



Press Release

First-half 2017

An apparently uneventful six months

Revenue: €833.8 million

Organic growth: +0.1%

New Services: +18%

Adjusted net profit: +9.0%

Paris, 26 July 2017 – Ipsos' revenue for first-half 2017 was €833.8 million, almost equivalent to that published for first-half 2016 (€833.6 million). Slightly positive currency effects (+0.5%) and negative scope effects (-0.6%) broadly cancelled one another out. Ipsos recorded organic growth of +0.1% for the period in question. All of these data illustrate the perception of stable activity, with no clear trend.

This being so, significant changes are under way and can be analysed from four different angles.

1. The "New Services" component, comprising new business rolled out by Ipsos in 2014 that reflects the innovative approaches used to measure better and faster and thereby to help its clients gain a better understanding of markets, continue to progress at a fast pace. With organic growth of 18%, they account for more than 12% of revenue, compared to 7% in 2014. In comparison, the more traditional approaches are seeing the results of efforts to increase productivity, linked, among others, to the continued transition to greater digitisation of data collection systems and also further simplification of research protocols.
2. Certain emerging markets, notably in Asia-Pacific and Eastern Europe, are driving growth, in contrast to more difficult areas such as the Middle East or Brazil. Likewise, within the developed markets, certain countries, such as the United Kingdom, maintained a high growth rate while other countries, such as France, were affected by specific events. The business in Paris hasn't been good in the first-half of the year: very long electoral processes and related uncertainties made market research on products, brands or commercial communications more difficult in the same period. Overall, the gap in growth between developed countries and emerging countries became significant again (5%). Turnover declined by 1.3% in developed countries and grew by 3.3% in emerging countries.
3. Certain markets have been particularly affected by the lag between sales volumes recorded at a given moment and the rate of progress in carrying out the programmes that allow these sales to be recorded in revenue recognised. The transformation in the mix of services sold by Ipsos, already observed at the end of the first quarter, and reflected in the increased weight of bigger programmes with longer execution times rather than shorter and more ad-hoc interventions, has its advantages, in particular in facilitating the optimisation of the teams' work. A negative consequence is that it delays the alignment of revenue with the level of sales. At the end of June, Ipsos' order book overall remained positive, not very far from the annual objective of 3%, at constant scope and exchange rates. The difference with the published revenue growth (+0.1%) is significant and similar to the one recorded at the end of the first quarter. We anticipate a significant increase in Ipsos' revenue for the



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second half of the year, especially where the difference is significant, for example, in North America and in activities linked to media measurement and advertising communication.

4. Our clients' circumstances are also changing. Companies involved in the CPG sector were, until recently, the biggest, most global and, in certain respects, the most innovative users of market research companies' services. Their ability to grow and at the same time improve their financial performance is now being called into question. They have been affected by strong competition from local or more specific players and have of course had to mobilise resources for their own digitisation processes. Under such conditions, their real concern is to improve while reducing costs. On the one hand, CPG companies, particularly the largest ones, are excellent candidates for systematic use of the new research approaches developed by Ipsos and others. At the same time, the resources that they are allocating to marketing expenditures have decreased, sometimes significantly. In total, in the first half of 2017, Ipsos' activity with these clients decreased by 5%, while it increased significantly for clients from other sectors such as pharmaceutical companies or financial institutions.

Performance by region and business line

Consolidated revenues by geographical area <i>(in millions of euros)</i>	1st half 2017	1st half 2016	Change 2017/2016	Organic growth
Europe, Middle East and Africa	360.4	360.0	0.1%	3%
Americas	318.5	330.4	-3.6%	-5%
Asia-Pacific	154.9	143.1	8.2%	6%
First-half Revenues	833.8	833.6	0.0%	0.1%

Consolidated revenues by business line <i>(in millions of euros)</i>	1st half 2017	1st half 2016	Change 2017/2016	Organic growth
Media and Advertising Research	177.7	182.7	-2.8%	-3%
Marketing Research	444.0	447.8	-0.9%	-0.5%
Opinion & Social Research	92.5	85.8	7.8%	9%
Client and employee relationship management	119.7	117.2	2.1%	1%
First-half Revenues	833.8	833.6	0.0%	0.1%



Financial performance

Summarized income statement

<i>In millions of euros</i>	1st half 2017	1st half 2016	Change 1st half 2017 / 1st half 2016
Revenue	833.8	833.6	0.0%
Gross profit	544.2	545.0	-0.1%
<i>Gross margin</i>	<i>65.3%</i>	<i>65.4%</i>	-
Operating profit	50.7	53.8	-5.7%
<i>Operating margin</i>	<i>6.1%</i>	<i>6.5%</i>	-
Total of exceptional, non-recurring items	(7.9)	8.7	-
Finance charge	(9.7)	(10.2)	-5.2%
Tax	(7.9)	(12.4)	-36.3%
Adjusted net profit* (attributable to the Group)	36.0	33.0	9.0%

*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.

