Press Release

First-half 2018

Awaiting the start of the "Total Understanding" plan
A first half-year impacted by a strong euro

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Organic growth: +1.5%
Revenue: €786 million, -5.7%

Paris, 25 July 2018 – Ipsos' revenue for the first half of 2018 was €786 million, down 5.7% compared to the same period in 2017.

In the absence of scope effects, Ipsos' level of business in euros was the result of two factors working in opposite directions. Organic growth was positive at +1.5%. Currency effects, on the other hand, had a negative effect of -7.3%. The euro strengthened against all currencies, and especially, but not exclusively, those of emerging countries. For example, the average value of the US dollar against the euro decreased by almost 12% year-on-year, slightly more than that of the Australian dollar (-9%), and slightly less than the Russian rouble (-15%). Only the pound sterling, which, it must be said, had fallen considerably, following the referendum triggering Brexit, just about maintained its value against the euro. Year-on-year, the pound/euro difference was only -2%.

For the second quarter alone, revenue was €419 million, down 5.6% compared to the period April-June 2017. Currency effects were negative at -6.5%, only slightly better than the first quarter (-8%), and the impact of changes in accounting standards (IFRS 15) was also negative at -0.3%. Total organic growth for the quarter (+1.2%) only partly offset these negative elements.

Performance by region and business line

Consolidated revenues by geographical area *(in millions of euros)*	**1st half 2018**	**1st half 2017**	**Change 2018/2017**	**Organic growth**
Europe, Middle East and Africa	352.5	360.4	-2.2%	1.5%
Americas	280.5	318.5	-11.9%	0%
Asia-Pacific	153.0	154.9	-1.2%	5%
First-half Revenues	**786.0**	**833.8**	**-5.7%**	**1.5%**

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Consolidated revenues by business line *(in millions of euros)*	**1st half 2018**	**1st half 2017**	**Change 2018/2017**	**Organic growth**
Media and Advertising Research	166.4	177.7	-6.3%	1%
Marketing Research	416.7	444.0	-6.1%	1.5%
Opinion & Social Research	89.9	92.5	-2.8%	5%
Client and employee relationship management	112.9	119.7	-5.6%	0.5%
First-half Revenues	**786.0**	**833.8**	**-5.7%**	**1.5%**

By geographical areas and business lines, the changes recorded during the first-half 2018 were similar to those recorded during previous periods.
Ipsos' revenue showed a constant increase in Asia-Pacific, which today represents almost 20% of total business and also in the Opinion and Social Research areas. "New Services" recorded also a significant 12% increase.

Financial performance

Summarized income statement

In millions of euros	**1st half 2018**	**1st half 2017**	**Change** *1st half 2018 / 1st half 2017*
Revenue	786.0	833.8	-5.7%
Gross profit	**512.7**	**544.2**	**-5.8%**
Gross margin	*65.2%*	*65.3%*	-
Operating profit	**45.6**	**50.7**	**-10%**
Operating margin	*5.8%*	*6.1%*	-
Total of exceptional, non-recurring items	(1.4)	(7.9)	-
Finance charge	(9.4)	(9.7)	-2.6%
Tax	(8.6)	(7.9)	8.6%
Adjusted net profit* (attributable to the Group)	**34.1**	**36.0**	**-5.4%**

*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.

Impact on revenue of the transition to IFRS 15

IFRS 15 replaced IAS 18 Revenue and IAS 11 from 1 January 2018 and incorporates new principles for the recognition of revenue, in particular in respect of the obligating event for the recognition of revenue, the identification of performance obligations, the recognition of variable revenue and the allocation of the transaction price for contracts with multiple components.

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Revenues from contracts with Ipsos clients will still be recognised according to the percentage of completion under IFRS 15, since control in respect of the service provided is seen to be passed on a continuous basis. Methods that do not reflect the percentage of completion of research have been abandoned under IFRS 15, in favor of the straight-line method, as much as this reflects the percentage of completion in a reliable manner.

In addition, Ipsos has elected to apply the simplified transition method, which involves restating only revenue from contracts impacted by the change in standard and still in force at 1 January 2018. The impact of this change is recognised in opening consolidated shareholders' equity at 1 January 2018. Accordingly, FY 2017 presented for comparison is not restated.

Throughout 2018, for the calculation of organic growth in 2018 and as required for the disclosures in the notes to the financial statements published in respect of the impact of the change in method, revenue (and other items impacted) have continued to be monitored in accordance with the former standard (IAS 18) solely in the Group's internal reporting.

