

M&C SAATCHI

2010 Interim Results

30th September 2010

Overview

- A first half of good progress with significant revenue momentum and earnings growth
- Marketing budgets remain tight, so pressure on fees persists
- We maintain a close focus on cost control and new business
- We continue to invest and build for the future
 - Two new offices opened (South Africa and Italy)
 - Mobile acquisition strengthens the Group offer and is being extended with other brands to new markets
- Balance sheet is robust

Headline results

6 months to June 2010

	<u>2010</u>	<u>2009</u>	<u>10 v's 9</u>
	£000's	£000's	%
Revenue	58,227	49,801	17%
Operating profit	6,259	5,527	13%
Profit before tax	6,254	5,357	17%
Profit after tax	4,003	3,473	15%
Minority Interest	(8)	(263)	-97%
Profit for period	3,995	3,210	24%
Basic EPS	6.49p	5.27p	23%

Key Ratios

6 months to June 2010

	2010	2009
Headline revenue growth	16.9%	-3.8%
Organic revenue growth	11.0%	-7.5%
Operating margin	10.7%	11.1%
PBT margin	10.7%	10.8%
Effective tax rate	36.2%	34.5%
Minority interest: PAT	0.2%	7.6%
Basic E.P.S	6.49p	5.27p
Diluted E.P.S	6.28p	5.14p

The Headline P&L

6 months to June 2010

	<u>2010</u>	<u>2009</u>	<u>Movement</u>	
	£000's	£000's	£000's	%
Revenue (gross profit)	58,227	49,801	8,426	17%
Operating Expenses	51,783	44,140	7,643	17%
LTIP Expense	185	134	51	38%
Operating profit	<u>6,259</u>	<u>5,527</u>	<u>732</u>	<u>13%</u>
Share of Associate	31	(107)	138	-
Net Interest	(36)	(63)	27	-43%
Profit Before Tax	<u>6,254</u>	<u>5,357</u>	<u>897</u>	<u>17%</u>
Tax Rate	36.2%	34.5%		
Profit After Tax	<u>4,003</u>	<u>3,473</u>	<u>530</u>	<u>15%</u>
Minority Interest	(8)	(263)	255	-97%
Profit for Period	<u>3,995</u>	<u>3,210</u>	<u>785</u>	<u>24%</u>
Headline EPS	6.49p	5.27p	1.22p	23%

The Headline P&L

6 months to June 2010

	UK	Europe	Asia & Australia	Americas	New Offices	Clear	Central Costs	Group Total
Revenue	25,266	5,121	20,539	1,718	231	5,352	-	58,227
v's 2009	6%	11%	33%	30%	-	14%	-	17%
v's 2009 - organic	6%	14%	14%	27%	-	14%	-	11%
Operating profit	5,296	591	1,613	(103)	(342)	1,193	(1,989)	6,259
v's 2009	6%	72%	9%	-	-	30%	10%	13%
Operating Margin	21.0%	11.5%	7.9%	-	-	22.3%	-	10.7%
2009	21.1%	7.5%	9.6%	-	-	19.6%	-	11.1%
Share of Associate	-	31	-	-	-	-	-	31
Net Interest	43	(27)	46	(9)	2	3	(94)	(36)
Central Costs	(397)	(37)	(180)	(8)	-	-	622	-
Profit Before Tax	<u>4,942</u>	<u>558</u>	<u>1,479</u>	<u>(120)</u>	<u>(340)</u>	<u>1,196</u>	<u>(1,461)</u>	<u>6,254</u>
Tax Rate	29.0%	36.1%	37.1%	-	-	29.0%	24.0%	36.2%
Profit After Tax	<u>3,511</u>	<u>368</u>	<u>931</u>	<u>(205)</u>	<u>(340)</u>	<u>849</u>	<u>(1,111)</u>	<u>4,003</u>
Minority Interest	26	89	92	(31)	(170)	2	-	8
Profit for Period	<u>3,485</u>	<u>279</u>	<u>839</u>	<u>(174)</u>	<u>(170)</u>	<u>847</u>	<u>(1,111)</u>	<u>3,995</u>

