Press Release

First-half 2016

Ipsos on the move
***
Revenue: €833.6 million
Organic growth +3.3%
New Services +24%
Increased generation of cash flows and net profit

Paris, 26 July 2016 – In the first half of 2016, Ipsos' revenue amounted to €833.6 million, almost stable compared with the first half of 2015. Exchange rate effects were negative, at 4.5% over the half-year, slightly more than offset by scope effects at 1.3% (attributed to the integration of RDA in Detroit on 1 July 2015) and in particular by organic growth of 3.3%.

Results for the second quarter alone (3% of organic growth) confirm the observation made at the end of the preceding quarter: in 2016, Ipsos is seeing organic growth in its revenue that is significant, both in terms of its size and duration, satisfactory in terms of content ("New Services" represent 2/3 of total growth) and healthy, since it has been accompanied also by an improvement in more strictly financial indicators such as generation of free cash flows.

Performance by region and business line

Consolidated revenues by geographical area *(in millions of euros)*	**1st half 2016**	**1st half 2015**	**Change 2016/2015**	**Organic growth**
Europe, Middle East and Africa	360.0	369.7	-2.6%	1.5%
Americas	330.4	326.2	1.3%	3%
Asia-Pacific	143.1	137.0	4.5%	8%
First-half Revenues	**833.6**	**832.9**	**0.1%**	**3.3%**

In 2016, all geographic regions are experiencing growth. Performance in the regions has been satisfactory (EMEA), good (Americas), and even excellent (Asia-Pacific). This is also the case by market type: the most developed markets have grown by 2.8% at constant scope and exchange rates, buoyed by the United States, Japan and Australia, among others.
This also applies to emerging markets, which, in 2015, due to the effects of downturns in certain crisis-hit markets, particularly Russia, Brazil and the Middle East, impacted Ipsos' results. However, in the first half of 2016, the emerging markets have grown by 4.4% on average, seeing better growth than in the developed markets, as expected, and much better than the previous year, as was hoped.

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Consolidated revenues by business line *(in millions of euros)*	**1st half 2016**	**1st half 2015**	**Change 2016/2015**	**Organic growth**
Media and Advertising Research	182.7	193.3	-5.5%	-1%
Marketing Research	447.8	446.5	0.3%	4%
Opinion & Social Research	85.8	86.6	-0.8%	4%
Client and employee relationship management	117.2	106.5	10.0%	7%
First-half Revenues	**833.6**	**832.9**	**0.1%**	**3.3%**

Similarly, all business lines have improved their performance compared with the previous period. Those that grew in 2015, have seen their growth improve further in 2016. This is the case for marketing research, from +0.5% to +4%, opinion research, from +2% to +4%, and services dedicated to Customer Relationship Management (from +0.5% to +7%: a record half-year improvement for a business line since 2011!). Ipsos Connect, which manages since 2015 in a single organisation advertising content and digital and traditional media channels related research, had a difficult start its first year of existence, with a 6.5% fall in business at constant scope and exchange rates. 2016 will be a year of stabilisation. In the first half of 2016, its business is almost stable with organic growth of -1%, the low point of the expected change.

Financial performance

Summarized income statement

In millions of euros	**1st half 2016**	**1st half 2015**	**Change** *1st half 2016 / 1st half 2015*
Revenue	833.6	832.9	0.1%
Gross profit	**545.0**	**536.4**	**1.6%**
Gross margin	*65.4%*	*64.4%*	-
Operating profit	**53.8**	**46.8**	**14.9%**
Operating margin	*6.5%*	*5.6%*	-
Total of exceptional, non-recurring items	8.7	(11.2)	-
Finance charge	(10.2)	(12.1)	-
Tax	(12.4)	(4.5)	-
Adjusted net profit* (attributable to the Group)	**33.0**	**30.5**	**8.2%**

*Adjusted net profit is calculated before non-cash items linked to IFRS 2 (share-based payments), amortisation of acquisition-related intangible assets (client relationships), deferred tax liabilities related to goodwill on which amortisation is tax-deductible in certain countries and the impact net of tax of other non-recurring income and expenses.