As announced, this change in accounting principles does not have a significant impact on Ipsos' revenue under IFRS 15. The impact amounted to only +€0.3 million for the first-half 2018 compared to the previous IAS 18 method.

Income statement - Other

Gross profit (calculated by deducting from revenue the variable and external direct costs related to contract execution) amounted to 65.2% compared with 65.3% in the first-half of 2017 (and 65.0% for full year 2017). The decrease of the gross profit ratio from semester to semester is due to a less favourable mix in view of the decrease of the dollar against the euro and the fact that the highest gross profit rate is in the US (16 basis points impact). Without this currency changes, gross profit ratio would have been stable, knowing that as last year, the weight of major contracts, for which gross profit is often lower but which does not say anything about the operating margin on these contracts compensates positive effects of digitisation of data collection and growth in New Services.

Concerning operating costs, **payroll expenses** are down 4.2%, with Group headcount rising 0.5%, mainly in emerging countries, to give a permanent headcount of 16,664 at 30 June 2018.

The cost of **variable share-based payments** was slightly down at €4.9 million.

Overhead costs are under control and fell by 9.4%, notably due to savings in Transport, IT and rental costs.

Other operating income and expenses show a slight net decrease, mainly including the impact of transactional currency effects on operating account items.

Group **operating profit** amounted to €45.6 million, or 5.8% of revenue, a drop of 30 basis points compared to the same period in the previous year, due mainly to negative effects of currency changes with: firstly, a less favourable mix of countries and, secondly a weaker coverage of central costs mostly denominated in euros. At constant exchange rates, operating profit would have been of 6.16%.
Moreover, due to the seasonality of the market research activity, the level of operating margin of the first-half is not an indicator of that 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 €2.2 million compared with €2.4 million the previous year.

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The balance of **other non-operating and non-recurring income and expenses** was -€1.4 million, compared with -€8.0 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 2018, a net gain of €7.6 million in relation to the decision to capitalise internal development expenses since 1 January 2018. The Group has until now only capitalised its external development expenses when the conditions defined in its accounting methods were met. Following improvements to its internal monitoring system, Ipsos can capitalise its internal development expenses, comprising the payroll of its teams working on its platforms and projects, under these same conditions. This decision enable a better understanding of total Research & Development costs of Ipsos. It has led to a change in accounting estimates of the amounts that will now be capitalised. In accordance with IAS 8, the prospective method is applied from 1st January 2018 to record these impacts. In respect of the first-half 2018, capitalised payroll amounts to €9.1 million and amortisation relating to this capitalisation amounted to €0.5 million.
Furthermore, to avoid creating a mismatch in the operating profit by recognising capitalisation income not offset by amortisation during the first period of changes in accounting estimates, the positive impacts on the operating profit of this first period of assets recognition were reclassified "Total of exceptional, non-recurring items" below "operating margin". This same treatment will be applied at 31 December, and for the coming years, until the implementation of the capitalisation achieves its full momentum, in 2022, considering a depreciation period of 5 years for this category of assets.
For more details, please refer to the note 5.2 of First-half consolidated income statement.

Finance costs. The net cost of interest amounted to €9.4 million, compared with €9.7 million, down 2.6%, mainly due to a fall in debt compared to the first-half 2017.

Taxes. The effective tax rate on the IFRS income statement was 25.7%, compared with 26.8% for the previous year. It includes a deferred tax liability of €0.6 million (compared with a deferred tax liability of €1.3 million in the first-half of 2017), 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 main reason is the decrease of corporate income tax in the US.

Net profit (attributable to the Group), stood at €24.9 million compared to €21.7 million in first-half 2017.

Adjusted net profit (attributable to the Group), which is the relevant and constant indicator used to measure performance, came to €34.0 million, down 5.4% compared with the first-half of 2017, and in line with the percentage decrease in revenue.

Financial structure

Free cash flow. Operating cash flow stood at €64 million, up €7.4 million, notably due to the impact of the capitalisation of internal development expenses.
Furthermore, the working capital requirement improved by €8.6 million.

Finally, current investments in property, plant and equipment and intangible assets consist mainly of IT investments. This item was up €12.6 million, due to capitalised payroll of €9.1 million, and marginally due to the investment in the renovation of some offices.

Concerning **non-current investments**, Ipsos invested €8.8 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 Vietnam).

