

# M&C SAATCHI

## 2005 Interim Results

6 Months to 30 June

# HEADLINES

- Revenues up 7.1% to £31.9m (2004: £29.8). Organic growth continues into 11th year
- Headline operating margin up 0.5pts to 12.8% (2004: 12.3%)
- Headline operating profit up 11.4% to £4.1m (2004: £3.7m)
- European investment impacted profit by £522k and margin by 1.6pts
- Pre tax profit up 1.7% to £4.1m (2004: £4.0m)
  - headline PBT up 14.7% to £4.6m
- International expansion going well
  - France & Bangkok - open

# PROFIT & LOSS

Excluding Europe

	<b>2005</b> <b>£,000's</b> <b>Reported</b>	<b>Europe</b>	<b>2005</b> <b>£,000's</b> <b>Headline</b>	<b>2004</b> <b>£,000's</b>	<b>change</b> <b>%</b>
Revenue (Gross Profit)	31,882		31,882	29,767	7.1%
Operating Profit	3,563	(522)	4,085	3,667	11.4%
Net Interest share of associates	647 (143)		647 (143)	332	94.9%
Profit Before tax	4,067	(522)	4,589	3,999	14.8%
Taxation	1,373	(144)	1,517	1,323	14.7%
Profit for Period	2,368		2,746	2,438	12.6%

# PROFIT & LOSS

Reported (excluding amortisation)

	<u>2005</u> £,000's	<u>2004</u> £,000's	<u>change</u> %
Revenue (Gross Profit)	31,882	29,767	7.1%
Operating Profit	3,563	3,667	-2.8%
Net Interest share of associates	647 (143)	332	94.9%
Profit Before tax	4,067	3,999	1.7%
Tax Rate	33.8%	33.1%	
Minority Interests % of Profit	326 12.1%	238 8.9%	37.0%
Profit for Period	2,368	2,438	-2.9%

# KEY RATIOS

	2003	2004	HI 2005
Staff cost/ Revenue	61.6%	59.6%	61.2%
Excluding Europe	--	--	60.2%
Operating cost/ Revenue	11.6%	11.6%	11.2%
Excluding Europe	--	--	12.8%
PBT/ Revenue	12.6%	13.1%	12.8%
Excluding Europe	--	--	14.4%

# OTHER FINANCIAL ITEMS

- Minority Interest
  - up as percent of profit to 12.1% (2004: 8.9%)
  - impact of European investment 1.5pts
  - high growth from Walker Media, Immediate Sales and Talk PR in the UK

- Tax rate

Reported tax rate	33.80%
Non deductible	(0.8)%
Tax mix	(0.5)%
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Underlying tax rate	32.50%

# THE UK

- Revenues up 7.9% to £19m (2004: £17.6m)
  - Strong new business across all sectors and one off campaigns
- Underlying operating margin up 0.5pts to 17.1% (2004: 16.6%)
- Underlying operating profit up 10.6% to £3.2m (2004: £2.9m)
- New clients won in 1st half included
  - Advertising: Ribena (GSK), ITV, Cadbury Muller
  - Direct Marketing (LIDA): Mini, NatWest Mortgages
  - Sponsorship: Carlsberg, Reebok
  - Media (Walker Media) Isolagen, Appletiser and more recently Weetabix
  - PR (Talk): Ingenuie, Perrier Jouet, Ovaltine

# ASIA PACIFIC

- Revenue up 4.6% to £11.5m (2004: £10.9m)
- Operating margin up 4.2pts to 10.5% (2004: 6.3%)
- Operating profit up 73.7% to £1.2m (2004: £700k)
  - Cost base improving
  - more consistent revenue phasing in 2005
- New clients won in 1st half included
  - Spirit of Tasmania
  - ebay
  - Vogue
  - Wyeth
  - Tourism Australia
  - Microsoft
  - Malaysia F1
- Regional expansion continues
  - Thailand office - open
  - Advanced negotiating with partners in Indonesia and India



# AMERICA

- Revenue up 18.6% to £1.4m (2004: £1.1m)
  - San Diego Zoo - won late 2004
  - Beverly Hills conference centre - won late 2004
  - Ghirdardelli
  - Travelex
- Underlying operating profits up to £50k (2004: £37k)
- Management restructuring charges of £98k taken into 1st half (£125k in second half)

# EUROPE

- Paris office officially opened on 1st September
  - Already pitching major accounts
- Management team of Gilles Masson, Antoine Barthuel and Daniel Fohr joined from Leo Burnett in Paris
- Schedule to open second office by end of year either Spain or Germany
- Third office open 1st half 2006

# BA REVIEW

- Presented 9th September
- Announcement due mid October
- New contract in place by mid November

# OUTLOOK

- We continue to progress on
  - steady organic growth
  - International expansion
  - Improving underlying margins
- European development costs have impacted the 1st half. The 2nd half will be impacted by ongoing development costs and by operation costs in France
- BA review could have an impact on second half and beyond
- We are however encouraged by 1st half year performance
- Good new business performance in 1st half with future contributions from wins not impacting 1st half
  - Tourism Australia (offset by loss of New Zealand Tourism)
  - Weetabix (Media)

# APPENDIX

# THE UK

6 Months to 30th June

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenue	19,026	17,635	7.9%
Operating Profit	3,352	2,936	14.2%
Profit before Tax	3,816	3,262	17%
Operating Profit/ Revenue (inc PLC recharge)	17.6%	16.6%	
Costs recharged to operating companies (inc UK)	-827		
PLC recharge	723		
Net contribution to profit	104		

# ASIA PACIFIC

6 Months to 30th June

	2005	2004	Change
Revenue	11,458	10,953	4.6%
Operating Profit	882	693	27.3%
Profit before Tax	921	700	31.6%
Operating Profit/ Revenue (inc PLC recharge)	7.7%	6.3%	1.4%
Group recharge	369		
America	-47		
Net contribution to operating profit	322		
Net reduction to operating margin	2.8%		

# AMERICA

6 Months to 30th June

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenue	1,398	1,179	18.6%
Operating Profit	(149)	38	
Profit before Tax	(148)	37	
Operating Profit/ Revenue (inc PLC recharge)	-10.7%	3.2%	
Group recharge	54		
America recharge	47		
Net contribution to operating profit	101		
Net reduction to operating margin	7.2%		



# EUROPE

6 months to 30th June

	2005	2004	
Revenue	-	-	-
Operating Profit	<b>(522)</b>	-	-
Profit before Tax	<b>(522)</b>	-	-
Operating Profit/ Revenue	<b>0.0%</b>	<b>0.0%</b>	-

# HOLDING COMPANY

## RECLASSIFICATION

		2005		2004	
		<u>1st Half</u>	<u>Full Year</u>	<u>1st Half</u>	<u>Full Year</u>
<b>UK</b>	<b>Group Management</b>	483	966	827	1654
	<b>PLC</b>	240	480		293
	<b>IPO</b>				138
	<b>Euro Development</b>				70
<b>Total UK</b>		<u>723</u>	<u>1,446</u>	<u>827</u>	<u>2155</u>
<b>Asia Pacific</b>		369	738		
<b>America</b>		54	110		
<b>Euro pe</b>		-	9		
		<u>1,146</u>	<u>2,303</u>	<u>827</u>	<u>2,155</u>