

12 September 2001

For Immediate Release

**Aegis Group plc**

**INTERIM RESULTS FOR SIX MONTHS ENDED JUNE 30 2001**

Aegis Group plc is the world's largest independent media and marketing research group employing 6,800 staff in 57 countries. The Group comprises two main businesses: Carat, which is one of the world's largest media services companies, and Aegis Research, a leading international market research network.

**STRONG NEW BUSINESS AND REVENUE GROWTH. GLOBAL RESEARCH NETWORK  
NOW WELL ESTABLISHED.**

- Record net new business wins at Carat totalling \$1,149 million (H1 2000: \$ 1,031 million)
- Carat increases lead as Europe's largest media buying and planning operation
- Carat growing strongly in North America reaching \$3.5 billion in annualised billings
- Aegis Research now global No.10 and worldwide CEO appointed
- Group revenue up 17.0%, or 8.3% excluding acquisitions
- Gross margin rises to 6.6% (2000: 6.2%)
- Underlying PBT £27.2 million (2000: £34.7 million) after £5.9m of investment in our core businesses
- Operating cash flow strong at £34.6 million (2000: £35.2 million) – 115% of underlying operating profit
- Half-year dividend increases by 4.3% to 0.48p (2000: 0.46p)
- 2001 results will be more biased towards H2 due to costs taken in H1

Doug Flynn, chief executive of Aegis Group plc commented:

**“The investments in our networks over the last 18 months are beginning to bear fruit. Aegis continues to win substantial new business and grow market share despite testing market conditions. The media division won a record \$1,149 million of net new business with particularly large wins emanating from the US. We have grown the research division into a global network with a presence in 38 countries and it is now winning international business assignments from clients. From these positions we anticipate that the Group will continue to achieve growth levels ahead of both the market and the competition.**

**Although these profits are below those achieved last year, there are very specific issues affecting the results which mask what has been a strong performance from our core business. Actions have been taken to improve profitability through general cost reduction and through specific actions relating to under-performing areas without undermining our growth strategy. We will therefore see the benefit of these actions in 2002 and are confident of the long term strengths of the business.”**

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## Underlying Unaudited Consolidated Profit And Loss Account\*

	<b>Six months ended 30 June 2001 £'m</b>	Six months ended 30 June 2000 £'m	12 months ended 31 Dec 2000 £'m
Turnover:			
– continuing operations	<b>3,032.8</b>	2,796.0	5,712.5
– acquisitions	<b>12.7</b>	-	-
<b>Turnover</b>	<b>3,045.5</b>	2,796.0	5,712.5
Cost of sales – payments to the media	<b>(2,797.0)</b>	(2,583.6)	(5,239.5)
<b>Revenue</b>	<b>248.5</b>	212.4	473.0
Cost of sales – other direct costs	<b>(48.3)</b>	(39.3)	(90.2)
<b>Gross profit</b>	<b>200.2</b>	173.1	382.8
Operating expenses	<b>(170.0)</b>	(136.3)	(298.3)
<i>Group operating profit:</i>			
- <i>Continuing operations</i>	<i>27.7</i>	<i>35.3</i>	<i>78.1</i>
- <i>Acquisitions</i>	<i>2.5</i>	<i>1.5</i>	<i>6.4</i>
<b>Group operating profit</b>	<b>30.2</b>	36.8	84.5
Group share of operating loss in joint venture and associated undertakings	<b>(0.6)</b>	(0.1)	(0.8)
Net interest payable	<b>(2.4)</b>	(2.0)	(5.3)
<b>Profit on ordinary activities before taxation</b>	<b>27.2</b>	34.7	78.4
Tax on profit on ordinary activities	<b>(8.2)</b>	(10.2)	(23.1)
Profit on ordinary activities after taxation	<b>19.0</b>	24.5	55.3
Equity minority interests	<b>(0.4)</b>	(0.4)	(1.1)
Profit attributable to members of the parent company	<b>18.6</b>	24.1	54.2
<b>Earnings per share – Underlying*</b>			
- Basic	<b>1.7p</b>	<b>2.2p</b>	<b>5.0p</b>
- Diluted	<b>1.7p</b>	<b>2.2p</b>	<b>4.9p</b>

\*Underlying results exclude amortisation of goodwill

## **TRADING OVERVIEW**

### **Market Commentary**

2001 has been a testing time for the industry following the market slowdown that began in the US in the latter part of 2000. Dotcom fallout, reduced marketing spends, falling indices and profit pressure all conspired to shake US business confidence and, as a consequence, many of the large US multinationals began to rein back on adspend at the start of 2001.

After an exceptional 11% growth in US adspend in 2000, fuelled mainly by incremental income garnered from the short-lived dotcom boom, industry watchers expected the market to settle back to a more sustainable level in 2001. In the event, advertising spending by America's largest marketers actually fell on average by 12% in Q1 2001 and continued to decline in Q2. In Europe, the fall has been less severe but even so the rate of decline in the second quarter took the media industry by surprise.

After the sharp falls in adspend we have seen a period of stability, however, predicting exactly when the upswing will occur remains difficult.

### **Group Overview**

Aegis continues to follow its strategy of building a valuable business by investing in its existing international media and market research networks supplemented by relatively small acquisitions. In markets that are becoming ever more global, it is a strategy that is reaping benefits as clients reward the Group with an increasing amount of international business and larger mandates.

