

M&C SAATCHI PLC

INTERIM RESULTS

**SIX MONTHS TO
30 JUNE 2006**

28 September 2006

Overview

The Group has made good progress during the last six months, winning new business and growing revenues across all regions. Group revenues were up 8.7% to £34.7m (8.0% on a constant currency basis), comfortably replacing the lost revenue from British Airways.

The UK has been the strongest driver of growth, particularly from the media planning and buying, direct marketing and PR businesses. Our offices in Australia and Los Angeles also provided good growth and our France office is now making a contribution. In July, we opened the doors to M&C Saatchi Germany, adding to our European offering. New business performance from many of our smaller Asia Pacific offices has also been strong in the first half.

Group profits have been impacted temporarily by increased costs to support our new offices in India, Thailand and Europe and our offices in New Zealand and Singapore which have been effected by account losses. This profit impact is expected to reverse in the second half, and we are confident that profits for the full year will be significantly ahead of our previous expectations.

Financial review

Reported revenues (gross profit) increased by 8.7% to £34.7m (8.0% on a constant currency basis). All regions reported an increase in revenues – the UK up 6.6% to £20.3m, Asia and Australia up 7.2% to £12.3m, America up 11.3% to £1.6m and Europe at £0.5m.

Revenues in the UK have shown strong organic growth. The growth has been most notable at Walker Media, but we have also seen strong growth from our direct marketing and PR businesses.

The growth in Asia and Australia is being driven by Malaysia (up 35%) but more significantly in terms of absolute contribution, from Australia on the back of the Tourism Australia account won in the second half of last year. The new offices in Thailand and India are making a revenue contribution for the first time, adding £0.3m. Overall growth in the Asia and Australia region has been significantly held back by account losses in New Zealand (following the Tourism Australia win) and Singapore, reducing year on year growth across the region to a net 5.7%.

Our office in Los Angeles has maintained its new business momentum into the first half of 2006. Revenue is up 43%, more than offsetting the loss of the BA revenue suffered in New York.

We opened the first of our planned new offices in continental Europe in France in September last year. It has had an excellent start with revenues in the first half of 2006 at £0.5m.

The first half profitability has been impacted by the investments we have made to support our future revenue growth. The most significant of these are the start up costs associated with opening new offices in India, Thailand and France, but we have also needed to support short term losses in our Singapore and New Zealand offices.

The Board has declared an interim dividend of 0.77 pence per share (2005: 0.77 pence) to be paid on 25th October 2006 to shareholders on the register as at 6th October 2006.

Review of Operations

UK

The UK operations have reported an excellent first half performance, benefiting from several account wins during 2005 and in the first half of 2006. Revenues from the UK Group are up 6.6%, comfortably replacing lost revenues from British Airways, giving an organic growth rate of over 14% when adjusted to exclude these revenues. New business growth has exceeded our expectations and we are on track to deliver revenue growth for the full year despite the significant loss of revenues from British Airways.

The table below list some of our new account wins during 2005 and 2006 which will be contributing to revenue growth during this year.

2005

Direct line - Advertising
RBS Retail - Advertising
NatWest mortgages - Advertising
Ribena - Advertising
Mini – Direct Marketing
Weetabix – Walker Media
Ind' News and Media - Walker Media
Halfords – Walker Media

2006 to date

Allied Bakeries – Advertising
Lucozade Energy – Advertising
CB Richard Ellis - Advertising
Swiss One – Direct Marketing
Cosmopolitan – Talk PR

Growth in the first half has been driven by our businesses outside the creation of advertising, particularly media planning and buying (Walker Media), Direct Marketing (LIDA) and PR (Talk PR). Around 47% (2005: 40%) of the UK's revenues are now derived from these businesses.

Digital and on-line activities are becoming increasingly important and have been driving growth in both LIDA and Walker Media, following the launch of Walker-*i* last year.

The overall advertising environment in the UK remains challenging and competition is intense. We continue to see downward pressure exerted by the procurement community on prices and consequently margins, and expect to see this continue for the foreseeable future.

Asia and Australia

The Asia and Australia region has had a mixed performance. Revenues in this region were up 7.2%, with particularly strong growth in Australia and Malaysia. New account wins included Sydney Water, KFC Hong Kong and Pizza Hut New Zealand. However, performance from our New Zealand and Singapore offices has been impacted by the loss of some key accounts, including the award-winning Tourism New Zealand account which had to be sacrificed as a result of winning the Australia Tourism account last year.