Gross profit (calculated by deducting from revenue the variable and external direct costs related to contract execution) amounted to 65.3% compared with 65.4% in the first-half of 2016 (and 65.1% for full year 2016). Its change is related to the weight of major contracts, which is higher in this half and for which gross profit is often lower (which does not say anything about the operating margin on these contracts). The continuation of digitisation of data collection and growth in New Services generates higher gross profit otherwise.

Concerning operating costs, **payroll** expenses are up 0.6%, with Group headcount rising 1.5%, mainly in emerging countries, to give a permanent headcount of 16,845 at 30 June 2017.

The cost of **variable share-based payments** was stable at €5.1 million.

Overhead costs are under control and fell 1.9%, notably due to savings in rental costs.

Overall **operating costs**, recorded additional expenses related to the New Way programme, for which Ipsos forecast €5 million in additional investment in 2017: €2.3 million was spent in the first-half of 2017.

Other operating income and expenses consist mainly of the impact of exchange rate transactions on operating account items, which were a negative €2 million over the half-year period, whereas they were a positive €1.3 million in the first half of 2016.

Group **operating margin** amounted to €50.7 million, or 6.1% of revenue, a drop of 40 basis points compared to the same period in the previous year, due to stable revenue volume and the investment in the New Way programme. To be noted: due to the seasonality of the market research activity, the operating margin of the first-half is not an indicator of the one of the full year.

Below the operating margin, the **amortisation of intangibles** identified on acquisitions concerns 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 allocation amounted to €2.4 million compared with €2.5 million the previous year.



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The balance of **other non-operating, non-recurring income and expense** was -€7.9 million, compared with net income of €8.7 million in the previous year. It comprises unusual items not related to operations, and includes acquisition costs as well as the costs of the current restructuring plans.

It included in particular, in the first half of 2016, a net gain of €15.4 million in relation to the repayment received 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 €6.7 million in restructuring and streamlining expenses was recognised, some of which are related to the New Way programme.

Finance costs. The net cost of interest amounted to €9.7 million, compared with €10.2 million, down 5.2%, due to a fall in its credit conditions.

Taxes. The effective tax rate on the IFRS income statement was 26.8%, compared with 25.6% for the previous year. As in the past, it includes a deferred tax liability of €1.3 million (compared with a deferred tax liability of €2.1 million in the first half of 2016), 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.

The **Net profit (attributable to the Group)**, stands at €21.6 million versus €35.2 million in first half 2016, the change being mainly related to the exceptional profit of €15.4 million recorded under "other non-operating and non-recurring income and expenses".

Adjusted net profit attributable to the Group, which is the relevant and constant indicator used to measure performance, came to €36.0 million, up 9.0% compared with the first half of 2016.

Financial structure

Free cash flow. Operating cash flow stands at €56.6 million in line with changes in income from operating activities.

- The working capital requirement improved by €7.4 million.
- Current investments in property, plant and equipment and intangible assets, consisting mainly of IT investments, were stable at €7.7 million.

Concerning **non-current investments**, Ipsos invested €5.4 million over the half year in acquisitions, proceeding in particular with the buyback of non-controlling interests in a US company and in certain emerging countries (notably Central America).

In addition, Ipsos received €3.8 million from funds raised from its IPF 2020 stock option plan. The potential dilution of the 156,344 shares subscribed was offset by the cancellation of the same number of its own shares from among those bought back in November 2016.

As a reminder, Ipsos invested in its share buyback programme in 2016, including €65 million in November 2016 for the purchase of Ipsos shares from LT Participations, its holding company, prior to the merger between Ipsos and LT Participations on 29 December 2016.

At 30 June 2017, Ipsos holds 1,580,596 of own shares (3.6% of its share capital) allocated to the involvement plans of its employees.

Shareholders' equity totalled €892 million as at 30 June 2017, compared with €939 million published as at 31 December 2016, after deduction of the €36.4 million in dividends paid on 5 July 2017.

Net financial debt totalled €494 million at 30 June 2017, compared with €544 million at 31 December 2016, thanks to the strong operating cash flows mentioned above.

The net gearing was 55.4%, compared with 58.0% at 31 December 2016.



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Liquidity position. Net cash at the end of the half-year period was €123 million, compared with €127 million at 31 December 2016, giving Ipsos a good liquidity position. Ipsos also has over €300 million available through credit facilities.

