

# **M&C SAATCHI PLC**

**INTERIM RESULTS**

**SIX MONTHS TO  
30 JUNE 2008**

**25 September 2008**

# M&C Saatchi plc 2008 Interim Results

## Headline Results

- Revenue up by 38.8% to £51.8m (2007: £37.3m)
- Like for like revenue growth 18.7%
- Operating profit up by 174% to £7.7m (2007: £2.8m)
- Operating margin up to 14.9% (2007: 7.6%)
- Profit before tax up 107% to £8.0m (2007: £3.9m)
- Basic earnings per share up 147% to 8.62p (2007: 3.50p)
- Interim dividend held at 0.87p

The headline results referred to above are stated before accounting for the following items:

- Amortisation of acquired intangibles and goodwill write offs
- Fair value adjustment to minority put option liabilities
- Notional interest on deferred consideration

A reconciliation of the difference between the headline results and the statutory result is shown in note 4 to the interim statements.

Like for like revenue is stated after excluding the impact of exchange, acquisitions and discontinued operations.

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

“We are pleased to report that M&C Saatchi saw a strong start to 2008 as we saw a good performance from both our organic and acquired businesses. There is no doubt the economic environment is increasingly challenging and we have felt the effects of this in the US and our Spanish business. Despite this, our global network remains strong and we have continued to win new business across our divisions. The outlook for the full year remains in line with management expectations.

At this time the uncertain economic environment leads us to be cautious about medium term visibility. However our balance sheet remains strong and we will continue to invest in markets which we believe will position us well for growth in the long term.”

For further information please call:

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## Summary of results

We are pleased to report a strong set of results for the first six months of 2008 which saw revenue growth of 39% to £51.8m (2007: £37.3m). Like for like revenue growth which excludes the impact of exchange rate movements, acquisitions and discontinued operations increased by 18.7% to £43.1m. Clear Ideas, acquired in July 2007, contributed a further £6.1m. Revenue from operations closed in Singapore and Thailand during the period was £0.6m, and the balance of £2.0m resulted from currency gains.

Headline operating profit has increased by 174% to £7.7m (2007: £2.8m). Organic growth contributed £3.0m of the increase (an increase of 107%), Clear delivered a further £1.7m and the balance £0.2m came from exchange. The operating margin saw a substantial increase from 7.6% in 2007 to 14.9% this period. The increase comes from the improved performance of the Asia Pacific region, the continued growth of the Paris office and the contribution from Clear.

The Group's share of profit after tax from its associates decreased from a contribution of £71k in 2007 to a loss of £100k in 2008. This is due in part to a change in the accounting treatment for Play, our UK based digital operation and in part to the disappointing performance of our Spanish associate, Zapping/M&C Saatchi.

The headline net interest earned has decreased to £0.3m (2007: £1.0m). The decrease is due to the interest which is now being paid on the Group debt which stood at £7.5m at the end of the period (2007: nil).

The profit after tax attributable to the Group's minorities reduced from £0.8m in 2007 to £0.3m this year. This is principally due to the acquisition of the minority in Walker Media. 19.5% of the remaining 25% minority in Walker Media was acquired in July 2007 and a further 5.5% in April 2008 taking the Group's holding to 100%.

In May M&C Saatchi acquired the majority of digital advertising agency Play and from this point its results are fully consolidated (January to April 2008 profit £0.0m).

The headline profit attributable to the equity shareholders of the Group increased by 172% to £5.1m.

Headline basic EPS has grown by 147% to 8.62p (2007: 3.50p). The group issued 6.7m new shares to satisfy the acquisitions of Clear and Walker Media. The number of shares in issue at the end of the period was 60.3m and the weighted average for the period was 59.1m (2007: 53.6m) a dilution of 10.3%.

As at the 30<sup>th</sup> June we estimated that a further 1.4m shares could be issued to satisfy obligations under the Group's long term incentive plans and a further 3.0m shares may be issued as a result of earn out commitments. The diluted EPS for the period is therefore 8.02 p (2007: 3.45p)

# Review of operations

## Overview

During the first six months of 2008 we have seen strong performances from the majority of our operating divisions which have seen robust revenue growth and improvements in operating margins. Clear, the brand consulting business acquired in July 2007, has continued its good progress making a significant contribution to group earnings for the period. As anticipated, trading remained difficult in the USA since the second half of 2007 as a result of increasingly difficult market conditions. As reported the performance of our Spanish associate Zapping/M&C Saatchi has been disappointing, largely as a result of the well documented decline in Spain's economic conditions and there are no obvious signs of immediate improvement.

In March we reported that our loss making operations in Singapore and Thailand were under review. As a result we took the decision to close these offices, the combined cost of the closure process has been £0.6m in this period.