Having invested significantly in its businesses, Aegis has now built leading positions in key markets around the globe. In Europe, Carat is the clear leader in media services with number 1 or number 2 positions in all key markets. After just four years in America, Carat is firmly in the US top 10 media rankings and continues to grow its market share rapidly. It is a similar story for Aegis Research, which entered the global research rankings at number 10. Subsequent acquisitions have continued to build the research network's revenues and extended its geographic reach to 38 countries.

The majority of the Group, particularly Carat in Europe and the Group's Asia-Pacific operations, continued to show satisfactory growth in profits. However, overall profits were held back by the pace of investment and by two business areas where particularly severe market conditions were experienced.

Additional costs of approximately £1.9 million were incurred in North America in anticipation of the large new media mandates which have come on stream in the second half of the year. In addition, the costs associated with the programme of new business ventures and one-off investment initiatives peaked in the first half of the year with start-up losses and other revenue investments of some £4.0 million.

The severe fall in client spend by the US technology companies served by Carat Freeman and clients in Argentina generally resulted in losses in these two companies both of which were significant contributors to profit last year.

Aegis has taken actions to sharply reduce costs in these operations and across the Group, where necessary, cost containment programmes have been put in place. These actions have involved redundancies, creating an annualised cost saving of £8.7 million. The Group expects to incur a charge to operating profit for severance costs of £3.2 million in 2001, of which £1.8 million was taken in the first half.

## **Media**

Aegis' media services business again produced a very strong new business performance. In the first six months it achieved record net annualised new business billings worth \$1,149 million (2000: \$1,031 million), an excellent run rate which reflects the quality of its international new business effort. With 45 of the world's top 100 global marketers based in Europe, Carat believes that its leading market presence and reputation will continue to provide a compelling proposition for the development of its international business.

In June, Carat reported its win of Philips' global media account, one of only a handful of accounts so far to be awarded on a global basis, and the first truly global account for which Carat has had an opportunity to compete. The consolidation of marketers' media budgets into pan-regional and global mandates is an ongoing trend and Aegis will continue to invest in the infrastructure of its business to attract and service large international mandates.

Management has continued to redefine Carat's business mix by investing in services such as sponsorship, data planning, interactive and outdoor media that complement its 360° service to clients. Unlike the major advertising conglomerates these services are not kept in remote agency divisions but are structured around its core business, which means that relationships with clients can extend more easily and grow profitably over time.

Carat continues to substantially outperform its sector, reflected in its turnover which rose by 8.3%. Turnover in North America increased by 12.9% compared with the first half of 2000 helped by the appreciation of the US Dollar against sterling. European turnover is up by 6.6% and Asia-Pacific by 56.4%, albeit from a low base. Turnover in Latin America fell by 20.9% as a result of the well-reported problems in the Argentine economy.

## **Europe**

Carat's European operations remain the powerhouse of the Group providing the foundation for its global aspirations. The European media business put in a strong performance despite a reduction in adspend by many of its clients. The impact of the flow-through of new business won in 2000 has more than offset the effect of the market slowdown.

Net annualised new business billings in the first six months of 2001 totalled \$263 million (2000: \$732 million). This reflects the fewer very large client media consolidations to have occurred in the region in the first half of 2001. Large pan-regional wins in Europe included Opodo, Tiscali and Infogrames. It is clear that the trend towards pan-regional media consolidation will continue and we expect this will favour Carat's leading position in Europe.

## **North America**

Carat North America had an outstanding run of new business wins, gaining \$749 million of net annualised new business billings in the first six months of 2001 (2000: \$268 million) and playing a significant part in landing the Philips global account win. Notably, Carat is starting to compete for and win some of the very large US media accounts including Warner Lambert and New Line Cinema in February. These two wins, announced at the start of 2001, did not come on stream until the second half of the year. Preparing to service such large new business mandates has meant significant up-front costs resulting in overhead and operating expenses increasing faster than revenues in the first six months. This situation is expected to be redressed in the second half as revenues start to flow from business won in the first six months.

Carat North America's progress in gaining market share has been tempered by the abrupt slowdown in US adspend. In particular, Carat Freeman, Carat's high-tech media business, has suffered a substantial fall in revenue as clients in this sector reduce, or in some cases even cancel adspend. The business has been restructured with headcount reduced by one third and discretionary expenditure cut back. The impact of

the associated severance costs and an element of fixed costs means that, inevitably, Carat Freeman's profits will be significantly lower than last year.

The use of digital delivery to connect advertisers with consumers is increasing and to meet clients' needs in this area Aegis continued to invest significantly in Carat Interactive in the USA. Already the largest interactive agency in Europe, Carat Interactive's launch onto the US market in 2000 was rewarded by it being named Interactive Agency of the Year. The company believes that its focus on this area will provide strategic advantage in a market place in which interactive media are becoming increasingly important.

### ***Asia-Pacific***

Carat's operations in the region have had a highly successful first half. New business from last year together with a spectacular performance so far in 2001 has more than made up for the softer economic conditions in the region.

Net new business billings of \$92 million (2000: \$25 million) is an excellent performance and highlights the strong reputation that Carat is building. New clients include Palm throughout Asia-Pacific; Toyota in Singapore; General Motors, Henkel Detergent and Fosters in China. The addition of Philips to its client roster will add significantly to the strength of Carat's entire Asia-Pacific operation.