OUTLOOK FOR 2017

Ipsos operates in a growing market: the demand for information and analysis from companies and public institutions for better measurement and understanding of Society, markets and ultimately people, remains strong. It is also undergoing transformation as today, the combined use of new progress in human sciences, data sciences, technologies and know-how make it possible to better exploit information. It is by using the power of these sciences and technologies, but also the skills of its teams, that Ipsos is entering a new phase full of confidence: one where it can legitimately support its clients to achieve fair, clear, accessible and full understanding of their own markets.

Thanks to the New Way programme, which will be completed, as planned, at the end of this year, Ipsos has demonstrated that, with the aid of innovation and, in this case, the implementation of New Services, a large, established company can hold its position and retain the confidence of its clients.

The "Total Understanding" programme, whose principle and existence were made public a few months ago, will now take over. It will build on the lessons learnt from New Way. It is also more ambitious. Its aim is for Ipsos to eventually be able to offer its clients all the resources required to better understand the behaviour, reactions and aspirations of their environment, the market where they operate and the people they target. This approach will enable a company to build winning competitive positions and also ensure that the resources that they have decided to allocate, are effective.

It is by having the ability to deploy a sufficient diversity of investigation, analysis and reporting solutions that Ipsos will confirm its position not only as a supplier of reliable and relevant information, but also as a partner in the management of information which is essential to the success of the most innovative ideas and to the implementation of the most ambitious plans.

The precise details of the "Total Understanding" plan will be communicated when Ipsos presents its annual results in February 2018. In the meantime, Ipsos' teams will continue to work on completing financial year 2017 successfully.

To achieve the 3% target for organic growth in 2017 as published at the start of the year, the international CPG companies, which are among Ipsos' longest-standing and largest clients, need to regain their average historical levels of activity in the second-half 2017.

Another scenario would be that the activity of these same companies (along with Ipsos) declines further and Ipsos' growth would fall to between 1% and 2%.

The first scenario (the most optimistic) is not very likely, since it assumes that these companies have already subscribed to the new approach, to these new more fragmented and volatile markets, and that Ipsos has also had the time to adapt its services to their new requirements.

The second scenario (the most pessimistic) is also unlikely, in that it assumes an additional decline in sales in the second half of the year plus the persistence of certain lags between the sales level and the level of revenue actually recognised.

Furthermore, the 2016/2017 comparison base will be more favourable in the second half of the year, particularly towards the end of the year.



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This being so, regardless of the scenario, whether growth is below 2% or above 2%, operating margin will be slightly up in comparison with 2016, as announced.

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/en/investors**

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

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).

ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP

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Consolidated income statement

First half to 30 June 2017

In thousand euros	30 June 2017	30 June 2016	31 December 2016
Revenue	833,794	833,599	1,782,691
Direct costs	(289,583)	(288,589)	(622,244)
Gross profit	544,211	545 010	1,160,446
Payroll - excluding share-based payments	(374,309)	(372,135)	(751,754)
Payroll - share-based payments*	(5,104)	(5,039)	(9,991)
General operating expenses	(111,727)	(113,873)	(220,646)
Other operating income and expenses	(2,355)	(180)	2,026
Operating margin	50,716	53,784	180,080
Amortisation of intangibles identified on acquisitions*	(2,405)	(2,451)	(4,786)
Other non-operating income and expense	(7,973)	8,742	143
Income from associates	69	(48)	(46)
Operating profit	40,407	60,026	175,391
Finance costs	(9,682)	(10,217)	(20,811)
Other financial income and expense*	(1,134)	(1,188)	(475)
Profit before tax	29,591	48,621	154,105
Income tax - excluding deferred tax on goodwill	(6,622)	(10,286)	(37,765)
Income tax - deferred tax on goodwill *	(1,308)	(2,162)	(6,582)
Income tax	(7,930)	(12,447)	(44,347)
Net profit	21,660	36,174	109,758
Attributable to the Group	21,558	35,179	106,897
Attributable to Minority interests	103	995	2,861
Earnings per share (in euros) – Basic	0.50	0.78	2.40
Earnings per share (in euros) - Diluted	0.50	0.77	2.36

Adjusted net profit*	36,380	34,260	124,945
Attributable to the Group	36,031	33,047	121,657
Attributable to Minority interests	349	1,213	3,288
Adjusted earnings per share (in euros) - Basic	0.84	0.73	2.73
Adjusted earnings per share (in euros) - Diluted	0.83	0.72	2.69

*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.