## Review by Region

### UK

The UK businesses all enjoyed an excellent first six months to the year. The like for like (excluding acquisitions) revenues and operating profit have increased by 14.4% to £25.2m and by 45.0% to £4.5m respectively. The operating margin has improved to 19.7% (2007: 14.0%). Brand consulting business Clear was acquired in July 2007 and is making a contribution to the period for the first time. Clear has continued the progress of the previous year with revenues of £4.7m and operating profits of £1.5m in the UK. Clear also has offices in Amsterdam and New York. The combined revenues and operating profit from Clear for the period were £6.1m and £1.7m respectively.

There has been good new business momentum across the UK businesses, the most important win being the government's anti obesity campaign. Other important wins have been East Midland trains and Hyundai.

### Europe

We continue to see good growth in Europe. The like for like revenue has increased to £4.1m (2007: £2.1m) and operating profit has increased to £0.6m (2007: £0.0m). The operating margin has grown significantly to 12.9% (2007: 2.3%). Clear's Amsterdam office had a good first half with revenues of £0.8m, an operating profit of £0.1m and a margin of 15.5%.

The growth is being driven by the continuing success of the Paris office. Key to this period's growth was the excellent new business wins of Pages Jaunes and Jameson (Pernod Ricard) in the second half of 2007. This year the business has been moving forward by consolidating those account wins and extending the business into corporate PR and building their digital capabilities.

The Berlin office has also had a good first half benefiting from business won last year. Important wins were additional brands from Ferrero and the Green Party of Germany.

As highlighted in the overview, the performance of Zapping/M&C Saatchi has been disappointing in line with the Spanish economy. The net contribution to profit after tax has been a negative £0.1m, below management expectations. We had previously reported that we would increase our investment in Zapping from the current 24% to 51% from July this year; however as a result of the subdued market we have mutually agreed to put those plans on hold for the near future.

## **Asia and Australia**

Revenue grew 30.8% to £14.8m (2007: £11.3m) reflecting both strong underlying organic growth as well as the impact of the stronger Australian and Asian currencies which have strengthened approx 12% between the periods. The like for like revenue (having stripped out the effect of exchange and the closure of the Thailand and Singapore office) increased by 20.6% to £14.2m. The notable driver of the revenue growth has been the continued recovery of the Australian business following the loss of the IAG account at the end of 2006. Significant new business was won during the second half of 2007 and the business has continued to be very active on current clients through the first six months of 2008. While anticipated, it was a disappointment to lose the Australian Tourism business after the 3 year statutory review and a change of government. This loss will impact the fourth quarter.

The rest of the region contributed an overall revenue increase of 20% with our office in Malaysia leading the way.

The operating profit for the region improved from the loss of £0.4m reported in 2007 to a profit of £0.9m at a margin of 6.2% (2007: negative). As already reported our offices in Thailand and Singapore have now been closed resulting in a cost of £0.6m. Removing the impact of this loss the operating margin was 10.3%.

## **America**

Revenue increased by £0.2m to £2.1m (2007: 1.9m) and the operating profit increased £0.2m to £0.3m (2007: £0.1m). On a like for like basis, after removing the impact of closing the New York office in April 2007 and the contribution from Clear the office in LA reported a revenue decline of 7% to £1.5m and an operating profit of decline of 46% to £0.2m.

As reported in March the LA office started to feel the effects of the economic slowdown in the fourth quarter of 2007 as major clients began to reduce activity and cut their spending. Conditions continue to be challenging and to date we have seen no significant signs of improvement.

## **Outlook**

These results show that the Group is in good shape. We have enjoyed a period of strong organic growth and our investments in new markets and new businesses have added to the potential and the diversity of the Group.

The economic environment is increasingly challenging and we have felt the effects of this in the US and our Spanish business. Despite this, our global network remains strong and we have continued to win new business across our divisions. The outlook for the full year remains in line with management expectations. At this time the uncertain economic environment leads us to be cautious about medium term visibility. However our balance sheet remains strong and we will continue to invest in markets which we believe will position us well for growth in the long term.”

*This report comments on the unaudited consolidated income statement of M&C Saatchi plc (the “Group”) for the six months to 30 June 2008 compared with unaudited consolidated income statement for the same period in 2007. The report also comments on the numbers before the impact of fair value adjustments to minority shareholder put option liabilities and amortisation of intangible assets (headline numbers).*

