

# **M&C SAATCHI PLC**

**PRELIMINARY RESULTS**

**YEAR ENDED  
31 DECEMBER 2010**

**24 MARCH 2011**

# Group Highlights

- Strong financial and operational results, with growing momentum throughout 2010
- Group revenues up 21% at £125.1m (2009: £103.4m); up 15.6% using constant currencies
- Headline operating profit up 28.3% to £13.3m (2009: £10.4m)
- Headline operating margin 10.6% (2009: 10.0%)
- Statutory operating profit up 24.5% to £12.7m (2009: £10.2m)
- Headline profit before tax up 29% to £13.3m (2009: £10.3m)
  - UK: revenues up 9% in competitive market
  - Europe: like-for-like revenues up 18%, despite challenging trading conditions
  - Asia and Australia: like-for-like revenues up 14%
  - Clear: operating profits up 53%, with good growth in the US and Asia
- Cash at year-end of £31m (2009: £15m), of which £19m is advance 2011 client payments
- Balance sheet further strengthened, with Group debt reduced to £2.3m (2009: £4.4m)
- Headline basic earnings per share up 24% at 12.59p (2009: 10.15p)
- Final dividend up 10.2% to 3.03p (2009: 2.75p); total dividend up 7.7% to 3.90p (2009: 3.62p)

See note 1 for definition of headline. In discussing segmental results, operating profit is stated excluding the impact of Group recharges.

## Operational highlights

- Strong new business performance; UK with best levels of wins since 2004
- Three new offices opened (Cape Town, Johannesburg and Milan), in line with strategy of organic development in key markets
- Acquisition of Inside Mobile, a specialist mobile marketing business
- Launch of M&C Saatchi MENA in partnership with Quantum Group

## Developments in 2011

- Continued roll-out of higher margin growth businesses (Clear, Sport & Entertainment and Mobile) across M&C's international network
- Investment in future growth:
  - Completion of global network with formation of 50/50 joint venture in Russia with EMCG, one of Russia's leading independent agencies
  - Acquisition of a 25% stake in both a start-up data business and Human Digital, a new social media insight business, in the UK
- M&C Saatchi network now operating from 26 offices in 19 countries across six continents, allowing us to deliver a global offering to international clients – whilst retaining M&C Saatchi's unique entrepreneurial approach
- Significant momentum from 2010 continuing into 2011

Commenting on the results, David Kershaw, Chief Executive, said:

“M&C Saatchi made excellent progress in 2010 – delivering strong growth in revenues and profitability against a backdrop of competitive markets. At the same time, we continued to invest for future growth, expanding into more geographies and taking our brands into new market segments.

“That success leaves us well placed to make further progress and winning more global new business is a key focus. With the formation of a joint venture in Russia, our global network is complete - operating from 26 offices in 19 countries across six continents – meaning we are better placed than ever before to drive international revenue growth. M&C Saatchi has grown internationally by backing owner managers starting up agencies, rather than through acquisition. This ensures that our clients have the benefit of the best and most entrepreneurial operators in each market. At the same time, we are also exporting our newer businesses such as Clear, Sport & Entertainment and Mobile, across our unique international network.

“2011 has started well with the good revenue momentum built through 2010 continuing into the new year. Given this backdrop, while we remain cautious about the macro environment, the Board is confident that we will continue to make progress in 2011 and beyond.”

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# SUMMARY OF RESULTS

2010 was a year of healthy progress for M&C Saatchi. We ended the year with significant momentum having delivered good growth in both revenue and profits. The overall figures were excellent: revenue was up 21%, with like-for-like (excluding exchange movements) revenues increasing by 16%, the headline operating margin was up from 10.0% to 10.6%, while the headline profit before tax advanced 29% to £13.3m and headline net earnings rose 25%.

Cash flow continued to be strong and our balance sheet remains in good shape. We have been closely managing our working capital so debt has been reduced and cash materially increased.

## UK

We enjoyed a strong year in the UK, delivering the best annual new business performance since we listed in 2004. UK revenues advanced 9% year on year. This performance came in spite of the continued highly competitive nature of the market. Key new clients included iShares, BlackRock, the Mail on Sunday, the Olympic Delivery Authority, Bathstore, IKEA, Netjets, Memega and the Government's Cancer Awareness campaign for the COI. Importantly, several of the larger wins were integrated mandates, with a number of Group companies benefiting. We retain a close focus on margin and cost control, but continue to experience pressure on media buying remuneration. This resulted in the headline operating margin dipping from 21.3% to 20.5%. The UK operating profit improved 5% on 2009.