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Gross profit, which is calculated by deducting external direct variable costs attributable to contracts from revenues, grew by 1.6%. This continued growth (65.4%, versus 64.4% in the first half of 2015) is due to both the digitalisation of data collection and growth in New Services, where gross margins are often higher. It is also the sign of the ability to maintain prices in all countries.

As regards operating costs, **payroll** expenses are up 1.0% and decreased slightly as a percentage of revenue and gross profit.

The cost of variable **share-based compensation** went from €5.9 million to €5.0 million. As expected, since the programme reached its peak in 2014, it no longer has an effect on the change in operating margin.

Overhead costs are under control and fell 2.4%.

In the second half of the year, some additional expenses are expected to appear in **operating costs** in relation to the “New Way” programme, for which Ipsos earmarked €10 million in additional current investments in 2016, of which €4.4 million was spent in the first half of 2016 (45% for payroll expenses and 55% for overheads).

Other **operating income and expenses** consist mainly of the impact of exchange rate transactions on operating account items, which were a negative €0.2 million over the half-year period, whereas they were a positive €1.3 million in the first half of 2015.

In total, the Group’s **operating margin** was €53.8 million euros, or 6.5% of revenue, for an increase of 80 basis points over the same period last year, thanks to the re-establishment of strong organic growth for revenue and good gross profit.

Below the **operating margin**, the amortisation of intangibles identified on acquisitions concern the portion of goodwill allocated to client relationships during the 12-month period following an acquisition, recognised in the income statement over several years, in accordance with IFRS. This charge came to €2.5 million, compared with €2.6 million the previous year.

The balance of **other non-operating, non-recurring income and expense** was +€8.7 million, compared with a net expense of €11.2 million in the previous year. It comprises unusual items not related to operations, and includes acquisition costs, as well as the costs of the restructuring plans.
It includes in particular, in the first half of 2016, a net gain of €15.4 million in relation to the repayment from Aegis in February 2016 bringing an end to all claims and legal proceedings regarding the dispute arising from the acquisition of Synovate in 2011. In addition, a total of €6 million in restructuring and streamlining expenses were recognised, some of which are related to the “New Way” programme.

Finance costs. The net cost of interest amounted to €10.2 million, compared with €12.1 million, down 15.4%, due to the drop in Group net debt and to a fall in its credit conditions.

Taxes. The effective tax rate on the IFRS income statement was 25.6%, compared with 25.2% for the previous year. As in the past, it includes a deferred tax liability of €2.2 million (compared with a deferred tax liability of €2.4 million in the first half of 2015), cancelling out the tax saving achieved through the tax deductibility of goodwill amortisation in certain countries, even though this deferred tax charge would fall due only if the activities concerned were sold, and which is restated accordingly in adjusted net profit.

Net profit attributable to the Group, totalled €35.2 million, an increase of 173.5% from the first half of 2015.

Adjusted net profit attributable to the Group, which is the relevant indicator used to measure performance, came to €33.0 million, up 8.2% compared with the first half of 2015.

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Financial structure

Net free cash flow. Cash flow generated by operations, net of current investments, rose 3.3% to €55.5 million, against €53.7 million in the first half of 2015. This was due to careful management of the change in working capital requirement, at a new record level since the Ipsos IPO some 17 years ago on 1 July 1999.
In detail:
- Operating cash flow stood at €62.4 million, against €55.4 million, up 12.6% in line with the rise in operating profit;
- The working capital requirement improved by €26.2 million;
- Current investments in property, plant and equipment and intangible assets, primarily consisting of IT investments, are €7.7 million, versus €12.2 million in the first half of 2015.

Concerning **non-current net investments**, Ipsos invested €36 million over the half year in acquisitions, primarily through the buyback of non-controlling interests in a US company and in certain emerging countries (including Russia and Indonesia).
Ipsos also invested €6.2 million in a share buyback programme in order to limit the dilution effects of its bonus share allocation plans.
Finally, the repayment from Aegis of £20 million (€26.2 million) in February 2016 was classified as a decrease in non-current investments in the cash flow table.