### ***Latin America***

Aegis continues to invest in Latin America as a key focus in its international expansion plans for the Carat network. Net new business billings of \$45 million (2000: \$6.1million) came mainly from supporting Carat's existing international clients.

The volatile nature of the Latin American markets, however, has made progress difficult in the region. Carat Fax, the Argentine business acquired in 1999, incurred significant losses as the economic crisis in Argentina worsened in the period. The business is being restructured, beginning with the appointments of a new Finance Director and Chief Executive. Carat Chile, which commenced trading in June 2000, has experienced slower than expected market penetration and has yet to achieve sufficient revenue to cover its operating costs. Carat's new operations in Mexico and Venezuela have both started well.

### **Market Research**

The construction of the Group's market research business continues apace. In the space of just over 2 years Aegis has built a significant international market research network. With operations established in the Americas and Asia in 1999 and 2000, the Group turned its attention to Europe in 2001. During the first half of the year, Aegis Research acquired Pegram Walters in the UK, Demoscopie in France, and the MEMRB network with offices in 22 countries throughout Central/ Eastern Europe, the Middle East and North Africa.

With the elements of a global research network now brought together, the Group announced the appointment of Adrian Chedore as worldwide CEO of Aegis Research in September 2001. Mr Chedore was CEO of Aegis Research Europe and Asia and a founder of Asia Market Intelligence. This is a key appointment and reflects the commitment of the Group to build a leading global position in market research.

While more will be done to develop further Aegis Research's global capabilities, the business has now attained the critical mass required for supporting international research projects. Indeed, the close working relationship that has developed between the regional offices has already led to the network winning some significant international projects from existing clients. Research now represents 35% of the Group's revenues, operating in 38 countries.

Aegis Research has 3 key objectives: to complete its global network through acquisitions in Europe, Japan and Latin America; to develop local industry expertise into strong global practices; and to further align its global operations through common standards, products and processes.

### ***North America***

According to the latest Honomichl survey, Market Facts improved its ranking to number 4 in the US custom research market last year. However, revenue growth slowed significantly in the first six months of 2001 as clients deferred or cancelled discretionary spending on custom research. Margins also came under pressure as price competition became more intense. Consequently costs have been reduced by a programme of redundancies, equating to 7% of the North American workforce. Other cost initiatives included the rationalisation of call centre facilities, reducing the cost-per-hour by 9% and increasing the proportion of calls that can be handled in-house.

In July, Market Facts announced the retirement of Tom Payne as CEO. Tom joined the business in 1971 and played a key role in taking Market Facts to its leading position in the US custom research market. Lawrence Labash has taken over as acting CEO but will continue to retain his responsibilities as Chief Operating Officer. Larry joined Market Facts in 1973 and has been responsible for developing the relationships with many of the company's largest clients.

### ***Asia-Pacific***

Asia Market Intelligence, which was acquired in March 2000, is a regional leader in custom research. The business continued to trade well with strong organic revenue growth coming from both existing clients and from additional assignments referred by the other businesses in the Aegis research network.

### ***EMEA (Europe, the Middle-East and Africa)***

Whilst still relatively new, the Europe, Middle-East and African operations have already contributed significantly to the Aegis Research network, winning new global assignments as well as contributing positively to the half-year figures.

### **Financial Results**

As already noted, although the Group achieved strong organic growth, profits were affected by a number of factors, including a peak in investment spending and the particular issues in the US technology sector and Argentina.

Although currency exchange rates remained volatile, the effect on the Group's results in the period was modest. Overall, the effect of currencies was to increase the reported figures by approximately 3%.

### ***Turnover***

Turnover was £3,045.5 million (2000: £2,796.0 million) an increase of 8.9%. Excluding the effect of acquisitions, turnover was up by 6.2% well ahead of global market growth.

### ***Revenue***

Revenue for the period was £248.5 million a 17.0% increase, or 8.3% excluding the effect of acquisitions, reflecting the impact of prior year new business wins but offset by the decline in the adspend market.

### ***Gross Profit***

Gross profit was £200.2 million (2000: £173.1million) a rise of 15.7% or 8.7% excluding the effect of acquisitions. The gross margin for the first half was 6.6%, compared with 6.2% in the first six months of 2000. This rise is due to increased income from Aegis Research and high margin added-value services. It is also in part due to the element of fixed fee-based income which has the effect of increasing margins at lower levels of turnover.

### ***Operating Profit***

Most parts of the Group continued to see cost increases in line with revenue, However, the severe decline in client spending in certain key markets such as US technology and Argentina resulted in underlying operating expenses increasing as a proportion of gross profit. At the same time, as noted above, the Group continued to invest in its networks, infrastructure and tools, adding significantly to costs in the period. Operating expenses reached £170.0 million (2000: £136.3 million). This additional expenditure reduced the Group's underlying operating margin for the first half of the year to 15.1% compared with 21.2% for the same period last year. Actions have been taken to reduce costs in those areas where margins have come under pressure. As reported above, operating profit (before goodwill amortisation) was £30.2 million compared with £36.8 million last year. Acquisitions contributed operating profits of £2.5 million.