Revenue

6 months to June 2010

	2010	2009	10 v's 09	
	£000's	£000's	Reported Rates %	Constant Rates %
UK	25,266	23,757	6.4%	6.4%
Asia & Australia	20,539	15,427	33.1%	13.8%
Americas	1,718	1,320	30.2%	27.4%
Europe	5,121	4,608	11.1%	13.6%
Clear	5,352	4,689	14.1%	13.8%
Organic total	57,996	49,801	16.5%	10.6%
New offices	231	-	-	-
Group Total	58,227	49,801	16.9%	11.0%

Top 10 Clients

- ANZ
- Boots
- Barclays
- DSGI
- Optus
- Pernod Ricard
- Qantas
- RBS
- Westfield
- Woolworths

One change from a year ago - Boots in, GSK out

Top 10 = 32% of Revenue (H1 09 32%; FY 09 33%)

UK

- Trading remains tough
- After no client losses in 2009, several clients have reviewed (Fosters, Halfords and Lucozade lost, plus Change4Life has been axed by incoming Government)
- But winning new business, in particularly integrated accounts
- Key new clients:
 - iShares, Mail on Sunday, Network Rail, The Olympic Delivery Authority, Bathstore
The Conservative Party, FTI Consulting, Turkish Tourist Board, IKEA * and Netjets *
- In this context, we continue to manage costs tightly
- Plus winning awards (Dixons and HP Sauce)

* = CRM

Clear

- Positive first half performance
- Cost restructuring from last year has meant improved margins
- Good new business wins – Barclays, Celgene, Coors, Philips and Skandia
- Strong growth in US and Asia – Kellogg's, Mars and Pepsi
- New office in Australia
- Visibility remains poor and we are monitoring forward workloads very closely

Europe

- Trading still remains challenging – but we are making progress
- Germany is performing well (won Ferrero Duplo)
- France is still a difficult market but positive digital and PR performances
- Spain (Associate) made a modest contribution
- Cautious optimism

Asia and Australia

- Strong revenue performance, but some market pricing pressure has hit margins
- Australia had a slow start but now doing well and looks positive for the remainder of year
 - Good new business wins:
 - Brand Australia, David Jones and ING
- Greater China gaining steady momentum
- Malaysia had good wins; Volkswagen, Bursa Malaysia (the Malaysian Stock Exchange) and MAB (Malaysian Airports)
- India and New Zealand slow

Americas

- US trading remains difficult but critical to be in market for worldwide proposition
- Further options being considered
- Brazil (new office in 2009) improving and should be profitable in Q4

New Offices

- South Africa
 - Cape Town in February
 - Johannesburg in October
- MENA - Beirut in April (Associate)
- Italy - Milan in June
- Going well, some investment will continue into 2011

Balance Sheet, Cash and Dividend

- Balance sheet robust
- Seasonal working capital outflow
- Net cash £6.4m compares with 30 June 2009:(£0.4m)
- Minority put options up £8.3m, 95% of total is “paper” based
- Interim dividend held at 0.87p

Balance sheet

	2010	2009	2009
	30th June	30th June	31st Dec.
	£000's	£000's	£000's
Non Current Assets	69,036	65,690	66,377
Net Debtors	61,653	51,124	55,631
Net Creditors	(71,832)	(57,721)	(72,596)
Net Working Capital Position - Excl. Cash	<u>(10,179)</u>	<u>(6,597)</u>	<u>(16,965)</u>
Net Tax	(1,711)	(1,997)	(1,911)
Cash	12,809	4,470	15,111
Net Current Assets	<u>919</u>	<u>(4,124)</u>	<u>(3,765)</u>
Bank Loan	(6,412)	(4,861)	(4,447)
Deferred Consideration	(1,665)	(229)	(229)
Provision for minority put options	(12,214)	(2,332)	(3,923)
Non Current liabilities	(862)	(927)	(897)
Net assets	<u>48,802</u>	<u>53,217</u>	<u>53,116</u>

Cash

	<u>£000's</u>
Opening balance as at 1st January 2010	15,111
Effect of exchange revaluation	260
Operating profit	6,139
Net Interest paid	(30)
Tax paid in period	(2,136)
Depreciation	1,084
Capital expenditure - cash & lease payments	<u>(815)</u>
Free cash flow before working capital	4,242
Impact of working capital movements	(5,996)
Dividends paid (ordinary & MI)	<u>(1,909)</u>
Net cash outflow before acquisitions	(3,663)
Acquisitions	(1,525)
Disposal of non controlling shareholding	591
Increase in bank loans	2,035
Closing Balance as at 30th June 2010	<u><u>12,809</u></u>