These offices are strategically important - New Zealand to support trans Tasman business, and Singapore as an Asian hub. We have therefore not reduced operating costs in response to the loss of revenue, and because these offices are relatively small this has had a significant impact on short term profitability. Following a change in management New Zealand is making good progress and Singapore will be back into profit in the second half.

Profitability has also been impacted by our investment in new offices in Thailand and India which will support further growth opportunities.

The new business performance in the first half has been very encouraging and we are confident that the second half will show a significant recovery.

America

The headline numbers for America, which show an operating loss of £0.2m on revenues of £1.6m, hide the significant progress that has been made to offset the impact of the loss of BA last year.

Revenue has grown by 11.3%, driven by significant account gains. In Los Angeles, important wins have been City National Bank and Network Omni, while New York is also making steady progress with important contributions coming from PODS, won in June 2005, and AIG, won in

May 2006. More recently Los Angeles has won the \$30 million Petco account and an assignment from the John Paul Getty Trust.

Profitability of the region is being impacted by our continued investment in the New York office, which is offsetting the excellent performance in Los Angeles.

Based on the success of the Los Angeles office we believe that the US market still offers significant growth opportunities for the Group.

Europe

M&C Saatchi GAD, our first office in continental Europe, opened in France in September last year and has made an excellent start with revenues of £0.5m in the first half. Amongst their key new business wins, Pernod Ricard in particular is proving to be a strong pan-European account which can be serviced from France. Other wins include S'miles, Branly Museum, Bordeaux Wines and more recently Yves Rocher.

In July, we launched our second European office, M&C Saatchi Germany, following the acquisition of a majority stake in local agency International GMBH. International was founded by Todd Schulz in 2003 and has already built up an impressive array of clients including K-Swiss Europe, Coca-Cola, Ferrero for various KINDER products, MTV, VIVA and HypoVereinsbank.

In Spain we are in negotiation with our preferred partners. These negotiations are unlikely to be completed before the end of this year.

The setting up of our continental European business has been led by Nick Hurrell, Chairman, Europe. Nick is leaving M&C Saatchi at the end of October to start his own agency, and we wish him well. Europe including the UK will now be managed as one region under the leadership of Moray MacLennan, Chairman, UK Group. This will further facilitate our ability to pitch for pan-European accounts.

Outlook

As we approach the fourth quarter we now have good visibility through to the end of the year.

New business performance continues to be strong across the Group, with organic growth rates which are comfortably offsetting the loss of the BA account last November.

In the Asia and Australia region, start-up losses in India and Thailand should reduce in the second half, while our offices in Singapore and New Zealand are now making significant progress.

In America our office in Los Angeles is doing well, and we are planning to strengthen the team in New York to capitalise on the potential we see there.

In continental Europe our French office is making good progress in winning new business, our German office is now fully operational, and negotiations in Spain are continuing.

The growth of M&C Saatchi is a function of our ability to win new clients and additional assignments from existing clients, to expand our range of services and to expand the geographical footprint to enable us to compete for regional and global business. We are making good progress on all counts.

In summary, the business has regained momentum, and we now expect profits for the full year to be significantly ahead of our previous expectations. The outlook into 2007 is good.

M&C SAATCHI PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE GROUP
SIX MONTHS ENDED 30 JUNE 2006

		UNAUDITED	UNAUDITED	AUDITED
		Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
	Note			
Turnover	2	150,255	128,172	298,284
Cost of sales		(115,600)	(96,290)	(230,283)
Gross profit	2	34,655	31,882	68,001
Administrative expenses				
- ordinary		(32,275)	(28,263)	(61,639)
- share based payment		(188)	(56)	(185)
- amortisation of goodwill		(854)	(821)	(1,688)
		(33,317)	(29,140)	(63,512)
Operating profit	2	1,338	2,742	4,489
Share of operating profit / (loss) of associates		3	(143)	(75)
Interest receivable		675	657	1,384
Interest payable		(14)	(10)	(29)
Profit on ordinary activities before taxation	2	2,002	3,246	5,769
Taxation on profits from ordinary activities		(1,293)	(1,373)	(2,690)
Profit on ordinary activities after taxation		709	1,873	3,079
Minority interests		(445)	(326)	(663)
Profit for the financial period		264	1,547	2,416
Earnings per share	3			
- Basic		0.49p	2.85p	4.46p
- Diluted		0.48p	2.83p	4.41p