### ***Capital expenditure***

Aegis invested £ 13.7 million in capital expenditure during the first six months of 2001 (2000: £9.0 million). During the period, the Group continued its programme of investment in media tools and technology with investments of £7.4 million (2000: £3.6 million). In addition, the Group invested £2.9 million in property, fixtures and fittings.

### ***Cash Flow***

Operating cash flow remained strong at 115% of underlying operating profits (30 June 2000: 96%). The Group continues to follow its programme of acquisition, with a net cash outflow of £49.2 million on current and prior period acquisitions. Net debt at 30 June 2001 was £98.1 million (30 June 2000: £62.7million). Net interest payable in the period, excluding the amortisation of refinancing costs, was £2.2 million (2000: £1.9 million).

### ***Goodwill***

At the time of the acquisition of Market Facts the decision was taken not to amortise the goodwill arising on consolidation on the basis that the brand was expected to have an indefinite useful life.

It has now been decided, however, to unify the group's market research activities under a single new brand. The Board has, therefore, now decided to amortise the goodwill associated with the acquisition of Market Facts over the remainder of the 20 years since its acquisition, in accordance with FRS10.

This change in accounting treatment has no affect on the underlying profits of the company or its cash flow and does not affect its distributable reserves.

### ***Profit before Tax***

Overall, underlying profit before tax (before goodwill amortisation) was £27.2 million (2000: £34.7 million). Tax has been provided at the estimated full year rate of 30% based on profit before goodwill amortisation.

### ***Earnings per Share***

Underlying basic earnings per share were 1.7p (2000: 2.2p). Underlying diluted earnings per share were 1.7p (2000: 2.2p).

### ***Dividends***

The Board has declared an interim dividend of 0.48p per ordinary share (2000: 0.46p) to be paid on 5 October 2001 to shareholders on the register on 21 September 2001.

## **Group Outlook**

The Group's strategy remains highly focussed: to grow its business profitably by building leading global positions in the complementary areas of media services and market research. It is achieving this by continuing to extend its geographic capability and by adding new services and products. The benefits of this strategy are already being seen. Carat is the best in the business and the envy of our competitors. Aegis Research is rapidly achieving a highly competitive position in an increasingly global market place.

We will maintain our focus on long-term growth and continue to invest in opportunities of strategic importance. Indeed our business has continued to grow accordingly, showing organic revenue growth well ahead of the market. We aim to grow our two businesses to become amongst the world's largest and the most efficient. Consequently we have embarked on a process of identifying, from within our businesses, the best and most cost-efficient practices and implementing these methodologies across the group.

In the short-term our business will be affected by the economic downturn. Management has already mitigated the effect of the reduction in client spending by a tactical cost reduction programme. A strategic cost programme based around best practice within the Group has also been instigated with the aim of restoring operating profit margins to at least 20% of gross profit by 2003, the highest in the sector.

Next year, Aegis expects to benefit from incremental revenue generation that earlier wins will provide, from a reduction in investment costs and from recent cost reduction initiatives. The longer-term future remains bright, reflecting Aegis' leading positions in both media services and market research. Aegis has laid the foundations to achieve growth levels ahead of both the market and competition and will benefit sharply from any improvement in the advertising environment.

### **Additional information on eVerger**

#### **About eVerger**

*eVerger is a 50:50 joint venture with Warburg Pincus. The company is focused on identifying, funding and developing businesses that create technology and software tools to help marketers promote and strengthen their brands. To date eVerger has made investments totalling \$41.25 million in six companies:*

#### **Dynamic Logic**

*A New York based company in which eVerger has invested \$5 million uses technology to measure advertising effectiveness on the internet. Its 'AdIndex' product measures branding metrics of online campaigns and is expected to become a standard rating metric for online advertising campaigns.*

#### **IQ.com**

*A California-based company in which eVerger has invested \$12 million in the US and \$2 million in Europe develops technology and software tools that enable companies to create more profitable relationships with their online customers.*

#### **Netusability**

*A London-based company in which eVerger has invested \$2.65 million. Netusability's core product allows clients to use a virtual focus group to record accurately and statistically the experience a customer has while on their website.*

#### **Newworld Commerce**

*A Dublin-based company in which eVerger has invested \$5.6 million. Newworld offers an easy-to-use e-marketing solution that allows marketers to create, manage and deliver complete marketing campaigns online.*

#### **Paramark**

*A California-based company in which eVerger has invested \$7 million. Develops web-hosted services that automatically increase the effectiveness of online campaigns through a proprietary optimisation technology known as PILOT (Paramark Interactive and Learning Optimisation Technology).*

#### **Amacis**

*A Belfast-based company in which eVerger has invested \$7 million. Amacis develops software that enables large organisations to manage electronic customer correspondence. Amacis' software can process over 1 million customer contacts per day in over 30 languages and supports thousands of simultaneous agents.*