**M&C SAATCHI PLC****UNAUDITED CONSOLIDATED INCOME STATEMENT**

AT 30 JUNE 2008

		Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	Note	£'000	£'000	£'000
<b>BILLINGS</b>		<b>222,753</b>	<b>182,791</b>	<b>412,746</b>
<b>REVENUE</b>	<b>5</b>	<b>51,769</b>	<b>37,309</b>	<b>87,620</b>
Operating costs		(44,514)	(34,487)	(78,006)
<b>OPERATING PROFIT</b>	<b>5</b>	<b>7,255</b>	<b>2,822</b>	<b>9,614</b>
Share of results of associates		(114)	54	281
Finance income		744	964	1,809
Finance costs	6	(338)	(508)	(3,748)
<b>PROFIT BEFORE TAXATION</b>	<b>5</b>	<b>7,547</b>	<b>3,332</b>	<b>7,956</b>
Taxation on profits	7	(2,470)	(1,215)	(3,530)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b>5,077</b>	<b>2,117</b>	<b>4,426</b>
Attributable to:				
Equity shareholders of the Group	4	4,763	1,356	3,258
Minority interests		314	761	1,168
		<b>5,077</b>	<b>2,117</b>	<b>4,426</b>
<b>EARNINGS PER SHARE</b>	<b>4</b>			
Basic		8.06p	2.53p	5.80p
Diluted		7.50p	2.50p	5.59p
<b>HEADLINE RESULTS</b>	<b>4</b>			
Operating profit		7,721	2,822	10,222
Profit before tax		7,962	3,850	11,926
Headline profit attributable to equity shareholders		5,096	1,874	7,046
<b>HEADLINE EARNINGS PER SHARE</b>	<b>4</b>			
Basic		8.62p	3.50p	12.55p
Diluted		8.02p	3.45p	12.09p

**M&C SAATCHI PLC****UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

AT 30 JUNE 2008

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	£'000	£'000	£'000
<b>Profit for period</b>	<b>5,077</b>	<b>2,117</b>	<b>4,426</b>
Currency translation differences	463	111	689
<b>Total recognised income and expenses for the period</b>	<b>5,540</b>	<b>2,228</b>	<b>5,115</b>
<b>Attributable to:</b>			
Equity shareholders of the Company	5,222	761	3,947
<b>Minority interests</b>	<b>318</b>	<b>1,467</b>	<b>1,168</b>
	<b>5,540</b>	<b>2,228</b>	<b>5,115</b>



**M&C SAATCHI PLC****UNAUDITED CONSOLIDATED BALANCE SHEET**

AT 30 JUNE 2008

	30 June 2008	30 June 2007	31 December 2007
Note	£'000	£'000	£'000
<b>NON CURRENT ASSETS</b>			
Intangible assets	63,568	15,486	61,409
Investments in associates	4,098	1,646	4,086
Plant and equipment	3,943	3,541	3,954
Deferred tax assets	2,078	1,582	2,034
Other non current assets	544	518	565
	<b>74,231</b>	<b>22,773</b>	<b>72,048</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	64,088	40,969	74,872
Current tax assets	206	421	519
Cash and cash equivalents	1,980	25,820	16,895
	<b>66,274</b>	<b>67,210</b>	<b>92,286</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(70,360)	(55,743)	(86,850)
Current tax liabilities	(1,904)	(537)	(1,610)
Other financial liabilities	(13)	(14)	(18)
Deferred and contingent consideration	10 (112)	-	(9,811)
Minority shareholder put options liabilities	(1,983)	(16,828)	(6,854)
	<b>(74,372)</b>	<b>(73,122)</b>	<b>(105,143)</b>
<b>NET CURRENT LIABILITIES</b>	<b>(8,098)</b>	<b>(5,912)</b>	<b>(12,857)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>66,133</b>	<b>16,861</b>	<b>59,191</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	(1,526)	(150)	(1,604)
Other financial liabilities	(7,468)	(22)	(8,531)
Deferred and contingent consideration	10 (4,917)	-	(8,325)
Minority shareholder put options liabilities	(3,268)	(8,196)	(3,691)
Other non current liabilities	(1,344)	(972)	(1,142)
	<b>(18,523)</b>	<b>(9,340)</b>	<b>(23,293)</b>
<b>NET ASSETS</b>	<b>47,610</b>	<b>7,521</b>	<b>35,898</b>

**M&C SAATCHI PLC****UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)**

AT 30 JUNE 2008

	30 June 2008	30 June 2007	31 December 2007
	Note	£'000	£'000
<b>EQUITY</b>	11		
Equity attributable to shareholders of the parent			
Share capital	610	543	597
Share premium	13,694	9,794	12,758
Merger reserve	20,749	14,756	20,285
Treasury reserve	(792)	(792)	(792)
Minority interest put option reserve	(4,436)	(15,628)	(6,876)
Foreign exchange reserve	777	(260)	318
Retained earnings	16,552	(1,015)	9,053
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>47,154</b>	<b>7,398</b>	<b>35,343</b>
<b>MINORITY INTERESTS</b>	<b>456</b>	<b>123</b>	<b>555</b>
<b>TOTAL EQUITY</b>	<b>47,610</b>	<b>7,521</b>	<b>35,898</b>