Shareholders' equity totalled €932 million as at 30 June 2016, compared with €945 million published as at 31 December 2015, after deduction of the €34 million in dividends paid on 5 July 2016.

Net financial debt totalled €503 million at 30 June 2016, compared with €552 million at 31 December 2015, thanks to the strong operating cash flows mentioned above.
The net gearing was 53.9%, compared with 59.8% at 31 December 2015.

Liquidity position. **Net cash** at the end of the half-year period was €126.7 million, compared with €151.6 million at 31 December 2015, giving Ipsos a good liquidity position. The Company also has over €300 million available through credit facilities.

OUTLOOK FOR 2016

China seems to be able to manage its progress on the difficult path from one economic model to another. It will be in India where FoxCOM will build its next eight factories and provide another million low-skilled jobs. China will be developing a 150-200-seat plane that will be a real competitor to single-aisle Boeing and Airbus aircraft.

Brazil is still facing a difficult situation but the Olympic Games will be happening as planned next month in Rio, with the Russian flag present among many others. It is hoped that they will be a success, and will prove that a great country, like a great team, is always very resilient.

The "United" Kingdom will leave the European Union, but will be more European than ever. Late night negotiations in Brussels will once again be on the agenda.

These constitute three of the main markets where Ipsos deploys significant resources, generates a large volume of business and grows with its clients thanks to New Services that are more immersive, more analytical, more connected, new relationships that are closer, more useful and easier to promote.
These three markets are symbols of a paradoxical time that presents immense challenges and extraordinary opportunities. There is no way to assert that all will go well, everywhere, all the time. There is however no reason for us to describe a world only in black terms, even if it has rarely been so anxiety-provoking, uncertain, dispersed even divided by emotions often understandable but sometimes dangerous. This is the paradox of a civilisation where information which is not always right and relevant is nevertheless, immediate, shared and omnipresent.

In summary, invention, diffusion, activation and fragmentation are the key themes of the times and they justify the maintain of marketing spending at a high level. Those who manage these budgets know that they will be efficient only if they understand the market well, know consumers and clients well, understand socially responsible approaches and their increasing influence on consumer behaviour, to better assess and anticipate how existing or new competition is behaving, as well as the likely consequences.

The research industry, in all its dimensions, is supported by the need to measure well, to better understand, and even to better anticipate what our reasoning, our experience, our emotions or our networks are going to make us do (or not). This industry, of which Ipsos is a proud member, has many assets. It is essential to its clients - businesses both large and small, institutions and organisations of all types - that operate and are willing to build their successes in those markets that are open, connected, volatile and competitive.

Thanks to its knowledge, its skills, its resources, including and above all thanks to its teams in 87 countries and 250 cities, Ipsos brings to its clients: its multiculturalism, its experience of working closely with its clients, its capacity to develop new services and make them accessible, created from a strong command of today's technology and sciences.
Moreover, Ipsos holds firm to its status – and its reality – as a business that is independent and neutral. At a time when everything becomes more fluid, competitive, and demanding, being a global business that is specialised and independent is it’s a source of pride and its competitive edge.

Ipsos’ outlook must be seen in the context of a complex "macro" environment in which companies operate won’t deteriorate more. If this is the case, 2016 will be a good year, the best since 2011 for Ipsos. It will be marked by several achievements in terms of market gains, an upswing from New Services, strengthening the teams and a good cash flow generation. Lastly, the operating margin will be stable, at the same level as in 2015, after an additional €10 million in operating costs for the “New Way” programme and a more aggressive variable compensation scheme.

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Appendix

- **Consolidated income statement**
- **Statement of financial position**
- **Consolidated cash flow statement**

A full set of consolidated financial statements is available at www.ipsos.com

The 2016 performance and results presentation will be available from 27 July on the www.ipsos.com

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals, with offices in 87 countries. Founded in France in 1975, Ipsos ranks third in the global research industry. Ipsos has been listed on the Paris Stock Exchange since 1999.