All amounts relate to continuing activities

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Profit for the financial period			
- Group	261	1,690	2,497
- Associates	3	(143)	(81)
	<u>264</u>	<u>1,547</u>	<u>2,416</u>
Exchange adjustments on foreign currency net investments	(272)	(158)	(50)
Total recognised gains and losses for the financial period	<u>(8)</u>	<u>1,389</u>	<u>2,366</u>

CONSOLIDATED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Profit for the financial period			
- Group	261	1,690	2,497
- Associates	3	(143)	(81)
Dividend	(965)	(629)	(1,045)
	<u>(701)</u>	<u>918</u>	<u>1,371</u>
Exchange differences	(272)	(158)	(50)
Non cash share based incentive plans (including options)	119	28	85
Net (reduction) / addition to shareholders' funds	(854)	788	1,406
Opening shareholders' funds	31,616	30,210	30,210
Closing shareholders' funds	<u>30,762</u>	<u>30,998</u>	<u>31,616</u>

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
BALANCE SHEET
AT 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	30 June 2006 £'000	30 June 2005 £'000	31 December 2005 £'000
Fixed assets			
Intangible assets	13,773	15,119	14,592
Tangible assets	3,363	3,048	3,194
Investments	55	15	100
	<u>17,191</u>	<u>18,182</u>	<u>17,886</u>
Current assets			
Work in progress	1,759	1,890	3,277
Debtors - within one year	40,654	26,434	50,552
Debtors - greater than one year	819	817	578
Cash in hand and bank	23,742	25,314	20,486
	<u>66,974</u>	<u>54,455</u>	<u>74,893</u>
Creditors: amounts falling due within one year	(51,327)	(39,967)	(58,969)
Net current assets	15,647	14,488	15,924
Total assets less current liabilities	32,838	32,670	33,810
Creditors: amounts falling due after more than one year	(568)	(758)	(868)
Provisions for liabilities and charges	(556)	(241)	(404)
Net assets	<u><u>31,714</u></u>	<u><u>31,671</u></u>	<u><u>32,538</u></u>
Capital & reserves			
Share capital	542	542	542
Share premium	9,618	9,618	9,618
Merger reserve	14,144	15,361	14,756
Share option reserve	718	542	599
Profit & loss account	5,740	4,935	6,101
Equity shareholders' funds	<u>30,762</u>	<u>30,998</u>	<u>31,616</u>
Equity minority interests	952	673	922
	<u><u>31,714</u></u>	<u><u>31,671</u></u>	<u><u>32,538</u></u>

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Operating profit	1,338	2,742	4,489
Amortisation on intangible fixed assets	854	821	1,688
Depreciation	573	558	1,183
Loss on sale of tangible fixed assets	1	57	59
Decrease in work in progress	1,394	1,575	224
Decreases / (Increase) in debtors	9,356	20,212	(3,003)
(Decrease) / Increase in creditors	(7,262)	(16,383)	2,399
Non cash share based incentive plans (including options)	119	-	85
Exchange differences	(19)	(105)	(78)
Cash inflow from operating activities	6,354	9,477	7,046
Returns on investment and servicing of finance			
Interest received	675	657	1,384
Interest paid	(9)	(2)	(8)
Interest element of finance lease rental payments	(5)	(8)	(15)
Minority interest dividend paid	(471)	(232)	(428)
Taxation	(1,130)	(926)	(2,544)