**M&C SAATCHI PLC****UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

SIX MONTHS ENDED 30 JUNE 2008

	Notes	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>CASH GENERATED FROM OPERATIONS</b>	12	<b>2,960</b>	<b>589</b>	<b>8,991</b>
Tax paid		(2,159)	(2,245)	(4,092)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>801</b>	<b>(1,656)</b>	<b>4,899</b>
Acquisitions	13	(14,122)	(1,542)	(24,602)
Proceeds from sale of plant and equipment		4	20	23
Purchase of plant and equipment		(627)	(738)	(1,401)
Purchase of capitalised software		(41)	-	(107)
Interest earned from cash held by trading entities		737	707	1,553
Interest received on centrally held cash		8	257	256
Dividends received from associates		56	-	-
<b>NET CASH CONSUMED BY INVESTING ACTIVITIES</b>		<b>(13,985)</b>	<b>(1,296)</b>	<b>(24,278)</b>
Dividends paid		-	(1,300)	(1,813)
Minority dividend paid		(496)	(1,209)	(1,404)
Issue of own shares		-	3	-
Repayment of finance leases		(10)	(22)	(39)
Inception of bank loans		10,722	-	13,000
Repayment of bank loans		(11,780)	(6)	(4,514)
Interest paid		(403)	(5)	(437)
Interest on finance leases		-	(3)	(2)
<b>NET CASH CONSUMED FROM FINANCING ACTIVITIES</b>		<b>(1,967)</b>	<b>(2,542)</b>	<b>4,791</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(15,151)</b>	<b>(5,494)</b>	<b>(14,588)</b>
Cash and cash equivalents at the beginning of the period		16,895	31,284	31,284
Effect of exchange rate changes		236	30	199
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1,980</b>	<b>25,820</b>	<b>16,895</b>

## **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 condensed consolidated half-yearly financial information was approved for issue on 25 September 2008.

This interim report does not constitute the company's statutory accounts. The information presented in relation to 31 December 2007 is extracted from the statutory financial statements for the year then ended and which have been delivered to the Registrar of Companies. The auditors report on the statutory financial statements for the year ended 31 December 2007 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 S237(2) or (3) of the Companies Act 1985.

## **2. BASIS OF PREPARATION**

This condensed consolidated half-yearly financial information for the half-year ended 30 June 2008 has been prepared in accordance with the AiM Rules for companies. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

## **3. ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those set out in financial statements for the year ended 31 December 2007 and that are to apply for the year ended 31 December 2008.

Taxes on income in the interim periods are accrued using the tax rate that would be anticipated to be applicable expected to total annual earnings.

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

SIX MONTHS ENDED 30 JUNE 2008

**4. EARNINGS PER SHARE AND RECONCILIATION BETWEEN HEADLINE AND STATUTORY RESULTS**

Six months ended 30 June 2008	Reported results £000	Amortisation of acquired intangibles & write off of goodwill £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline results £000
<b>REVENUE</b>	<b>51,769</b>	-	-	-	<b>51,769</b>
<b>OPERATING PROFIT</b>	<b>7,255</b>	<b>466</b>	-	-	<b>7,721</b>
Share of results of associates	(114)	14	-	-	(100)
Net interest	406	-	(234)	169	341
<b>PROFIT BEFORE</b>	<b>7,547</b>	<b>480</b>	<b>(234)</b>	<b>169</b>	<b>7,962</b>
<b>TAXATION</b>					
Taxation	(2,470)	(82)	-	-	(2,552)
<b>PROFIT AFTER TAXATION</b>	<b>5,077</b>	<b>398</b>	<b>(234)</b>	<b>169</b>	<b>5,410</b>
Minority interests	(314)	-	-	-	(314)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>4,763</b>	<b>398</b>	<b>(234)</b>	<b>169</b>	<b>5,096</b>
<b>BASIC EARNINGS PER SHARE</b>					
Weighted average number of shares (thousands)	59,085				59,085
<b>BASIC EPS</b>	<b>8.06p</b>				<b>8.62p</b>
<b>DILUTED EARNINGS PER SHARE</b>					
Weighted average number of shares (thousands) as above	59,085				59,085
Add					
- Float options	411				411
- LTIP Options	995				995
- Contingent consideration	3,047				3,047
Total	63,538				63,538
<b>DILUTED EARNINGS PER SHARE</b>	<b>7.50p</b>				<b>8.02p</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008**Six months ended  
30 June 2007

