
Non controlling interests	(1,320)	(494)	(326)	(844)	(1,259)	(4,243)
Profit attributable to equity shareholders of the Group	4,368	2,051	440	3,523	5,041	15,423
<b>HEADLINE BASIC EPS</b>						<b>21.07p</b>
Non cash costs included in operating profit:						
Depreciation & Amortisation of software	(1,632)	(304)	(194)	(342)	(550)	(3,022)
Share option charges	-	-	-	-	-	-
<b>OFFICE LOCATION</b>	London	Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS  
SIX MONTHS ENDED 30 JUNE 2017****6. FINANCE INCOME**

	<b>Six months ended 30 June 2017 £000</b>	<b>Six months ended 30 June 2016 £000</b>	<b>Year ended 31 December 2016 £000</b>
Bank interest receivable	140	92	338
Other interest receivable	25	77	102
<b>Total finance income</b>	<b>165</b>	<b>169</b>	<b>440</b>
Fair value adjustments to minority shareholder put option liabilities	4,355	3,628	-
<b>Total</b>	<b>4,520</b>	<b>3,797</b>	<b>440</b>

**7. FINANCE COSTS**

	<b>Six months ended 30 June 2017 £000</b>	<b>Six months ended 30 June 2016 £000</b>	<b>Year ended 31 December 2016 £000</b>
<b>Finance costs</b>			
Bank interest payable	(700)	(510)	(1,227)
Other interest payable	(10)	(2)	(4)
<b>Total interest payable</b>	<b>(710)</b>	<b>(512)</b>	<b>(1,231)</b>
Fair value adjustments to minority shareholder put option liabilities	-	-	(597)
<b>Total</b>	<b>(710)</b>	<b>(512)</b>	<b>(1,828)</b>

**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2017****8. TAXATION**

Income tax expenses are recognised based on management's estimate of the average annual headline income tax expected for the full financial year.

The estimated headline effective annual tax rate (excluding associates) used for the period to 30 June 2017 is 21.6% (30 June 2016: 21.2%). The increase in the headline tax rate is due to increased profits made in USA.

The estimated effective annual tax rate for the period to 30 June 2017 is 20.9% (30 June 2016: 15.5%). The difference between the headline and statutory tax rates is caused by a difference in the profit before tax due to the impact of fair value adjustments to minority shareholder put option liabilities that have no effect on the tax charge.

**9. DIVIDENDS**

	<b>Six months ended 30 June 2017 £000</b>	<b>Six months ended 30 June 2016 £000</b>	<b>Year ended 31 December 2016 £000</b>
2015 final dividend 5.60p (2014: 4.87pp)	-	-	4,084
2016 interim dividend 1.85p (2015: 1.61p)	-	-	1,374
	-	-	5,458

The directors propose an interim dividend of 2.13p per share (2016: 1.85p per share) payable on 10 November 2017 to shareholders who are on the register at 27 October 2017. This interim dividend, amounting to £1,711k (2016: £1,374k) has not been recognised as a liability in this half-yearly financial report.



**M&C SAATCHI PLC****UNAUDITED NOTES TO THE INTERIM STATEMENTS  
SIX MONTHS ENDED 30 JUNE 2017****10. CASH CONSUMED BY ACQUISITIONS**

	<b>Six months ended 30 June 2017 £000</b>	<b>Six months ended 30 June 2016 £000</b>	<b>Year ended 31 December 2016 £000</b>
<b>Acquisitions</b>			
Initial cash consideration paid	(1,375)	(14,476)	(15,717)
Cash and cash equivalents acquired	541	3,443	2,895
	<b>(834)</b>	<b>(11,033)</b>	<b>(12,822)</b>