## Unaudited consolidated profit and loss account

for the six months ended 30 June 2001

	Notes	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
Turnover:				
– continuing operations			<b>3,032.8</b>	2,796.0
– acquisitions			<b>12.7</b>	-
Turnover	2		<b>3,045.5</b>	2,796.0
Cost of sales – payments to the media		<b>(2,797.0)</b>	<b>(2,797.0)</b>	(2,583.6)
Revenue			<b>248.5</b>	212.4
Cost of sales – other direct costs		<b>(48.3)</b>	<b>(48.3)</b>	(39.3)
Cost of sales – total		<b>(2,845.3)</b>		2,622.9
Gross profit			<b>200.2</b>	173.1
Operating expenses before amortisation of goodwill		<b>(170.0)</b>		(136.3)
Amortisation of goodwill	1	<b>(9.6)</b>		(2.5)
Operating expenses			<b>(179.6)</b>	(138.8)
Group operating profit:				
– Continuing operations			<b>18.6</b>	33.4
– Acquisitions			<b>2.0</b>	0.9
			<b>20.6</b>	34.3
Group share of operating loss in joint venture and associated undertakings			<b>(0.6)</b>	(0.1)
Interest and similar items:				
– interest receivable			<b>4.6</b>	3.4
– interest payable	3		<b>(6.8)</b>	(5.3)
– amortisation of refinancing costs	3		<b>(0.2)</b>	(0.1)
Net interest payable			<b>(2.4)</b>	(2.0)
Profit on ordinary activities before taxation	2		<b>17.6</b>	32.2
Tax on profit on ordinary activities	4		<b>(8.2)</b>	(10.2)
Profit on ordinary activities after taxation			<b>9.4</b>	22.0
Equity minority interests			<b>(0.4)</b>	(0.4)
Profit attributable to members of the parent company			<b>9.0</b>	21.6
Ordinary dividends	5		<b>(5.3)</b>	(5.0)
Retained profit for the financial period			<b>3.7</b>	16.6
Earnings per ordinary share – underlying	6			
– basic*			<b>1.7p</b>	2.2p
– diluted*			<b>1.7p</b>	2.2p
Earnings per ordinary share – FRS 14	6			
– basic			<b>0.8p</b>	2.0p
– diluted			<b>0.8p</b>	1.9p

\*As detailed in note 6, underlying earnings exclude amortisation of goodwill.

## Unaudited consolidated statement of total recognised gains and losses

for the six months ended 30 June 2001

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Profit for the financial period</b>	<b>9.0</b>	21.6	47.5
Currency translation differences on foreign currency net investments	<b>(10.2)</b>	(9.1)	(8.5)
<b>Total recognised (loss) / profit for the financial period</b>	<b>(1.2)</b>	12.5	39.0

## Unaudited consolidated reconciliation of movements in equity shareholders' funds

for the six months ended 30 June 2001

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Profit for the financial period</b>	<b>9.0</b>	21.6	47.5
Ordinary dividends	<b>(5.3)</b>	(5.0)	(12.5)
Retained profit for the financial period	<b>3.7</b>	16.6	35.0
Issue of shares by the Company	<b>13.5</b>	1.1	3.2
Currency translation differences on foreign currency net investments	<b>(10.2)</b>	(9.1)	(8.5)
<b>Net increase in equity shareholders' funds</b>	<b>7.0</b>	8.6	29.7
Opening equity shareholders' funds	<b>126.8</b>	97.1	97.1
Closing equity shareholders' funds	<b>133.8</b>	105.7	126.8

## Unaudited note of historical cost profits and losses

for the six months ended 30 June 2001

There is no material difference between the reported results for the six months ended 30 June 2001 and 2000 and the year ended 31 December 2000 and the results for those periods restated on an unmodified historical cost basis.

## Unaudited consolidated balance sheet

at 30 June 2001

	Notes	30 June 2001 £'m	30 June 2000 £'m	31 December 2000 £'m
<b>Fixed assets</b>				
Intangible assets	1,7	<b>366.3</b>	320.7	348.9
Tangible assets		<b>53.4</b>	36.0	46.4
Investment in joint ventures:				
- Share of gross assets		<b>14.0</b>	-	12.5
- Share of gross liabilities		<b>(0.2)</b>	-	(0.9)
		<b>13.8</b>	-	11.6
Investments in associated undertakings		<b>5.2</b>	7.4	5.6
Other fixed asset investments		<b>3.1</b>	2.9	2.9
		<b>441.8</b>	367.0	415.4
<b>Current assets</b>				
Debtors		<b>975.9</b>	925.2	1,001.7
Stock: work in progress		<b>11.5</b>	11.2	7.8
Investments		<b>2.0</b>	—	2.1
Cash at bank and in hand		<b>84.9</b>	85.7	86.7
		<b>1,074.3</b>	1,022.1	1,098.3
<b>Creditors: amounts falling due within one year</b>		<b>(1,196.1)</b>	(1,132.9)	(1,205.6)
<b>Net current liabilities</b>		<b>(121.8)</b>	(110.8)	(107.3)
<b>Total assets less current liabilities</b>		<b>320.0</b>	256.2	308.1
<b>Creditors: amounts falling due after more than one year</b>		<b>(183.7)</b>	(149.0)	(178.7)
<b>Net assets</b>		<b>136.3</b>	107.2	129.4
<b>Capital and reserves</b>				
Issued, allotted, called up and fully paid share capital	8	<b>55.0</b>	54.0	54.2
Share premium account	8	<b>196.9</b>	182.3	184.2
Capital redemption reserve	8	<b>0.2</b>	0.2	0.2
Profit and loss account	8	<b>(118.3)</b>	(130.8)	(111.8)
<b>Equity shareholders' funds</b>		<b>133.8</b>	105.7	126.8
<b>Equity minority interests</b>		<b>2.5</b>	1.5	2.6
<b>Total capital employed</b>		<b>136.3</b>	107.2	129.4