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In addition, Ipsos received €1.2 million from funds raised from its IPF 2020 stock option plan. The potential dilution of the 61,341 shares subscribed was offset by the cancellation of the same number of its own shares from among those held in auto-control and bought back in November 2016. As a reminder, in 2016 Ipsos invested in its share repurchase programme, including €65 million in November 2016 for the purchase of a block of shares from LT Participations, its holding company, prior to the Merger between Ipsos and LT Participations on 29 December 2016.

At 30 June 2018, Ipsos holds 858,916 of own shares (1.9% of its share capital) allocated to the involvement plans of its employees shares.

Shareholders' equity totalled €948 million as at 30 June 2017, compared with €966 million published as at 31 December 2017, after deduction of the €38.3 million in dividends paid on 4 July 2018.

Net financial debt totalled €464,0 million at 30 June 2018, stable compared to 31 December 2017 (€464,2 million), including a negative currency effect on gross financial debt in foreign currency for around €10 million (impact of the change in exchange rates between 31 December 2017 and 30 June 2018).
Net gearing was 49%, compared with 48% at 31 December 2017 and 55% at 30 June 2017.

Liquidity position. **Net cash** at the end of the half-year period was €103 million, compared with €137 million at 31 December 2017, giving Ipsos a good liquidity position. Ipsos also has over €300 million available through credit facilities.

OUTLOOK FOR 2018
The implementation of the "Total Understanding" project

First-half 2018 data reflects a complex market in which Ipsos has performed slightly better than its most direct competitors. For Ipsos, the emergence of New Services over the last few years has had a positive impact. The reinforcement of teams in areas where growth outlooks are the strongest, particularly in Asia, and in activities relating to public opinion, social research and the assessment of public policies is also a supporting factor.

At the same time, Ipsos needs to meet the challenges generated by the transformation in the demand for information and associated services. The reasons for this transformation are clear: companies and institutions need more, fresher, more accessible, more operational and more useful information to facilitate the way in which they run their businesses in a demanding, competitive, volatile and sometimes difficult to read society and markets, and which remain difficult to anticipate.

Established research companies, including Ipsos, are faced with traditional competition mainly in the form of "boutiques", i.e. fairly small structures represented by a very senior professional or group of professionals personally involved in relations with a limited number of clients. Accordingly, in this segment there have been for a long time local and/or regional companies that are more or less generalist and more or less well-known, benefiting from local contracts, fairly low costs and prices, in a category where proximity and habits also play an important role.

Beyond these well-known and established competitors, the transformation of the market and the new demands that define it have also generated two new types of competitors. On the one hand, all strategic and/or operational consulting companies are called on more often than before for specific issues that were once the preserve of research companies such as Ipsos. They are present, in addition to other times, whenever a situation calls for understanding of market structures and changes, customer relationship management and the assessment of public policies, their legitimacy is the importance of these questions for managements, who are their discussion partner on other subjects. Their strength is the trust that they

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have been able to establish with corporate management teams. Their weakness is their poor knowledge of methods and techniques used to build and analyse data stocks and flows. They have a high price positioning.

On the other hand, new companies, well-funded, focusing on the development, marketing and operation of platforms have been created in service segments where technologies fairly easily enable the standardisation of work protocols and the automation of production processes in order to meet "better / quicker / cheaper" demands and facilitate data and indicator publication via dashboarding systems made to be accessible and visually pleasing.

Companies and institutions that are clients of market research companies are looking also to better understand how they can have access to new sciences such as neurosciences and to different technologies such as machine learning or Artificial Intelligence, or simply larger databases combined with more powerful analytical models.
The market is finally being transformed by a sort of sectorial rotation in which certain clients - such as CPG companies – spend less or in a less recurrent and automatic way, whereas other clients, in other sectors such as pharmaceuticals, fintechs, automotive manufacturers and their partners spend more.

Building on these findings, for the past year, Ipsos has been working on defining and implementing a new organisation. The project, called "Total Understanding", has mobilised several hundred of the company's executive managers in all markets in which it operates.

Since 1 July, Ipsos operates in a different configuration.

A new client organisation has been created with dedicated teams at a global level but also on local markets. These teams are the voice of the client within Ipsos and the voice of Ipsos within our clients. They are composed of several hundreds of senior executives with major experience. Working closely with our new Services Lines, they work in a holistic and continuous way, bringing the best solutions to clients, understanding their challenges and speaking their language.

17 Service Lines have been set up to replace our existing 5 business lines in place since 2005. Service Lines are more numerous and more specialised. They oversee the development of a more focused and competitive offer, based on the highest level of know-how and technical expertise, and recognised as such in the market. Enhanced specialisation and greater focus on developing and operating specific Services are at the heart of their mandate.