## Europe

We made good progress in our offices in Continental Europe, with our offices growing well in a market that proved to be no easier. Like-for-like revenues rose 18%, the headline operating margin increased from 11.5% to 15.1% and operating profits were up 49% year on year. Germany delivered a particularly impressive performance, whilst in France we benefited from our expansion into direct marketing, digital and PR as the core advertising market remains tough.

## Asia and Australasia

There was improvement from our operations in Asia and Australasia. Like-for-like revenue increased 14%, headline operating margin was up from 6.8% to 8.2% and operating profits rose a notable 59% to £3.6m.

New accounts in Australia included Brand Australia, David Jones, ING, Woolworths hardware and Georg Jensen. Malaysia also turned in a strong new business performance, winning Volkswagen, Bursa Malaysia and MAB.

Elsewhere in the region, Japan and New Zealand are growing and made good progress. China and India's clients remain project based and relatively small; both markets are currently working to secure larger retained clients.

## **Americas**

We continued to make progress in the US, albeit with our operations that remain modest. We have explored alliances in New York and are currently establishing a hub for our growing non-advertising businesses.

Los Angeles was successful on the new business front in the second half, winning Trafalgar Travel, Proximo Spirits (Three Olives Vodka) and Ugg boots.

Brazil has found it hard to compete through lack of scale, leading to a portfolio reliant on project-based work. To rectify this we are acquiring 60% of a larger agency and merging this into our Sao Paulo operation.

## **Global Network**

One of the key focuses last year was the continued work to complete the M&C Saatchi global network. This has been developed in line with our strategy of organically developing offerings in key markets. In 2010 we opened three new offices; in South Africa (Cape Town in February and Johannesburg in October) and Italy (Milan in June) in line with our strategy of organically developing offerings in key markets. These moves meant that by the year end we were operating in 18 countries across 6 continents with 25 offices, allowing us to deliver a global offering to international clients – whilst retaining M&C Saatchi's unique entrepreneurial approach, based on incorporating Brutal Simplicity of Thought.

In 2010, the new offices contributed £1.2m of new revenues and £0.8m of operating losses. We generally expect our new offices to incur two years of operating losses and were delighted that Milan managed to break even in its first year.

Since the year end, we have announced plans to open in Russia – a move which completes our global network - via the formation of a 50/50 joint venture with EMCG, one of Russia's leading independent agencies.

They will now work under the M&C Saatchi name, giving us access to another key growth market.

In June we acquired Inside Mobile, the leading mobile marketing specialist, and are delighted with the progress they are making as part of the Group. We continue to add new businesses, investing for future growth.

## **Clear**

Clear maintained a strong first half performance, with good growth in the US and Asia. Like-for-like revenue was up 29% on 2009, the headline operating margin advanced from 15.2% to 17.9% and operating profits increased by 53%.

New clients in the UK were BSkyB, Coors and Skandia, whilst the Netherlands added Philips and TomTom, the USA Pizza Hut and Celgene and Asia Pepsi, Celcom and Colgate.

There was a healthy referral of clients across the Clear network and all offices now handle assignments from Unilever.

We opened a new Clear office in Australia at the start of 2010 and are just adding a further office in Singapore to attract regionally based multinationals.

**Outlook**

2011 has started well. Despite caution regarding the macro environment, we are currently enjoying good revenue momentum. We believe the Network is now in place with offices in all the key regions. Winning global new business is a key focus. In this respect, already in 2011 we have won Visit Britain, FTI Consulting, Kaspersky, BAE Systems and Garmin.

We are also exporting our newer businesses; we have been rolling out Clear, Sport & Entertainment and Mobile across international markets.

Lastly, we continue to invest for future growth. In the UK, we are taking a 25% minority in both a start up data business and Human Digital, a new social media insight business.

The Board is confident that we will continue to make progress in 2011 and beyond.