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT (continued)
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006	Six months ended 30 June 2004	Year ended 31 December 2005
	£'000	£'000	£'000
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(760)	(591)	(1,289)
Sale of tangible fixed assets	-	44	37
Acquisitions & disposals			
Investment in subsidiary	(8)	-	(369)
Cash acquired with subsidiary undertaking	-	-	187
Equity dividends paid	(965)	(629)	(1,045)
	<hr/>	<hr/>	<hr/>
Net cash inflow before financing	3,681	7,790	2,956
Financing			
Shares issued to minorities	-	116	124
Repayment of overdraft	(29)	-	-
Capital elements of finance lease rental payments	(53)	(57)	(142)
	<hr/>	<hr/>	<hr/>
Increase in cash in the period	3,599	7,849	2,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
CONSOLIDATED CASH FLOW STATEMENT (continued)
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
	£'000	£'000	£'000
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	3,599	7,849	2,938
Cash outflow from payment of overdraft	29	-	-
Cash outflow from decrease in lease finance	53	57	142
Inception of finance leases	(15)	(15)	(14)
Exchange differences	(337)	132	184
	<u>3,329</u>	<u>8,023</u>	<u>3,250</u>
Movement in net funds in the period			
Net funds at start of year	20,329	17,079	17,079
Net funds at end of period	<u>23,658</u>	<u>25,102</u>	<u>20,329</u>

Analysis of changes in net funds

	Balance at 1 January 2006 £'000	Cash inflow £'000	Finance lease £'000	Exchange Movements £'000	Balance at 30 June 2006 £'000
Cash at bank and in hand	20,486	3,599	-	(343)	23,742
Overdraft	(29)	29	-	-	-
Finance leases	(128)	53	(15)	6	(84)
Total	<u>20,329</u>	<u>3,681</u>	<u>(15)</u>	<u>(337)</u>	<u>23,658</u>

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2006

1. Accounting policies

The financial information included in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The interim accounts for the six months to 30 June 2006 and 30 June 2005 are unaudited. The financial information for the year ended 31 December 2005 has been extracted from the statutory accounts for that period, a copy of which has been delivered to the Registrar of Companies.

The interim accounts for the six months ended 30 June 2006 have been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2005.

2. Profit and net assets

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Turnover			
Turnover arises from the principal activity of the Group.			
An analysis by geographical market.			
<i>By origin</i>			
UK	118,339	101,840	245,926
Asia and Australia	27,201	23,352	45,636
America	3,341	2,980	6,417
Europe	1,374	-	305
	150,255	128,172	298,284
	150,255	128,172	298,284

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2006 £'000

Gross profit (Revenue)

An analysis by geographical market.

By origin

UK	20,278	19,026	39,470
Asia and Australia	12,281	11,458	25,084
America	1,556	1,398	3,211
Europe	540	-	236
	<u>34,655</u>	<u>31,882</u>	<u>68,001</u>

Operating profit / (loss) before amortisation of goodwill

An analysis by geographical market.

By origin

UK	3,376	3,352	5,811
Asia and Australia	9	882	2,117
America	(238)	(149)	(322)
Europe	(955)	(522)	(1,429)
	<u>2,192</u>	<u>3,563</u>	<u>6,177</u>

Operating profit / (loss)

An analysis by geographical market.

By origin

UK	2,522	2,531	4,123
Asia and Australia	9	882	2,117
America	(238)	(149)	(322)
Europe	(955)	(522)	(1,429)
	<u>1,338</u>	<u>2,742</u>	<u>4,489</u>

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2006 £'000

Profit before taxation (before amortisation of goodwill)

An analysis by geographical market.

By origin

UK	3,988	3,816	7,006
Asia and Australia	64	921	2,202
America	(234)	(148)	(319)
Europe	(962)	(522)	(1,432)
	<u>2,856</u>	<u>4,067</u>	<u>7,457</u>

Profit before taxation

An analysis by geographical market.

By origin

UK	3,134	2,995	5,318
Asia and Australia	64	921	2,202
America	(234)	(148)	(319)
Europe	(962)	(522)	(1,432)
	<u>2,002</u>	<u>3,246</u>	<u>5,769</u>

The accompanying notes form part of the unaudited financial statements

M&C SAATCHI PLC
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2006

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Net assets			
An analysis by geographical market.			
<i>By origin</i>			
UK	34,409	31,466	32,008
Asia and Australia	2,668	3,143	3,646
America	(3,377)	(2,514)	(1,950)
Europe	(1,986)	(424)	(1,166)
	31,714	31,671	32,538
	31,714	31,671	32,538

3. Earnings per share

	UNAUDITED	UNAUDITED	AUDITED
	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Earning per share before amortisation of goodwill			
- Basic	2.06p	4.37p	7.57p
- Diluted	2.04p	4.33p	7.50p
Earnings per share			
- Basic	0.49p	2.85p	4.46p
- Diluted	0.48p	2.83p	4.41p

The accompanying notes form part of the unaudited financial statements