	Reported results	Amortisation of acquired intangibles	Fair value adjustments to minority put option liabilities	Headline results
	£000	£000	£000	£000
<b>REVENUE</b>	<b>37,309</b>	<b>-</b>	<b>-</b>	<b>37,309</b>
<b>OPERATING PROFIT</b>	<b>2,822</b>	<b>-</b>	<b>-</b>	<b>2,822</b>
Share of results of associates	54	17	-	71
Net interest	456	-	501	957
<b>PROFIT BEFORE</b>	<b>3,332</b>	<b>17</b>	<b>501</b>	<b>3,850</b>
<b>TAXATION</b>				
Taxation	(1,215)	-	-	(1,215)
<b>PROFIT AFTER TAXATION</b>	<b>2,117</b>	<b>17</b>	<b>501</b>	<b>2,635</b>
Minority interests	(761)	-	-	(761)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>1,356</b>	<b>17</b>	<b>501</b>	<b>1,874</b>
<b>BASIC EARNINGS PER SHARE</b>				
Weighted average number of shares (thousands)	53,577			53,577
<b>BASIC EPS</b>	<b>2.53p</b>			<b>3.50p</b>
<b>DILUTED EARNINGS PER SHARE</b>				
Weighted average number of shares (thousands) as above	53,577			53,577
Add				
- Sharesave options	257			257
- Float options	411			411
- LTIP options	-			-
- Contingent consideration	-			-
Total	54,245			54,245
<b>DILUTED EARNINGS PER SHARE</b>	<b>2.50p</b>			<b>3.45p</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008**

Year ended 31 December 2007	Reported results £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline results £000
<b>REVENUE</b>	87,620	-	-	-	87,620
<b>OPERATING PROFIT</b>	9,614	608	-	-	10,222
Share of results of associates	281	53	-	-	334
Net interest	(1,939)	-	3,052	257	1,370
<b>PROFIT BEFORE TAXATION</b>	7,956	661	3,052	257	11,926
Taxation	(3,530)	(182)	-	-	(3,712)
<b>PROFIT AFTER TAXATION</b>	4,426	479	3,052	257	8,214
Minority interests	(1,168)	-	-	-	(1,168)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	3,258	479	3,052	257	7,046
<b>BASIC EARNINGS PER SHARE</b>					
Weighted average number of shares (thousands)	56,163				56,163
<b>BASIC EPS</b>	<b>5.80p</b>				<b>12.55p</b>
<b>DILUTED EARNINGS PER SHARE</b>					
Weighted average number of shares (thousands) as above	56,163				56,163
Add					
- Sharesave options	159				159
- Float options	411				411
- LTIP options	975				975
- Contingent consideration	595				595
Total	58,303				58,303
<b>DILUTED EARNINGS PER SHARE</b>	<b>5.59p</b>				<b>12.09p</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008****5. SEGMENTAL INFORMATION**

Segmental analysis is provided by reference to the geographical origin of business

The directors believe that the underlying performance of the reported geographical segments is more clearly understood by reporting their performance before amortisation and put option charges. A reconciliation to IFRS GAAP reported operating profit and profit before tax is provided in each case.

Six months to 30 June 2008	UK	Asia & Australia	America	Europe	Total
	£000s	£000s	£000s	£000s	£000s
<b>REVENUE</b>	<b>29,933</b>	<b>14,789</b>	<b>2,108</b>	<b>4,939</b>	<b>51,769</b>
<b>OPERATING PROFIT</b>	<b>5,625</b>	<b>740</b>	<b>252</b>	<b>638</b>	<b>7,255</b>
Add					
- Amortisation of intangibles	287	179	-	-	466
<b>HEADLINE OPERATING PROFIT</b>	<b>5,912</b>	<b>919</b>	<b>252</b>	<b>638</b>	<b>7,721</b>
Share of result of associates	-	-	-	(100)	(100)
Net interest	394	36	-	(89)	341
<b>HEADLINE PROFIT BEFORE TAXATION</b>	<b>6,306</b>	<b>955</b>	<b>252</b>	<b>449</b>	<b>7,962</b>
Less					
- Amortisation of intangibles	(287)	(179)	-	(14)	(480)
- Fair value adjustments to minority put option liabilities	234	-	-	-	234
- Notional interest on deferred consideration	(169)	-	-	-	(169)
<b>Total of headline adjustments</b>	<b>(222)</b>	<b>(179)</b>	<b>-</b>	<b>(14)</b>	<b>(415)</b>
<b>PROFIT BEFORE TAXATION</b>	<b>6,084</b>	<b>776</b>	<b>252</b>	<b>435</b>	<b>7,547</b>
Taxation	(1,730)	(567)	(100)	(73)	(2,470)
<b>PROFIT FOR THE PERIOD</b>	<b>4,354</b>	<b>209</b>	<b>152</b>	<b>362</b>	<b>5,077</b>
Minority interests	175	92	17	30	314
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>4,179</b>	<b>117</b>	<b>135</b>	<b>332</b>	<b>4,763</b>
Add					
- Headline adjustments above	222	179	-	14	415
- Deferred tax on amortisation of acquired intangibles	(82)	-	-	-	(82)
<b>HEADLINE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>4,319</b>	<b>296</b>	<b>135</b>	<b>346</b>	<b>5,096</b>
<b>HEADLINE BASIC EPS</b>					<b>8.62p</b>