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2010 £000	2009 £000
<b>BILLINGS</b>		<b>463,979</b>	<b>370,764</b>
<b>REVENUE</b>	<b>3</b>	<b>125,144</b>	<b>103,435</b>
Operating costs	5	(112,469)	(93,257)
<b>OPERATING PROFIT</b>	<b>3</b>	<b>12,675</b>	<b>10,178</b>
Share of results of associates	6	61	64
Finance income	7	227	386
Finance costs	8	(5,151)	(369)
<b>PROFIT BEFORE TAXATION</b>	<b>3</b>	<b>7,812</b>	<b>10,259</b>
Taxation	9	(4,739)	(3,666)
<b>PROFIT FOR THE YEAR</b>		<b>3,073</b>	<b>6,593</b>
Profit attributable to:			
Equity shareholders of the Group	3	2,560	6,223
Non controlling interests		513	370
		<b>3,073</b>	<b>6,593</b>
<b>EARNINGS PER SHARE</b>	<b>3</b>		
Basic		4.15p	10.17p
Diluted		4.04p	9.69p
<b>HEADLINE RESULTS</b>	<b>3</b>		
Operating profit		<b>13,292</b>	<b>10,360</b>
Profit before tax		<b>13,281</b>	<b>10,288</b>
Profit after tax attributable to equity shareholders		<b>7,766</b>	<b>6,215</b>
<b>HEADLINE EARNINGS PER SHARE</b>	<b>3</b>		
Basic		12.59p	10.15p
Diluted		12.26p	9.67p

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	2010 £000	2009 £000
<b>Profit for the year</b>	<b>3,073</b>	<b>6,593</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations before tax	509	(193)
Tax benefit	5	92
Other comprehensive income for the year net of tax	514	(101)
<b>Total comprehensive income for the year</b>	<b>3,587</b>	<b>6,492</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders' of the Group	3,074	6,122
Non controlling interests	513	370
	<b>3,587</b>	<b>6,492</b>



# M&C SAATCHI PLC

## AUDITED CONSOLIDATED BALANCE SHEET

At 31 December	Note	2010 £000	2009 £000
<b>NON CURRENT ASSETS</b>			
Intangible assets		61,125	58,394
Investments in associates		1,579	1,730
Plant and equipment		5,487	4,353
Deferred tax assets		825	1,900
Other non current assets		4,752	1,787
		<b>73,768</b>	<b>68,164</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables		80,245	53,844
Current tax assets		125	89
Cash and cash equivalents		31,388	15,111
		<b>111,758</b>	<b>69,044</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(113,480)	(72,278)
Current tax liabilities		(1,275)	(2,000)
Other financial liabilities		(2,538)	(26)
Deferred and contingent consideration		(331)	(229)
Minority shareholder put option liabilities	13	(3,873)	(1,089)
		<b>(121,497)</b>	<b>(75,622)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(9,739)</b>	<b>(6,578)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>64,029</b>	<b>61,586</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		(942)	(871)
Other financial liabilities		(143)	(4,447)
Contingent consideration		(343)	–
Minority shareholder put options liabilities	13	(11,162)	(2,834)
Other non current liabilities		(368)	(318)
		<b>(12,958)</b>	<b>(8,470)</b>
<b>TOTAL NET ASSETS</b>		<b>51,071</b>	<b>53,116</b>

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December		2010	2009
	Note	£000	£000
<b>EQUITY</b>			
Equity attributable to shareholders of the Group			
Share capital		625	622
Share premium		12,822	12,758
Merger reserve		21,922	22,258
Treasury reserve		(792)	(792)
Minority interest put option reserve	14	(10,466)	(3,480)
Non controlling interest acquired	14	(130)	–
Foreign exchange reserve	14	2,662	2,148
Retained earnings		23,053	18,832
		<b>49,696</b>	<b>52,346</b>
<b>NON CONTROLLING INTEREST</b>			
		<b>1,375</b>	<b>770</b>
<b>TOTAL EQUITY</b>			
		<b>51,071</b>	<b>53,116</b>