In addition, Ipsos is determined to build best-in-class capabilities, encompassing technology, sciences relevant to information markets, operations and access. The needs of each Service Line are more specific than those of our old business lines. The objective is to improve simultaneously operational performance and an acceleration of innovation.

In combination, 4 Service Lines illustrate the ambition of Ipsos: *Public Affairs* provides a real understanding of Society; *Market Strategy and Understanding* does the same for the Markets in which our clients operate; and *Ipsos UU* and *Social Intelligence Analytics* provide deep insight into People. These four Service Lines have strong growth potential, a good competitive position and global deployment. Together, they can provide Ipsos' clients with Total Understanding of Society, Markets and People.

The countries in which Ipsos operate have more autonomy but have also to take more responsibilities: they know their clients, their market and their teams better than anyone. From now on, the P&L is owned by the country rather than jointly with the Global Service Lines.

Ipsos is a united team with one shared vision, one set of values and rules, one narrative, one plan and one budget. "Total Understanding" is a growth project as close as possible to clients' needs.

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For the full financial year 2018, the company's organic growth will range between 2 and 3%, slightly above the organic growth of this first-half year. Ipsos' 2018 operating profit will also show a slight increase.

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 2018 first-half performance and results presentation will be available from 26 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).

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Consolidated income statement

First half to 30 June 2018

In thousand euros	30 June 2018	30 June 2017	31 December 2017
Revenue	**786,000**	**833,794**	**1 780,453**
Direct costs	(273,294)	(289,583)	(623,787)
Gross profit	**512,706**	**544,211**	**1 156,666**
Payroll - excluding share-based payments	(358,583)	(374,309)	(747,500)
Payroll - share-based payments*	(4,944)	(5,104)	(10,094)
General operating expenses	(101,280)	(111,727)	(210,865)
Other operating income and expenses	(2,272)	(2,355)	(5,931)
Operating margin	**45,628**	**50,716**	**182,275**
Amortisation of intangibles identified on acquisitions*	(2,240)	(2,405)	(4,668)
Other non-operating income and expense (1)	(1,355)	(7,973)	(14,364)
Income from associates	(8)	69	217
Operating profit	**42,026**	**40,407**	**163,460**
Finance costs	(9,428)	(9,682)	(20,380)
Other financial income and expense*	913	(1,134)	633
Profit before tax	**33,511**	**29,591**	**143,713**
Income tax - excluding deferred tax on goodwill	(8,027)	(6,622)	(39,118)
Income tax - deferred tax on goodwill *	(585)	(1,308)	24,482
Income tax	(8,612)	(7,930)	(14,636)
Net profit	**24,900**	**21,660**	**129,076**
Attributable to the Group	24,719	21,558	128,507
Attributable to Minority interests	181	103	569
Earnings per share (in euros) – Basic	0.59	0.50	2.99
Earnings per share (in euros) - Diluted	0.57	0.50	2.94

Adjusted net profit*	**34,689**	**36,380**	**128,400**
Attributable to the Group	**34,092**	**36,031**	**127,384**
Attributable to Minority interests	**597**	**349**	**1,015**
Adjusted earnings per share (in euros) - Basic	0.81	0.84	2.96
Adjusted earnings per share (in euros) - Diluted	0.79	0.83	2.91

*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-operating income and expense include as of June 2018 an increase of 7.6 million of euros due to the decision to capitalize its internal development costs. For more details, please see the footnote 5.2 in the half-year consolidated financial statements.

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Consolidated balance sheet

First half to 30 June 2018

In thousands of euros	30 June 2018	30 June 2017	31 December 2017
ASSETS			
Goodwill	1,164,083	1,198,102	1,159,352
Other intangible assets (1)	66,517	64,624	59,964
Property, plant and equipment	33,426	32,834	32,228
Investments in associates	1,009	557	916
Other non-current financial assets	30,623	20,001	21,425
Deferred tax assets	19,897	18,724	21,252
Total non-current assets	**1,315,555**	**1,334,842**	**1,295,136**
Trade receivables	506,680	524,548	617,660
Current income tax	19,415	26,670	13,517
Other current assets	83,328	87,408	75,802
Derivative financial instruments	84	2,898	1,462
Cash and cash equivalents	103,481	123,082	137,267
Total current assets	**712,987**	**764,606**	**845,708**
TOTAL ASSETS	**2,028,542**	**2,099,448**	**2,140,844**