Douglas Flynn (Director)

Jeremy Hicks (Director)

12 September 2001

## Unaudited consolidated cash flow statement

for the six months ended 30 June 2001

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Net cash flow from operating activities</b>	<b>34.6</b>	35.2	96.2
<b>Returns on investments and servicing of finance</b>			
Interest received	4.6	3.2	7.4
Interest paid	(6.9)	(4.3)	(12.5)
Issue costs of unsecured loan notes	-	-	(0.6)
Dividends paid to minority interests	(0.4)	(0.3)	(1.5)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(2.7)</b>	(1.4)	(7.2)
<b>Taxation</b>	<b>(7.8)</b>	(6.0)	(20.1)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(13.7)	(9.0)	(26.9)
Sale of tangible fixed assets	0.2	0.6	1.1
<b>Net cash flow for capital expenditure and financial investment</b>	<b>(13.5)</b>	(8.4)	(25.8)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings and minority interests (note 7)	(22.1)	(37.1)	(45.3)
Cash acquired on purchase of subsidiary undertakings (note 7)	1.5	3.1	5.7
Investment in associated undertakings	(2.6)	(9.8)	(16.1)
Deferred consideration on prior period acquisitions	(26.0)	(13.1)	(18.9)
<b>Net cash flow for acquisitions and disposals</b>	<b>(49.2)</b>	(56.9)	(74.6)
<b>Equity dividends paid</b>	<b>(7.5)</b>	(6.5)	(11.5)
<b>Cash flow before management of liquid resources and financing</b>	<b>(46.1)</b>	(44.0)	(43.0)
<b>Management of liquid resources</b>			
Purchase of short term investments	-	-	(2.1)
<b>Net cash flow for management of liquid resources</b>	<b>-</b>	-	(2.1)
<b>Financing</b>			
Issue of ordinary share capital	12.0	1.1	3.2
Issue of unsecured loan notes	-	-	107.1
New unsecured loan	26.2	7.5	-
Repayment of secured loan	-	-	(83.4)
Capital element of finance lease rental payments	-	-	(0.3)
<b>Net cash flow from financing</b>	<b>38.2</b>	8.6	26.6
<b>Decrease in cash in the period</b>	<b>(7.9)</b>	(35.4)	(18.5)

Notes to this unaudited consolidated cash flow statement are provided overleaf.

## Notes to the unaudited consolidated cash flow statement

for the six months ended 30 June 2001

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Reconciliation of operating profit to operating cash flow</b>			
Group operating profit	20.6	34.3	77.8
Amortisation of goodwill	9.6	2.5	6.7
Depreciation charges	8.3	5.7	12.6
Loss / (profit) on disposal of tangible fixed assets	-	0.1	(0.1)
Loss on disposal of other fixed asset investments	-	0.1	-
Decrease / (increase) in debtors	29.6	(88.3)	(140.5)
(Increase) / decrease in work in progress	(2.5)	(0.1)	3.3
(Decrease) / increase in creditors	(31.0)	80.9	136.4
<b>Net cash flow from operating activities</b>	<b>34.6</b>	<b>35.2</b>	<b>96.2</b>

Subsidiary undertakings acquired in the period contributed £0.5 million (2000: £1.8 million) to the Group's net cash flow from operating activities.

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash in the period	(7.9)	(35.4)	(18.5)
Cash inflow from increase in debt and lease financing	(27.4)	(7.5)	(23.3)
Cash outflow from increase in liquid resources	-	-	2.1
Cash outflow from issue costs of debt	0.1	-	0.6
Change in net debt resulting from cash flows	(35.2)	(42.9)	(39.1)
Amortisation of refinancing costs	(0.2)	(0.1)	(0.2)
Effect of foreign exchange rate changes	(3.7)	(4.6)	(4.6)
Movement in net debt in the period	(39.1)	(47.6)	(43.9)
Net debt at 1 January	(59.0)	(15.1)	(15.1)
Net debt at period end	(98.1)	(62.7)	(59.0)

	1 January 2001 £'m	Cash flow £'m	Other non-cash changes £'m	Exchange movement £'m	30 June 2001 £'m
<b>Analysis of net debt</b>					
Cash at bank and in hand	86.7	0.5	-	(2.3)	84.9
Overdrafts	(37.8)	(8.4)	-	(0.8)	(47.0)
	48.9	(7.9)	-	(3.1)	37.9
Debt due after more than one year	(110.9)	(26.2)	-	(0.4)	(137.5)
Current asset investments	2.1	-	-	(0.1)	2.0
Net debt before finance lease obligations	(59.9)	(34.1)	-	(3.6)	(97.6)
Finance lease obligations	(0.5)	-	(1.2)	(0.1)	(1.8)
Issue costs of debt	1.4	0.1	(0.2)	-	1.3
Total	(59.0)	(34.0)	(1.4)	(3.7)	(98.1)

There were bank loans and overdrafts of £1.5 million (2000: £ nil) within subsidiaries acquired in the period.