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Other reserves £000	Retained earnings £000	Subtotal £000	Non controlling interests in equity £000	Total £000
At 1 January 2009	615	12,758	21,777	(792)	(2,214)	15,869	<b>48,013</b>	810	<b>48,823</b>
Issue of shares for acquisitions	7	–	481	–	–	–	<b>488</b>	(58)	<b>430</b>
Issue of shares to minority	–	–	–	–	–	–	–	104	<b>104</b>
Exchange rate movements	–	–	–	–	(10)	–	<b>(10)</b>	(46)	<b>(56)</b>
Exercise of minority put options	–	–	–	–	401	537	<b>938</b>	–	<b>938</b>
Issue of minority put options	–	–	–	–	(1,737)	–	<b>(1,737)</b>	–	<b>(1,737)</b>
Cancellation of minority put options	–	–	–	–	2,329	(1,829)	<b>500</b>	–	<b>500</b>
Equity settled share based payments	–	–	–	–	–	251	<b>251</b>	–	<b>251</b>
Dividends	–	–	–	–	–	(2,219)	<b>(2,219)</b>	(410)	<b>(2,629)</b>
Total comprehensive income for the year	–	–	–	–	(101)	6,223	<b>6,122</b>	370	<b>6,492</b>
At 1 January 2010	622	12,758	22,258	(792)	(1,332)	18,832	<b>52,346</b>	770	<b>53,116</b>
Acquired non controlling Interest	1	64	–	–	(45)	(64)	<b>(44)</b>	–	<b>(44)</b>
Acquisitions	–	–	–	–	–	–	–	218	<b>218</b>
Issues of shares to minorities	–	–	–	–	–	–	–	474	<b>474</b>
Exchange rate movements	–	–	–	–	(13)	–	<b>(13)</b>	(23)	<b>(36)</b>
Sale to non controlling interests	–	–	(336)	–	84	3,550	<b>3,298</b>	–	<b>3,298</b>
Issue of minority put options	–	–	–	–	(7,345)	–	<b>(7,345)</b>	–	<b>(7,345)</b>
Cancellation of minority put options	–	–	–	–	203	15	<b>218</b>	–	<b>218</b>
Option exercise	2	–	–	–	–	(2)	–	–	–
Reclassification of share to cash based option	–	–	–	–	–	(284)	<b>(284)</b>	–	<b>(284)</b>
Reclassification of cash to share based option	–	–	–	–	–	158	<b>158</b>	–	<b>158</b>
Share option charge	–	–	–	–	–	517	<b>517</b>	–	<b>517</b>
Dividends	–	–	–	–	–	(2,229)	<b>(2,229)</b>	(577)	<b>(2,806)</b>
Total comprehensive income for the year	–	–	–	–	514	2,560	<b>3,074</b>	513	<b>3,587</b>
At 31 December 2010	625	12,822	21,922	(792)	(7,934)	23,053	<b>49,696</b>	1,375	<b>51,071</b>

Details of Other reserves can be found in note 14.

The reclassification of share to cash based options is due to the Group paying cash equal to the employment tax payable and issuing a reduced number of shares on exercise of its employee share options.

The reclassification of cash to share based options is due to a reclassification of share based options which had previously been held as a liability.

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Notes	2010 £000	2009 £000
<b>CASH GENERATED FROM OPERATIONS</b>	11	<b>28,291</b>	<b>16,971</b>
Tax paid		(4,636)	(4,024)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>23,655</b>	<b>12,947</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions and disposals	12	(1,280)	(536)
Proceeds from sale of plant and equipment		30	10
Purchase of plant and equipment		(2,354)	(1,715)
Purchase of capitalised software		(207)	(82)
Dividends from associates		200	38
Interest earned		227	215
<b>NET CASH CONSUMED BY INVESTING ACTIVITIES</b>		<b>(3,384)</b>	<b>(2,070)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(2,229)	(2,219)
Minority dividends paid		(577)	(410)
Subsidiaries' sale of own shares to minorities		397	118
Repayment of finance leases		(32)	(29)
Inception of bank loans		3,703	1
Repayment of bank loans		(5,583)	(2,154)
Interest paid		(299)	(350)
Interest on finance leases		–	(1)
<b>NET CASH CONSUMED BY FINANCING ACTIVITIES</b>		<b>(4,620)</b>	<b>(5,044)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>15,651</b>	<b>5,833</b>
Cash and cash equivalents at the beginning of the year		15,111	9,271
Effect of exchange rate changes		626	7
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>31,388</b>	<b>15,111</b>

# **M&C SAATCHI PLC**

## **NOTES TO THE PRELIMINARY STATEMENTS**

**YEAR ENDED 31 DECEMBER 2010**

# **M&C SAATCHI PLC**

## **NOTES TO THE PRELIMINARY STATEMENTS**

**YEAR ENDED 31 DECEMBER 2010**

### **1. GENERAL INFORMATION**

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 36 Golden Square, London W1F 9EE.