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Consolidated balance sheet

First half to 30 June 2017

In thousands of euros	30 June 2017	30 June 2016	31 December 2016
ASSETS			
Goodwill	1,198,102	1,241,637	1,259,193
Other intangible assets	64,624	74,455	71,489
Property, plant and equipment	32,834	34,225	35,517
Investments in associates	557	206	207
Other non-current financial assets	20,001	16,938	22,547
Deferred tax assets	18,724	13,884	18,184
Total non-current assets	1,334,842	1,381,345	1,407,138
Trade receivables	524,548	552,754	624,406
Current income tax	26,670	21,442	15,204
Other current assets	87,408	88,286	78,677
Derivative financial instruments	2,898	6,804	3,399
Cash and cash equivalents	123,082	126,686	164,892
Total current assets	764,606	795,972	886,579
TOTAL ASSETS	2,099,448	2,177,318	2,293,717

In thousands of euros	30 June 2017	30 June 2016	31 December 2016
LIABILITIES			
Share capital	11,109	11,334	11,109
Share premium	516,275	540,201	516,489
Own shares	(41,547)	(808)	(55,905)
Other reserves	472,063	417,092	492,737
Currency translation differences	(82,611)	(56,785)	(44,819)
Shareholders' equity - attributable to the Group	875,289	911,034	919,612
Minority interests	17,412	20,569	19,805
Total shareholders' equity	892,701	931,603	939,417
Borrowings and other long-term financial liabilities	540,539	582,792	626,152
Non-current provisions	9,150	7,465	9,230
Retirement benefit obligations	28,154	25,592	28,029
Deferred tax liabilities	97,122	97,897	100,432
Other non-current liabilities	21,663	40,291	21,159
Total non-current liabilities	696,629	754,037	785,002
Trade payables	226,417	230,578	262,865
Short-term portion of borrowings and other financial liabilities	79,717	53,230	86,662
Current income tax liabilities	4,586	6,059	11,104
Current provisions	8,685	10,147	9,664
Other current liabilities	190,713	191,663	199,005
Total current liabilities	510,118	491,677	569,300
TOTAL LIABILITIES	2,099,448	2,177,318	2,293,717



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Consolidated cash flow statement

First half to 30 June 2017

In thousands of euros	30 June 2017	30 June 2016	31 December 2016
OPERATING ACTIVITIES			
NET PROFIT	21,660	36,174	109,758
Adjustments to reconcile net profit to cash flow			
Amortisation and depreciation of fixed assets	12,796	12,754	25,970
Net profit of equity associated companies - net of dividends received	(69)	48	46
Losses/(gains) on asset disposals	(118)	203	2,481
Movement in provisions	25	(15,537)	(12,702)
Share-based payment expense	4,747	4,893	9,737
Other non cash income/(expenses)	(109)	14	978
Acquisitions costs of consolidated companies	132	1,184	1,325
Finance costs	9,682	10,217	20,811
Income tax expense	7,930	12,447	44,347
OPERATING CASH FLOW BEFORE WORKING CAPITAL. FINANCING AND TAX PAID	56,676	62,398	202,752
Change in working capital requirement	7,383	26,191	22,819
Interest paid	(9,715)	(9,623)	(20,351)
Income tax paid	(24,707)	(15,838)	(38,046)
CASH FLOW FROM OPERATING ACTIVITIES	29,637	63,128	167,174
INVESTMENT ACTIVITIES			
Acquisitions of property, plant, equipment and intangible assets	(7,850)	(8,136)	(17,631)
Proceeds from disposals of property, plant, equipment and intangible assets	200	879	133
Acquisition of financial assets	1,024	(374)	(1,070)
Acquisition of consolidated companies and business goodwill	0	22,425	23,900
CASH FLOW FROM INVESTMENT ACTIVITIES	(6,627)	14,794	5,332
FINANCING ACTIVITIES			
Increase/(decrease) in capital	0	0	(225)
(Purchase)/proceeds of own shares	3,790	(6,163)	(85,050)
Increase/(decrease) in long-term borrowings	(57,170)	(63,561)	(1,688)
Increase/(decrease) in bank overdrafts and short-term debt	(338)	1,672	491
Acquisition of minority interests	(5,441)	(32,283)	(33,312)
Dividends paid to parent-company shareholders	0	0	(36,358)
Dividends paid to minority shareholders of consolidated companies	0	(465)	(431)
CASH FLOW FROM FINANCING ACTIVITIES	(59,159)	(100,801)	(156,575)
NET CASH FLOW	(36,149)	(22,879)	15,932
Impact of foreign exchange rate movements	(5,662)	(2,010)	(2,615)
CASH AT BEGINNING OF PERIOD	164,892	151,576	151,576
CASH AT END OF PERIOD	123,082	126,686	164,892