In thousands of euros	30 June 2018	30 June 2017	31 December 2017
LIABILITIES AND EQUITY			
Share capital	11,109	11,109	11,109
Share premiums	516,049	516,275	516,130
Own shares	(23,051)	(41,547)	(35,235)
Other reserves	543,007	472,063	569,717
Currency translation differences	(117,735)	(82,611)	(112,515)
Shareholders' equity - attributable to the Group	**929,380**	**875,289**	**949,208**
Minority interests	18,184	17,412	17,290
Shareholders' equity	**947,563**	**892,701**	**966,498**
Borrowings and other long-term financial liabilities	541,253	540,539	577,432
Non-current provisions	8,986	9,150	8,964
Retirement benefit obligations	27,737	28,154	26,918
Deferred tax liabilities	63,505	97,122	66,450
Other non-current liabilities	20,848	21,663	18,183
Non-current liabilities	**662,329**	**696,629**	**697,948**
Trade payables	210,334	226,417	259,432
Short-term portion of borrowings and other financial liabilities	26,338	79,717	25,527
Current income tax liabilities	6,343	4,586	14,658
Current provisions	7,087	8,685	7,189
Other current liabilities	168,548	190,713	169,592
Current liabilities	**418,650**	**510,118**	**476,398**
TOTAL LIABILITIES AND EQUITY	**2,028,542**	**2,099,448**	**2,140 844**

(1) The other intangible assets include as of June 2018 an increase of 8.6 million of euros due to the decision to capitalize its internal development costs. For more details, please see the footnote 5.2 in the half-year consolidated financial statements.

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Consolidated cash flow statement

First half to 30 June 2018

In thousands of euros	30 June 2018	30 June 2017	31 December 2017
OPERATING ACTIVITIES			
NET PROFIT	**24,900**	**21,660**	**129,076**
Items with no impact on cash flow			
Amortisation and depreciation of property, plant and equipment and intangible assets	12,705	12,796	24,910
Net profit of equity associated companies - net of dividends received	8	(69)	(217)
Losses/(gains) on asset disposals	40	(118)	(43)
Net change in provisions	1,587	25	(511)
Share-based payment expense	4,585	4,747	9,549
Other non cash income/(expenses)	2,157	(109)	(778)
Acquisitions costs of consolidated companies	9	132	178
Finance costs	9,428	9,682	20,380
Income tax expense	8,612	7,930	14,636
OPERATING CASH FLOW BEFORE WORKING CAPITAL. FINANCING AND TAX PAID	**64,029**	**56,676**	**197,182**
Change in working capital requirement	16,004	7,383	(37,771)
Interest paid	(8,332)	(9,715)	(21,245)
Income tax paid	(22,349)	(24,707)	(38,975)
CASH FLOW FROM OPERATING ACTIVITIES	**49,352**	**29,637**	**99,191**
INVESTMENT ACTIVITIES			
Acquisitions of property, plant. equipment and intangible assets (1)	(20,406)	(7,850)	(17 518)
Proceeds from disposals of property, plant. equipment and intangible assets	96	200	285
(Increase)/Decrease of financial assets	(5,047)	1,024	(1 201)
Acquisitions of companies and consolidated companies, net of acquired cash	(3,987)	-	(2 212)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(29,343)**	**(6,627)**	**(20 647)**
FINANCING ACTIVITIES			
Increase/(decrease) in capital	-	-	-
(Purchase)/proceeds of own shares	1,198	3,790	6 399
Increase/(decrease) in long-term borrowings	(43,341)	(57,170)	(53 315)
Increase/(decrease) in bank overdrafts and short-term debt	(838)	(338)	86
Acquisition of minority interests	(8,779)	(5,441)	(12 785)
Dividends paid to parent-company shareholders	-	-	(36 414)
Dividends paid to minority shareholders of consolidated companies	(841)	-	-
CASH FLOW FROM FINANCING ACTIVITIES	**(52,601)**	**(59,159)**	**(96 030)**
NET CHANGE IN CASH	**(32,592)**	**(36,149)**	**(17 485)**
Impact of foreign exchange rate movements	(1,195)	(5,662)	(10 140)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**137 267**	**164,892**	**164 892**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**103 481**	**123,082**	**137 267**

(1) The acquisitions of property, plant. equipment and intangible assets include as of June 2018 an increase of 8.6 million of euros due to the decision to capitalize its internal development costs. For more details, please see the footnote 5.2 in the half-year consolidated financial statements.

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