The Company has its primary listing on the AIM market of the London Stock Exchange.

These 2010 audited preliminary financial statements were approved for issue on 23 March 2011.

The financial information set out below does not constitute the company's statutory accounts for 2009 or 2010. Statutory accounts for the years ended 31 December 2009 and 31 December 2010 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2009 and 2010 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2010 will be delivered to the Registrar in due course.

#### **Headline results**

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance of the business. In addition, the headline results are used for internal performance management, the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme and minority shareholder put option liabilities. The term headline is not a defined term in IFRS.

Our segmental reporting reflects our headline results in accordance with IFRS8.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill) acquired in business combinations, impairment of investment in associates, and fair value gains and losses on liabilities caused by our put and call option agreements.

# **M&C SAATCHI PLC**

## **NOTES TO THE PRELIMINARY STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2010**

#### **Basis of preparation**

The financial information set out in these preliminary results does not constitute the company's statutory accounts for 2009 or 2010. Statutory accounts for the years ended 31 December 2010 and 31 December 2009 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 and 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2010 will be delivered to the Registrar in due course.

#### **2. ACCOUNTING POLICIES**

The financial information set out in these final results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these final results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2010. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2009, except as described below.

A number of new and amended standards become effective for periods beginning on or after 1 January 2010. The principal changes that are relevant to the Group are:

IFRS 3 Business Combinations (revised): apart from no longer capitalising acquisition expenses, there has been no effect on the reported results or previous financial position of the Group.

IAS 27 Consolidated and separate financial statements (as amended) has had no effect on the previous financial position of the Group. Acquisition and disposals without a change in control do not have an effect on the income statement. It has affected the reported results of the Group in the following ways:-

a) Non controlling interests. Where we have a loss making subsidiary with net liabilities, whose losses are funded by the Group, previously and as stated in 2009 results, 100% of those losses would be attributable to Equity holders of the Group. In 2010 the losses are shared between the Group and the non controlling interest, in proportion to the interests in the subsidiary. This change has resulted in the 2010 profits attributable to equity shareholders of the Group being £570k higher that they would have been under the old standard.

# **M&C SAATCHI PLC**

## **NOTES TO THE PRELIMINARY STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2010**

b) Disposals of subsidiaries equity that do not affect control no longer affect the value of goodwill or create a profit / loss on disposal in the income statement. Proceeds less transfer to non controlling interests are credited directly to retained earnings. In the event that equity had previously been acquired under this revised standard then such a disposal will result in a release from non controlling interest acquired reserve to retained earnings. This change has resulted in the 2010 profits attributable to equity shareholders of the Group being £2,540k lower, and goodwill £757k higher that they would have been under the old standard.

c) Acquisitions of subsidiaries' equity that do not affect control no longer change the value of goodwill. If a minority interest put option exists then the amount paid is provided by the minority shareholder put option liability, and its related minority interest put option reserve is taken to non controlling interest acquired reserve. If no minority interest put option exists then the amount paid is taken to non controlling interest acquired reserve. In both cases the share of net assets in non controlling interest reserve, is transferred to the non controlling interest acquired reserve. This change has no impact on the income statement, and has resulted in goodwill being £64k lower than it would have been under the old standard.

None of the other new standards and amendments affect the Group.

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 3. EARNINGS PER SHARE AND RECONCILIATION BETWEEN HEADLINE AND STATUTORY RESULTS