**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008**

Six months to 30 June 2007	UK	Asia & Australia	America	Europe	Total
	£000s	£000s	£000s	£000s	£000s
<b>REVENUE</b>	<b>22,014</b>	<b>11,306</b>	<b>1,917</b>	<b>2,072</b>	<b>37,309</b>
<b>OPERATING PROFIT</b>	<b>3,077</b>	<b>(360)</b>	<b>58</b>	<b>47</b>	<b>2,822</b>
<b>HEADLINE OPERATING PROFIT</b>	<b>3,077</b>	<b>(360)</b>	<b>58</b>	<b>47</b>	<b>2,822</b>
Share of result of associates	(56)	-	-	127	71
Net interest	951	12	2	(8)	957
<b>HEADLINE PROFIT BEFORE TAXATION</b>	<b>3,972</b>	<b>(348)</b>	<b>60</b>	<b>166</b>	<b>3,850</b>
Less					
- Fair value adjustments to minority put option liabilities	(501)	-	-	-	(501)
- Amortisation of intangibles	-	-	-	(17)	(17)
<b>Total of headline adjustments</b>	<b>(501)</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>(518)</b>
<b>PROFIT BEFORE TAXATION</b>	<b>3,471</b>	<b>(348)</b>	<b>60</b>	<b>149</b>	<b>3,332</b>
Taxation	(1,034)	(39)	(141)	(1)	(1,215)
<b>PROFIT FOR THE PERIOD</b>	<b>2,437</b>	<b>(387)</b>	<b>(81)</b>	<b>148</b>	<b>2,117</b>
Minority interests	683	32	43	3	761
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>1,754</b>	<b>(419)</b>	<b>(124)</b>	<b>145</b>	<b>1,356</b>
Add					
- Headline adjustments above	501	-	-	17	518
<b>HEADLINE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>2,255</b>	<b>(419)</b>	<b>(124)</b>	<b>162</b>	<b>1,874</b>
<b>HEADLINE BASIC EPS</b>					<b>3.50p</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008**

Year to 31 December 2007	UK	Asia & Australia	America	Europe	Total
	£000s	£000s	£000s	£000s	£000s
<b>REVENUE</b>	<b>52,765</b>	<b>24,663</b>	<b>4,132</b>	<b>6,060</b>	<b>87,620</b>
<b>OPERATING PROFIT</b>	<b>7,761</b>	<b>550</b>	<b>581</b>	<b>722</b>	<b>9,614</b>
Add					
- Amortisation of intangibles	608	-	-	-	608
<b>HEADLINE OPERATING PROFIT</b>	<b>8,369</b>	<b>550</b>	<b>581</b>	<b>722</b>	<b>10,222</b>
Share of result of associates	25	-	-	309	334
Net interest	1,448	10	2	(90)	1,370
<b>HEADLINE PROFIT BEFORE TAXATION</b>	<b>9,842</b>	<b>560</b>	<b>583</b>	<b>941</b>	<b>11,926</b>
Less					
- Amortisation of intangibles	(608)	-	-	(53)	(661)
- Fair value adjustments to minority put option liabilities	(3,052)	-	-	-	(3,052)
- Notional interest on deferred consideration	(257)	-	-	-	(257)
<b>Total of headline adjustments</b>	<b>(3,917)</b>	<b>-</b>	<b>-</b>	<b>(53)</b>	<b>(3,970)</b>
<b>PROFIT BEFORE TAXATION</b>	<b>5,925</b>	<b>560</b>	<b>583</b>	<b>888</b>	<b>7,956</b>
Taxation	(2,833)	(368)	(207)	(122)	(3,530)
<b>PROFIT FOR THE PERIOD</b>	<b>3,092</b>	<b>192</b>	<b>376</b>	<b>766</b>	<b>4,426</b>
Minority interests	997	59	67	45	1,168
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>2,095</b>	<b>133</b>	<b>309</b>	<b>721</b>	<b>3,258</b>
Add					
- Headline adjustments above	3,917	-	-	53	3,970
- Deferred tax on amortisation of acquired intangibles	(182)	-	-	-	(182)
<b>HEADLINE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>5,830</b>	<b>133</b>	<b>309</b>	<b>774</b>	<b>7,046</b>
<b>HEADLINE BASIC EPS</b>					<b>12.55p</b>

**6. FINANCE COSTS**

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>Finance costs</b>			
Bank interest chargeable	(395)	(7)	(403)
Interest payable on finance leases	-	-	(2)
Other interest payable	(8)	-	(34)
<b>Total interest payable</b>	<b>(403)</b>	<b>(7)</b>	<b>(439)</b>
Notional interest on contingent consideration	(169)	-	(257)
Fair value adjustments to minority shareholder put option liabilities	234	(501)	(3,052)
<b>Total</b>	<b>(338)</b>	<b>(508)</b>	<b>(3,748)</b>

**7. TAXATION**

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

The estimated effective annual tax rate for the period to 30 June 2008 is 32.7% (30 June 2007: 36.5%).

The headline average annual tax rate used for the period to 30 June 2008 is 32.1% (30 June 2007: 31.6%).