## Notes to the unaudited interim statement

six months ended 30 June 2001

### 1. Accounting policies

The consolidated interim statement for the six months ended 30 June 2001 has been prepared applying the accounting policies in the Group's 31 December 2000 report and accounts. These statements are unaudited but have been reviewed by the auditors and their report is set out on page 20.

In accordance with Financial Reporting Standard 10, the directors are required to review the estimated useful economic life of goodwill arising on each acquisition and, where this is considered finite, the goodwill is amortised over this period on a straight line basis. In the case of goodwill arising on the acquisition of Market Facts, Inc. the useful economic life is not considered to be finite and hence in 2000 was not amortised. As a result of the continuing successful development of the market research operations in the US, the results of Market Facts, Inc. are likely to become increasingly integrated with the rest of the business to such an extent that it may become impossible to continue to separately identify its results and hence to continue to support the carrying value of the goodwill. As a consequence, the directors have decided to amortise the goodwill over the estimated remaining useful economic life of 18½ years. This has resulted in an additional charge of £5.3 million in the six months to 30 June 2001.

### 2. Analysis of turnover and profit on ordinary activities before taxation

The Group operates in two business sectors: media communications and market research. An analysis of turnover by geographical area and business sector is set out below:

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
Europe	2,273.5	2,127.1	4,275.4
North America	658.3	581.6	1,218.5
Rest of the World	113.7	87.3	218.6
<b>Total turnover</b>	<b>3,045.5</b>	<b>2,796.0</b>	<b>5,712.5</b>
Media communications	2,959.6	2,731.7	5,560.0
Market research	85.9	64.3	152.5
<b>Total turnover</b>	<b>3,045.5</b>	<b>2,796.0</b>	<b>5,712.5</b>

There is no material difference between turnover determined by origin and that determined by destination.

## Notes to the unaudited interim statement

six months ended 30 June 2001

### 2. Analysis of turnover and profit on ordinary activities before taxation (continued)

An analysis of operating profit by geographical area and business sector is set out below:

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
Europe	30.8	26.7	59.1
North America	0.4	7.8	19.6
Rest of the World	(1.0)	2.3	5.8
<b>Total operating profit (before goodwill amortisation)</b>	<b>30.2</b>	36.8	84.5
Media communications	24.9	31.6	69.0
Market research	5.3	5.2	15.5
<b>Total operating profit (before goodwill amortisation)</b>	<b>30.2</b>	36.8	84.5
Group share of operating loss in joint venture and associated undertakings	(0.6)	(0.1)	(0.8)
Net interest payable	(2.4)	(2.0)	(5.3)
<b>Underlying profit on ordinary activities before taxation</b>	<b>27.2</b>	34.7	78.4
Amortisation of goodwill	(9.6)	(2.5)	(6.7)
<b>Profit on ordinary activities before taxation</b>	<b>17.6</b>	32.2	71.7

### 3. Interest payable and similar charges

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
<b>Interest payable:</b>			
On bank loans and overdrafts	5.8	3.9	8.6
On other loans	0.5	0.3	1.7
Other charges	0.5	1.1	2.3
	<b>6.8</b>	5.3	12.6
Amortisation of refinancing costs	0.2	0.1	0.2
	<b>7.0</b>	5.4	12.8

## Notes to the unaudited interim statement

six months ended 30 June 2001

### 4. Tax on profit on ordinary activities

The tax charge of £8.2 million for the six months ended 30 June 2001 is based on the estimated effective rate for the full year of 30.0% applied to profits before amortisation of goodwill (six months ended 30 June 2000: 29.5% and year ended 31 December 2000: 29.5% on underlying profit).

### 5. Dividends

	Six months ended 30 June 2001	Six months ended 30 June 2000	Year ended 31 December 2000
<b>Ordinary shares of 5p each</b>			
Dividend rate per share	<b>0.48p</b>	0.46p	1.15p
<b>Dividend for ordinary shares</b>	<b>£5.3m</b>	£5.0m	£12.5m

The interim dividend will be paid on 5 October 2001 to all ordinary shareholders on the register at 21 September 2001.

### 6. Earnings per ordinary share

	Six months ended 30 June 2001	Six months ended 30 June 2000	Year ended 31 December 2000
Earnings per ordinary share is calculated as follows:			
<b>Basic</b>			
Profit for the period	<b>£9.0m</b>	£21.6m	£47.5m
Underlying profit for the period	<b>£18.6m</b>	£24.1m	£54.2m
Weighted average number of ordinary shares in issue	<b>1,087.8m</b>	1,079.4m	1,081.1m
Basic earnings per share	<b>0.8p</b>	2.0p	4.4p
Underlying basic earnings per share	<b>1.7p</b>	2.2p	5.0p
<b>Diluted</b>			
Profit for the period	<b>£9.0m</b>	£21.6m	£47.5m
Underlying profit for the period	<b>£18.6m</b>	£24.1m	£54.2m
Weighted average number of dilutive securities: options	<b>16.6m</b>	39.5m	34.5m
Weighted average number of ordinary shares in issue and the weighted average number of dilutive securities	<b>1,104.4m</b>	1,118.9m	1,115.6m
Diluted earnings per share	<b>0.8p</b>	1.9p	4.3p
Underlying diluted earnings per share	<b>1.7p</b>	2.2p	4.9p

The calculation of basic and diluted earnings per share is based on profit after tax and minority interests.