Year ended 31 December 2010	Reported results £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Headline & segmental results £000
<b>REVENUE</b>	<b>125,144</b>	<b>–</b>	<b>–</b>	<b>125,144</b>
<b>OPERATING PROFIT</b>	<b>12,675</b>	<b>617</b>	<b>–</b>	<b>13,292</b>
Share of results of associates	61	–	–	61
Finance income	227	–	–	227
Finance cost	(5,151)	–	4,852	(299)
<b>PROFIT BEFORE TAXATION</b>	<b>7,812</b>	<b>617</b>	<b>4,852</b>	<b>13,281</b>
Taxation	(4,739)	(168)	–	(4,907)
<b>PROFIT FOR THE YEAR</b>	<b>3,073</b>	<b>449</b>	<b>4,852</b>	<b>8,374</b>
Non controlling interests	(513)	–	(95)	(608)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>2,560</b>	<b>449</b>	<b>4,757</b>	<b>7,766</b>
<b>BASIC EARNINGS PER SHARE</b>				
Weighted average number of shares (thousands)	61,667			61,667
<b>BASIC EPS</b>	<b>4.15p</b>			<b>12.59p</b>
<b>DILUTED EARNINGS PER SHARE</b>				
Weighted average number of shares (thousands) as above	61,667			61,667
Add				
- UK growth shares	890			890
- Options	128			128
- LTIP options 2010	202			202
- LTIP options 2011	465			465
Total	63,352			63,352
<b>DILUTED EARNINGS PER SHARE</b>	<b>4.04p</b>			<b>12.26p</b>



# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

<b>Year ended 31 December 2009</b>	Reported results £000	Amortisation of acquired intangibles £000	Loss on disposal of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Revaluation of call option £000	Headline & Segmental results £000
<b>REVENUE</b>	<b>103,435</b>	–	–	–	–	<b>103,435</b>
<b>OPERATING PROFIT</b>	<b>10,178</b>	<b>159</b>	<b>23</b>	–	–	<b>10,360</b>
Share of results of associates	64	–	–	–	–	64
Finance income	386	–	–	(157)	–	229
Finance cost	(369)	–	–	–	4	(365)
<b>PROFIT BEFORE TAXATION</b>	<b>10,259</b>	<b>159</b>	<b>23</b>	<b>(157)</b>	<b>4</b>	<b>10,288</b>
Taxation	(3,666)	(37)	–	–	–	(3,703)
<b>PROFIT FOR THE YEAR</b>	<b>6,593</b>	<b>122</b>	<b>23</b>	<b>(157)</b>	<b>4</b>	<b>6,585</b>
Non controlling interests	(370)	–	–	–	–	(370)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>6,223</b>	<b>122</b>	<b>23</b>	<b>(157)</b>	<b>4</b>	<b>6,215</b>

### BASIC EARNINGS PER SHARE

Weighted average number of shares (thousands)	61,218	61,218
<b>BASIC EPS</b>	<b>10.17p</b>	<b>10.15p</b>

### DILUTED EARNINGS PER SHARE

Weighted average number of shares (thousands) as above	61,218	61,218
Add		
- UK growth shares	1,583	1,583
- Options	411	411
- LTIP options 2010	569	569
- LTIP options 2011	465	465
Total	64,246	64,246
<b>DILUTED EARNINGS PER SHARE</b>	<b>9.69p</b>	<b>9.67p</b>

### SHARE

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 4. SEGMENTAL INFORMATION

This segmental information is reconciled to the statutory results in Note 3.

**Year ended  
31 December 2010**

	UK £000	Europe £000	Asia & Australasia £000	America £000	New Offices £000	Clear £000	Total £000
<b>REVENUE</b>	<b>53,700</b>	<b>10,963</b>	<b>44,115</b>	<b>4,107</b>	<b>1,221</b>	<b>11,038</b>	<b>125,144</b>
<b>OPERATING PROFIT EXCLUDING GROUP COSTS</b>	<b>10,997</b>	<b>1,661</b>	<b>3,630</b>	<b>(249)</b>	<b>(778)</b>	<b>1,976</b>	<b>17,237</b>
Group costs	3,498	73	364	10	–	–	3,945
<b>Operating profit</b>	<b>7,499</b>	<b>1,588</b>	<b>3,266</b>	<b>(259)</b>	<b>(778)</b>	<b>1,976</b>	<b>13,292</b>
Share of results of associates	–	61	–	–	–	–	61
Finance income	84	3	131	2	4	3	227
Finance cost	(176)	(62)	(34)	(27)	–	–	(299)
<b>PROFIT BEFORE TAXATION</b>	<b>7,407</b>	<b>1,590</b>	<b>3,363</b>	<b>(284)</b>	<b>(774)</b>	<b>1,979</b>	<b>13,281</b>
Taxation	(2,443)	(561)	(1,171)	(123)	(10)	(599)	(4,907)
<b>PROFIT FOR THE YEAR</b>	<b>4,964</b>	<b>1,029</b>	<b>2,192</b>	<b>(407)</b>	<b>(784)</b>	<b>1,380</b>	<b>8,374</b>
Non controlling interests	(179)	(329)	(494)	70	382	(58)	(608)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>4,785</b>	<b>700</b>	<b>1,698</b>	<b>(337)</b>	<b>(402)</b>	<b>1,322</b>	<b>7,766</b>