The increase in the headline average annual tax rate is mainly due to closing offices reporting losses with no associated tax credits, partly offset by the reduction in the UK Corporation taxation rate, applicable from April 2008, from 30% to 28%.

The difference between the headline and statutory tax rates is caused by a difference in the profit before tax as neither the impact of fair value adjustments to minority shareholder put option liabilities or amortisation of intangible assets has any effect on the tax charge.

**8. DIVIDENDS**

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
2007 final dividend 0.00*p (2006 2.43p)	-	1,300	1,300
2007 interim dividend – (2006 0.77p)	-	-	513
	-	<b>1,300</b>	<b>1,813</b>

\*The 2007 final dividend of £1,658k (2.75p per share) was paid in July 2008 and therefore not included in the income statement covering the period to 30 June 2008.

The directors propose an interim dividend of 0.87 pence per share (2007: 0.87 pence per share) payable on 21 November 2008 to shareholders who are on the register at 10 October 2008. This interim dividend, amounting to £524k (2007: £513k) has not been recognised as a liability in this half-yearly financial report.

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008****9. ACQUISITIONS**

On 12 February 2008 the Group acquired control of F5, a French digital Agency through the acquisition of 82% of its equity. Deferred consideration of £45k will be settled in July 2008, with an estimated contingent payment of £100k to be settled in 30 June 2009.

On 1 May 2008 the Group acquired a further 30% of Play London Ltd (Play), a digital agency, for £43k. The Group had previously held 50% of the equity of Play and accounted for the investment as an associate.

**Exercise of put options**

On 2 April 2008 the Group acquired the remaining 5.5% of the share capital of Walker Media Holdings Ltd for a cash payment of £3,854k and an issue of 854,978 shares.

On 9 April 2008 the Group paid £5,369k being the contingent consideration on the purchase of the 2007 purchase of 19.5% of the share capital of Walker Media Holdings Ltd

**Clear Ideas Ltd**

On 16 June 2008, the Group paid contingent consideration of £1,750k in cash, issued 466,867 shares and paid deferred consideration of £686k in cash.

**INVESTMENT IN SUBSIDIARIES**

	Clear £000	Walker Media £000	F5 (digital France) £000	PLAY (digital UK) £000
<b>Consideration, satisfied by:</b>				
Cash paid for acquisition	-	3,854	-	43
Cash settle prior period deferred and contingent consideration	2,436	5,369	-	-
Fair value of deferred and contingent consideration	-	-	145	-
Shares issued	469	945	-	-
	2,905	10,168	145	43
<b>Direct costs of acquisition</b>				
	-	44	19	-
	2,905	10,212	164	43
<b>LESS</b>				
- Fair value of net assets / (liabilities) acquired	-	(70)	-	(29)
- settlement of prior period deferred and contingent consideration	2,500	5,127	-	-
- adjustment to prior period estimate of contingent consideration	3,580	-	-	-
<b>Goodwill (eliminated) / created</b>	<b>(3,175)</b>	<b>5,155</b>	<b>164</b>	<b>72</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008****10. DEFERRED AND CONTINGENT CONSIDERATION**

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>Amounts falling within one year</b>			
Deferred	(112)	-	(7,311)
Contingent	-	-	(2,500)
	<b>(112)</b>	<b>-</b>	<b>(9,811)</b>
<b>Amounts falling after one year</b>			
Contingent	(4,917)	-	(8,325)
	<b>(5,029)</b>	<b>-</b>	<b>(18,136)</b>

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Brought forward	(18,136)	(67)	(67)
Exchange difference	-	-	(6)
Acquisitions	(145)	-	(17,879)
Notional interest charge	(169)	-	(257)
Settled			
- Cash	10,181	-	351
- Shares	469	-	-
Adjustment to prior period estimate	2,771	67	(278)
Carried forward	<b>(5,029)</b>	<b>-</b>	<b>(18,136)</b>