At 30 June 2001, there were 1,100.2 million ordinary shares in issue and 98.6 million options outstanding. The total proceeds that would be received on exercise of the outstanding options at 30 June 2001 is £136.7 million. Underlying profits are calculated by adding back amortisation of goodwill of £9.6 million for the six months ended 30 June 2001 (2000: £2.5 million) and of £6.7 million for the year ended 31 December 2000.

## Notes to the unaudited interim statement

six months ended 30 June 2001

### 7. Goodwill on acquisitions

During the period, the Group acquired subsidiaries (all acquisition accounted for) as detailed below:

Company	Country of Incorporation	% Acquired	Date of Acquisition
MarkTrend	Canada	100%	29 January, 2001
Pegram Walters	England	100%	31 January, 2001
Lord Media	Poland	100%	16 February, 2001
Copernicus	US	100%	12 March, 2001
MEMRB Custom Research Worldwide	Cyprus	100%	1 May, 2001
BBJ Media Services	England	9.4%	10 May, 2001
Demoscopie	France	100%	1 June, 2001

Initial consideration totalled £21.6 million (including £1.5 million paid in shares), with contingent deferred consideration payable between 2001 and 2004 up to a maximum of £26.2 million, subject to performance criteria. Of the total contingent deferred consideration, a maximum of £3.0 million is payable by the issue of shares or loan notes at the Group's discretion.

Net assets/(liabilities) acquired:	Book value acquired £'m	Accounting policy alignment £'m	Other adjustments £'m	Fair value of net assets/ (liabilities) £'m
Tangible fixed assets	1.2	(0.2) (a)	-	1.0
Debtors	5.3	-	(0.5) (c)	4.8
Stock: work in progress	1.2	1.1 (b)	-	2.3
Cash at bank and in hand	1.5	-	-	1.5
Creditors	(7.6)	(3.1) (b) (d)	-	(10.7)
Minority interest	(0.1)	-	-	(0.1)
	1.5	(2.2)	(0.5)	(1.2)
Goodwill capitalised in the period				32.3
				31.1
<b>Satisfied by:</b>				
Initial consideration				21.6
Direct costs of acquisition				0.4
Deferred consideration paid on current period acquisitions				1.6
Deferred consideration (note 9)				7.5
				31.1

Provisional adjustments have been made as follows:

- Adjustments have been made at Pegram Walters (£0.1million) and Copernicus (0.1 million) to bring the useful economic lives of fixed assets into line with Group accounting policy.
- The accounting policy for revenue recognition for Copernicus and MarkTrend has been amended to recognise revenue only on completion of a project or on the satisfactory completion of a specific phase of a project. The net effect is to reduce net assets by £1.2 million.
- Provisions for potentially doubtful debts have been made for MEMRB (£0.3 million), Demoscopie (£0.1 million) and Copernicus (£0.1 million).
- Provision has been made for Demoscopie (£0.7 million) and MEMRB (£0.1 million) for specific pre-acquisition costs not reflected in the acquisition balance sheet and to convert to accruals accounting.

## Notes to the unaudited interim statement

six months ended 30 June 2001

### 8. Reserves

	Share capital £'m	Share premium account £'m	Capital Redemption reserve £'m	Profit & loss account £'m
At 1 January 2001	54.2	184.2	0.2	(111.8)
Retained profit for the financial period	-	-	-	3.7
Issue of shares by the Company	0.8	12.7	-	-
Currency translation differences on foreign currency net investments	-	-	-	(10.2)
<b>At 30 June 2001</b>	<b>55.0</b>	<b>196.9</b>	<b>0.2</b>	<b>(118.3)</b>

Goodwill arising on acquisitions up to 31 December 1997 of £563.9 million (2000: £563.9 million), which has been written off immediately to reserves, is included within the Profit and Loss account reserve at 30 June 2001.

### 9. Contingent liabilities and other commitments

#### Deferred consideration

Deferred consideration, which has been provided for in creditors, may be paid to the vendors of certain subsidiary undertakings in the years to 2005. Such payments are either fixed under the terms of the acquisition or are contingent on the future financial performance. The directors estimate that, at the rates of exchange ruling at the balance sheet date, the liability for payments that may be due is as follows:

	Six months ended 30 June 2001 £'m	Six months ended 30 June 2000 £'m	Year ended 31 December 2000 £'m
Within one year	38.2	24.6	37.3
Between one and two years	41.2	15.6	19.5
Between two and five years	3.3	39.3	47.6
	<b>82.7</b>	<b>79.5</b>	<b>104.4</b>

All of the contingent payments noted above are dischargeable in cash except for £3.0 million, which is payable in shares or loan notes at the option of the Group. The minimum liability is £5.4 million.

### 10. Companies Act 1985, section 240

Copies of the interim statement for the six months ended 30 June 2001 are being sent to all shareholders and are also available from the Company's registered office.

Aegis Group plc is registered in England and Wales, Number 1403668. Its registered office is at 43-45 Portman Square, London W1H 6LY.

## Independent review report to Aegis Group plc

for the six months ended 30 June 2001

### **Introduction**

We have been instructed by the company to review the financial information set out on pages 10 to 19 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

**PRICEWATERHOUSECOOPERS** 

Chartered Accountants  
London  
12 September 2001