GAME CHANGERS

« Game Changers » is the Ipsos signature.
At Ipsos we are passionately curious about people, markets, brands and society.
We make our changing world easier and faster to navigate and inspire clients to make smarter decisions.
We deliver with security, simplicity, speed and substance.
We are Game Changers.

Ipsos is listed on Eurolist - NYSE-Euronext.
The company is part of the SBF 120 and the Mid-60 index
and is eligible for the Deferred Settlement Service (SRD).

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Consolidated income statement

First-half to 30 June 2016

In thousand euros	30 June 2016	30 June 2015	31 December 2015
Revenue	**833,599**	**832,925**	**1,785,275**
Direct costs	(288,589)	(296,570)	(635,538)
Gross profit	**545,010**	**536,355**	**1,149,736**
Payroll - excluding share-based payments	(372,135)	(368,313)	(733,656)
Payroll - share-based payments*	(5,039)	(5,888)	(10,812)
General operating expenses	(113,873)	(116,626)	(227,999)
Other operating income and expenses	(180)	1,281	946
Operating margin	**53,784**	**46,809**	**178,215**
Amortisation of intangibles identified on acquisitions*	(2,451)	(2,572)	(5,097)
Other non-operating income and expense* (1)	8,742	(11,203)	(17,302)
Income from associates	(48)	(89)	(95)
Operating profit	**60,026**	**32,945**	**155,721**
Finance costs	(10,217)	(12,078)	(23,849)
Other financial income and expense*	(1,188)	(2,987)	(2,131)
Profit before tax	**48,621**	**17,879**	**129,741**
Income tax - excluding deferred tax on goodwill	(10,286)	(2,061)	(29,353)
Income tax - deferred tax on goodwill *	(2,162)	(2,444)	(4,465)
Income tax	(12,447)	(4,505)	(33,818)
Net profit	**36,174**	**13,374**	**95,924**
Attributable to the Group	**35 179**	**12,864**	**92,993**
Attributable to Minority interests	**995**	**510**	**2,930**
Earnings per share (in euros) – Basic	0.78	0.28	2.05
Earnings per share (in euros) - Diluted	0.77	0.28	2.03

Adjusted net profit*	**34,260**	**31,340**	**129,792**
Attributable to the Group	**33,047**	**30,540**	**126,548**
Attributable to Minority interests	**1,213**	**800**	**3,244**
Adjusted earnings per share (in euros) - Basic	0.73	0.67	2.80
Adjusted earnings per share (in euros) - Diluted	0.72	0.66	2.76

*Adjusted net profit is calculated before non-cash items linked to IFRS 2 (share-based payments), amortisation of acquisition-related intangible assets (client relationships), deferred tax liabilities related to goodwill on which amortisation is tax-deductible in certain countries and the impact net of tax of other non-recurring income and expenses and the non-monetary impact of changes in puts in other financial income and expense.

(1) The other non-current income and expense line includes as of June 2016 the positive net impact of Aegis refund amounting to 15 390 thousands of euros and which is described in the note 4.3 to the consolidated financial statements.

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Consolidated balance sheet

First-half to 30 June 2016

In thousands of euros	30 June 2016	30 June 2015	31 December 2015
ASSETS			
Goodwill	1,241,637	1,268,089	1,264,920
Other intangible assets	74,455	86,585	80,469
Property, plant and equipment	34,225	34,068	37,209
Investments in associates	206	268	262
Other non-current financial assets	16,938	19,950	17,305
Deferred tax assets	13,884	37,477	14,983
Total non-current assets	**1,381,345**	**1,446,437**	**1,415,149**
Trade receivables	552,754	563,767	627,282
Current income tax	21,442	21,661	12,237
Other current assets	88,286	95,362	72,596
Derivative financial instruments	6,804	4,442	4,589
Cash and cash equivalents	126,686	169,932	151,576
Total current assets	**795,972**	**855,163**	**868,280**
TOTAL ASSETS	**2,177,318**	**2,301,600**	**2,283,430**