Outlook

- Outlook remains uncertain with limited visibility of clients' exposure to economic pressures
- Current trading strong and resources are being tightly managed
- Continuing to seek further opportunities to provide basis for future growth
- 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 2010

	2010 £000's	2009 £000's	10 v's 09	
			£000's	%
Revenue	25,266	23,757	1,509	6.4%
Underlying operating profit	5,296	5,016	280	5.6%
Group costs	(1,989)	(1,653)	(336)	20.3%
Recharged	225	186	39	21.0%
Reported operating profit	<u>3,532</u>	<u>3,549</u>	<u>(17)</u>	<u>-0.5%</u>
Associate	-	-	-	-
Net interest	(51)	(96)	45	-46.9%
Profit before tax	<u>3,481</u>	<u>3,453</u>	<u>28</u>	<u>0.8%</u>
Underlying margin	21.0%	21.1%		-0.1 PTS
Reported margin	14.0%	14.9%		-0.9 PTS

Clear

Summary Profit & Loss 6 months to June 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	5,352	4,689	663	14.1%
Underlying operating profit	1,193	921	272	29.5%
Group recharge	-	-	-	-
Reported operating profit	<u>1,193</u>	<u>921</u>	<u>272</u>	<u>29.5%</u>
Associate	-	-	-	-
Net interest	3	5	(2)	-
Profit before tax	<u>1,196</u>	<u>926</u>	<u>270</u>	<u>29.2%</u>
Underlying margin	22.3%	19.6%		2.7 PTS
Reported margin	22.3%	19.6%		2.7 PTS

Europe

Summary Profit & Loss 6 months to June 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	5,121	4,608	513	11.1%
Underlying operating profit	591	343	248	72.3%
Group recharge	(37)	(20)	(17)	85.0%
Reported operating profit	<u>554</u>	<u>323</u>	<u>231</u>	<u>71.5%</u>
Associate	31	(107)	138	-
Net interest	(27)	(28)	1	-3.6%
Profit before tax	<u>558</u>	<u>188</u>	<u>370</u>	<u>196.8%</u>
Underlying margin	11.5%	7.4%		4.1 PTS
Reported margin	10.8%	7.0%		3.8 PTS

Asia & Australia

Summary Profit & Loss 6 months to June 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	20,539	15,427	5,112	33.1%
Underlying operating profit	1,613	1,475	138	9.4%
Group recharge	(180)	(131)	(49)	37.4%
Reported operating profit	<u>1,433</u>	<u>1,344</u>	<u>89</u>	<u>6.6%</u>
Associate	-	-	-	-
Net interest	46	55	(9)	-16.4%
Profit before tax	<u>1,479</u>	<u>1,399</u>	<u>80</u>	<u>5.7%</u>
Underlying margin	7.9%	9.6%		-1.7 PTS
Reported margin	7.0%	8.7%		-1.7 PTS

Americas

Summary Profit & Loss 6 months to June 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u>	
			£000's	%
Revenue	1,718	1,320	398	30.2%
Underlying operating profit	(103)	(575)	472	-82.1%
Group recharge	(8)	(35)	27	-77.1%
Reported operating profit	<u>(111)</u>	<u>(610)</u>	<u>499</u>	<u>-81.8%</u>
Associate	-	-	-	-
Net interest	(9)	1	(10)	-
Profit before tax	<u>(120)</u>	<u>(609)</u>	<u>489</u>	<u>-80.3%</u>
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS

New Offices

Summary Profit & Loss
6 months to June 2010

	<u>2010</u> £000's	<u>2009</u> £000's	<u>10 v's 09</u> £000's	%
Revenue	231	-	231	-
Underlying operating profit	(342)	-	(342)	-
Group Recharge	-	-	-	-
Reported operating profit	<u>(342)</u>	<u>-</u>	<u>(342)</u>	<u>-</u>
Associate	-	-	-	-
Net interest	2	-	2	-
Profit before tax	<u>(340)</u>	<u>-</u>	<u>(340)</u>	<u>-</u>
Underlying margin	-	-		- PTS
Reported margin	-	-		- PTS