**M&C SAATCHI PLC**
**NOTES TO THE INTERIM STATEMENTS**
**SIX MONTHS ENDED 30 JUNE 2008**
**11. RESERVES**

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Minority interest put option reserve £000	Foreign exchange reserve £000	Retained earnings £000	Subtotal £000	Minority interests £000	Total £000
31 December 2006	542	9,618	14,756	(792)	(13,318)	(371)	(1,261)	<b>9,174</b>	576	<b>9,750</b>
<b>Reserve movements for the Six month ending 30 June 2007</b>										
Issue of shares	1	176	-	-	-	-	-	177	-	177
Exchange rate movements	-	-	-	-	-	111	-	111	(5)	106
New minority shareholder put options	-	-	-	-	(2,310)	-	-	(2,310)	-	(2,310)
Equity settled share based payments	-	-	-	-	-	-	190	190	-	190
Dividends	-	-	-	-	-	-	(1,300)	(1,300)	(1,209)	(2,509)
Profit for the period	-	-	-	-	-	-	1,356	1,356	761	2,147
30 June 2007	543	9,794	14,756	(792)	(15,628)	(260)	(1,015)	<b>7,398</b>	123	<b>7,521</b>
31 December 2006	542	9,618	14,756	(792)	(13,318)	(371)	(1,261)	<b>9,174</b>	576	<b>9,750</b>
<b>Reserve movements for the Year ending 31 December 2007</b>										
Issue of shares for										
- acquisitions	55	3,118	5,529	-	-	-	-	8,702	-	8,702
- share save	-	22	-	-	-	-	-	22	-	22
Exchange rate movements	-	-	-	-	-	689	-	689	(1)	688
Exercise of minority put options	-	-	-	-	8,741	-	8,353	17,094	-	17,094
New minority shareholder put options	-	-	-	-	(2,299)	-	-	(2,299)	-	(2,299)
Transfer between majority and minority reverses	-	-	-	-	-	-	(191)	(191)	191	-
Other	-	-	-	-	-	-	275	275	25	300
Equity settled share based payments	-	-	-	-	-	-	432	432	-	432
Dividends	-	-	-	-	-	-	(1,813)	(1,813)	(1,404)	(3,217)
Profit for the year	-	-	-	-	-	-	3,258	3,258	1,168	4,426
31 December 2007	597	12,758	20,285	(792)	(6,876)	318	9,053	<b>35,343</b>	555	<b>35,898</b>
<b>Reserve movements for the Six months ending 30 June 2008</b>										
Exchange differences	-	-	-	-	-	459	-	459	4	463
Issue of shares for acquisitions	13	936	464	-	-	-	71	1,484	-	1,484
Exercise of minority put options	-	-	-	-	2,440	-	2,619	5,059	-	5,059
Equity settled share based payments	-	-	-	-	-	-	125	125	-	125
Transfer between majority and minority reverses	-	-	-	-	-	-	(79)	(79)	79	-
Dividends	-	-	-	-	-	-	-	-	(496)	(496)
Profit for the period	-	-	-	-	-	-	4,763	4,763	314	5,077
30 June 2008	610	13,694	20,749	(792)	(4,436)	777	16,552	<b>47,154</b>	456	<b>47,610</b>

**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008****12. CASH GENERATED FROM OPERATIONS**

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Revenue	51,769	37,309	87,620
Operating expenses	(44,514)	(34,487)	(78,006)
<b>Operating Profit</b>	<b>7,255</b>	<b>2,822</b>	<b>9,614</b>
Adjustments for:			
Depreciation of plant and equipment	724	759	1,463
Losses on sale of plant and equipment	13	9	(36)
(Profit) on sale of intangible assets	(4)	-	(2)
Amortisation on acquired intangible assets	466	-	608
Amortisation of capitalised software intangible assets	37	-	106
Non-cash share based incentive plans	125	190	432
<b>Operating cash flow before movements in working capital and provisions</b>	<b>8,616</b>	<b>3,780</b>	<b>12,185</b>
Decrease / (increase) in trade and other receivables	12,216	7,555	(22,064)
(Decrease) / increase in trade and other payables	(17,872)	(10,746)	18,870
<b>Net cash inflow from operating activities</b>	<b>2,960</b>	<b>589</b>	<b>8,991</b>



**M&C SAATCHI PLC****NOTES TO THE INTERIM STATEMENTS****SIX MONTHS ENDED 30 JUNE 2008****13. CASH CONSUMED BY ACQUISITIONS**

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>Acquisitions</b>			
Initial cash consideration			
- Clear Ideas Ltd	-	-	(14,508)
- Walker Media Holdings Ltd (19.5% acquisition)	-	-	(8,922)
- Walker Media Holdings Ltd (5.5% acquisition)	(3,898)	-	-
- Talk PR Ltd	-	-	(3)
- M&C Saatchi Berlin GmbH	-	-	(358)
- Play London Ltd	(43)	-	-
	(3,941)	-	(23,791)
Cash and cash equivalents acquired	-	-	776
	(3,941)	-	(23,015)
Purchase of associate (Zapping, Spain)	-	(1,542)	(1,587)
<b>Deferred and contingent consideration paid</b>			
- Clear Ideas Ltd	(2,436)	-	-
- Walker Media Holdings Ltd (19.5% share acquisition)	(5,369)	-	-
- Zapping (Associate, Spain)	(2,376)	-	-
<b>Total</b>	<b>(10,181)</b>	<b>(1,542)</b>	<b>-</b>
<b>Total payments made in the period relating to acquisitions</b>	<b>(14,122)</b>	<b>(1,542)</b>	<b>(24,602)</b>

**14. CAPITAL COMMITMENTS**

The only significant capital commitment is our agreement to acquire a further 50% of Zapping Publicidad, S.A and its group over the next three years.