In thousands of euros	30 June 2016	30 June 2015	31 December 2015
LIABILITIES			
Share capital	11,334	11,334	11,334
Share premium	540,201	540,201	540,201
Own shares	(808)	(1,241)	(1,220)
Currency translation differences	(56,785)	(322)	(48,110)
Other reserves	417,092	344,829	423,190
Shareholders' equity - attributable to the Group	**911,034**	**894,802**	**925,395**
Minority interests	20,569	19,593	19,889
Total shareholders' equity	**931,603**	**914,395**	**945,284**
Borrowings and other long-term financial liabilities	582,792	577,253	635,868
Non-current provisions	7,465	5,545	5,157
Retirement benefit obligations	25,592	25,238	25,030
Deferred tax liabilities	97,897	120,593	100,015
Other non-current liabilities	40,291	48,767	37,024
Total non-current liabilities	**754,037**	**777,397**	**803,094**
Trade payables	230,578	248,157	263,492
Short-term portion of borrowings and other financial liabilities	53,230	144,292	72,694
Current income tax liabilities	6,059	3,226	6,781
Current provisions	10,147	3,784	5,121
Other current liabilities	191,663	210,349	186,965
Total current liabilities	**491,677**	**609,808**	**535,052**
TOTAL LIABILITIES	**2,177,318**	**2,301,600**	**2,283,430**

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Consolidated cash flow statement

First-half to 30 June 2016

In thousands of euros	30 June 2016	30 June 2015	31 December 2015
OPERATING ACTIVITIES			
NET PROFIT	**36,174**	**13,374**	**95,924**
Adjustments to reconcile net profit to cash flow			
Amortisation and depreciation of fixed assets	12,754	13,535	27,525
Net profit of equity associated companies - net of dividends received	48	89	95
Losses/(gains) on asset disposals	203	18	161
Movement in provisions	(15,537)	629	(3,385)
Share-based payment expense	4,893	5,294	10,189
Other non cash income/(expenses)	14	3,794	4,478
Acquisitions costs of consolidated companies	1,184	2,112	5,412
Finance costs	10,217	12,078	23,849
Income tax expense	12 447	4,505	33,818
OPERATING CASH FLOW BEFORE WORKING CAPITAL. FINANCING AND TAX PAID	**62,398**	**55,429**	**198,064**
Change in working capital requirement	26,191	36,952	18,432
Interest paid	(9,623)	(10,458)	(22,004)
Income tax paid	(15,838)	(15,947)	(26,510)
CASH FLOW FROM OPERATING ACTIVITIES	**63,128**	**65,976**	**167,982**
INVESTMENT ACTIVITIES			
Acquisitions of property. plant. equipment and intangible assets	(8,136)	(11,705)	(23,579)
Proceeds from disposals of property. plant. equipment and intangible assets	879	389	454
Acquisition of financial assets	(374)	(932)	1,343
Acquisition of consolidated companies and business goodwill	22,425	(1,446)	(37,778)
CASH FLOW FROM INVESTMENT ACTIVITIES	**14,794**	**(13,695)**	**(59,560)**
FINANCING ACTIVITIES			
Increase/(decrease) in capital	0	0	0
(Purchase)/proceeds of own shares	(6,163)	(9,492)	(9,499)
Increase/(decrease) in long-term borrowings	(63,561)	(22,158)	(46,604)
Increase/(decrease) in bank overdrafts and short-term debt	1,672	(1,065)	(1,262)
Acquisition of minority interests	(32,283)	(3,928)	(12,546)
Dividends paid to parent-company shareholders	0	0	(34,071)
Dividends paid to minority shareholders of consolidated companies	(465)	(1,869)	(3,428)
CASH FLOW FROM FINANCING ACTIVITIES	**(100,801)**	**(38,511)**	**(107,410)**
NET CASH FLOW	**(22,879)**	**13,769**	**1,012**
Impact of foreign exchange rate movements	(2,010)	6,905	1,306
CASH AT BEGINNING OF PERIOD	**151,576**	**149,258**	**149,258**
CASH AT END OF PERIOD	**126,686**	**169,932**	**151,576**

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