**HEADLINE BASIC  
EPS**

**12.59p**

### **COSTS INCLUDED IN OPERATING PROFIT:**

Depreciation	(576)	(145)	(537)	(28)	(44)	(130)	(1,460)
Amortisation of software	–	(43)	(53)	(10)	(6)	–	(112)
Share option charges	(452)	(10)	(53)	(2)	–	–	(517)

### **OFFICE LOCATION**

London	Paris	Sydney	Los Angeles	Milan	London
	Berlin	Melbourne	São Paulo	Cape Town	Amsterdam
	Madrid	Auckland		Johannesburg	New York
	Geneva	Wellington			Hong Kong
	Beirut	New Delhi			Sydney
		Mumbai			
		Kuala Lumpur			
		Hong Kong			
		Shanghai			
		Tokyo			

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### YEAR ENDED 31 DECEMBER 2009

	UK £000	Europe £000	Asia & Australasia £000	America £000	New Offices £000	Clear £000	Total £000
<b>REVENUE</b>	<b>49,079</b>	<b>9,639</b>	<b>33,583</b>	<b>2,635</b>	<b>-</b>	<b>8,499</b>	<b>103,435</b>
<b>OPERATING PROFIT EXCLUDING GROUP COSTS</b>	<b>10,453</b>	<b>1,112</b>	<b>2,278</b>	<b>(1,038)</b>	<b>-</b>	<b>1,289</b>	<b>14,094</b>
Group costs	3,252	71	369	42	-	-	3,734
<b>Operating profit</b>	<b>7,201</b>	<b>1,041</b>	<b>1,909</b>	<b>(1,080)</b>	<b>-</b>	<b>1,289</b>	<b>10,360</b>
Share of results of associates	-	64	-	-	-	-	64
Finance income	93	10	119	2	-	5	229
Finance cost	(274)	(66)	(20)	(5)	-	-	(365)
<b>PROFIT BEFORE TAXATION</b>	<b>7,020</b>	<b>1,049</b>	<b>2,008</b>	<b>(1,083)</b>	<b>-</b>	<b>1,294</b>	<b>10,288</b>
Taxation	(2,075)	(413)	(906)	88	-	(397)	(3,703)
<b>PROFIT FOR THE YEAR</b>	<b>4,945</b>	<b>636</b>	<b>1,102</b>	<b>(995)</b>	<b>-</b>	<b>897</b>	<b>6,585</b>
Non controlling interests	(80)	(202)	(111)	23	-	-	(370)
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>4,865</b>	<b>434</b>	<b>991</b>	<b>(972)</b>	<b>-</b>	<b>897</b>	<b>6,215</b>

### HEADLINE BASIC EPS

**10.15p**

### COSTS INCLUDED IN OPERATING PROFIT:

Depreciation	(581)	(141)	(788)	(28)	-	(153)	(1,691)
Amortisation of software	(8)	(31)	(55)	(6)	-	-	(100)
Share option charges	(216)	-	(31)	(4)	-	-	(251)

### OFFICE LOCATION

London	Paris	Sydney	Los Angeles	London
	Berlin	Melbourne	São Paulo	Amsterdam
	Madrid	Auckland	New York	New York
	Geneva	Wellington		Hong Kong
		Kuala Lumpur		Sydney
		New Delhi		
		Mumbai		
		Hong Kong		
		Shanghai		
		Tokyo		

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

### YEAR ENDED 31 DECEMBER 2010

SEGMENTAL INCOME STATEMENT TRANSLATED AT 2009 EXCHANGE RATES

It is normal practice in our industry to provide like for like results. In the year we had not acquired any significant new businesses therefore the only difference in our like for like results is the impact from movements in exchange rates. Had our 2010 results been translated at 2009 exchange rate then our results would have been:

<b>Year ended 31 December 2010</b>	<b>UK</b>	<b>Europe</b>	<b>Asia &amp; Australia</b>	<b>America</b>	<b>New Offices</b>	<b>Clear</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
<b>REVENUE</b>	<b>53,700</b>	<b>11,347</b>	<b>38,416</b>	<b>3,959</b>	<b>1,175</b>	<b>10,948</b>	<b>119,545</b>
<b>OPERATING PROFIT EXCLUDING GROUP COSTS</b>	<b>10,997</b>	<b>1,731</b>	<b>3,078</b>	<b>(187)</b>	<b>(671)</b>	<b>1,977</b>	<b>16,925</b>
Group costs	3,498	75	312	10	–	–	3,895
<b>Operating profit</b>	<b>7,499</b>	<b>1,656</b>	<b>2,766</b>	<b>(197)</b>	<b>(671)</b>	<b>1,977</b>	<b>13,030</b>
Share of results of associates	–	63	–	–	–	–	63
Finance income	84	3	114	2	3	3	209
Finance cost	(176)	(61)	(31)	(24)	–	–	(292)
<b>PROFIT BEFORE TAXATION</b>	<b>7,407</b>	<b>1,661</b>	<b>2,849</b>	<b>(219)</b>	<b>(668)</b>	<b>1,980</b>	<b>13,010</b>
Taxation	(2,443)	(583)	(1,007)	(118)	(11)	(598)	(4,760)
<b>PROFIT FOR THE YEAR</b>	<b>4,964</b>	<b>1,078</b>	<b>1,842</b>	<b>(337)</b>	<b>(679)</b>	<b>1,382</b>	<b>8,250</b>
Increase / (decrease) in 2010 results caused by translation differences	–	(49)	350	(70)	(104)	(2)	125

### MARKET RISK

	<b>2010</b>	<b>2009</b>
<b>Largest client as a % of total revenue</b>	<b>%</b>	<b>%</b>
Top Client	6.0	5.8
Top 10	33.4	36.8
Top 15	40.5	46.1
Top 30	53.3	60.2

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 5. OPERATING COSTS

Year ended 31 December	2010 £000	2009 £000
Total staff costs	80,261	66,350
Other costs include:		
Profit on exchange	(597)	(13)
Amortisation of intangibles		
- Acquired intangibles	617	159
- Capitalised software	112	100
Depreciation of plant and equipment	1,460	1,691
Losses on disposal of fixed assets	141	2
Losses on disposal of intangible assets	–	23

### 6. SHARE OF ASSOCIATES

Year ended 31 December	2010 £000	2009 £000
Share of associates' profit before taxation	62	112
Share of associates' taxation	(1)	(48)
	<b>61</b>	<b>64</b>

### 7. FINANCE INCOME

Year ended 31 December	2010 £000	2009 £000
Bank interest receivable	226	203
Other interest receivable	1	26
Total interest receivable	227	229
Fair value adjustments to minority shareholder put option liabilities	–	157
<b>Total finance income</b>	<b>227</b>	<b>386</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 8. FINANCE COSTS

Year ended 31 December	2010	2009
	£000	£000
<b>Finance costs</b>		
Bank interest payable	(299)	(350)
Other interest payable	–	(15)
<b>Total interest payable</b>	<b>(299)</b>	<b>(365)</b>
Fair value adjustments to minority shareholder put option liabilities	(4,852)	–
Fair value adjustments to call options	–	(4)
<b>Total finance costs</b>	<b>(5,151)</b>	<b>(369)</b>

### 9. TAXATION

Year ended 31 December	2010	2009
	£000	£000
<b>Current taxation</b>		
Taxation in the year		
- UK	1,695	2,176
- Overseas	2,148	1,466
Utilisation of previously unrecognised tax losses	(91)	–
Adjustment for over / (under) provisions in prior periods	30	(20)
	<b>3,782</b>	<b>3,622</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	950	27
Effect of changes in tax rates	7	17
	<b>957</b>	<b>44</b>
<b>Total taxation</b>	<b>4,739</b>	<b>3,666</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 9. TAXATION (CONTINUED)

The difference between the actual tax and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

Year ended 31 December	2010 £000	2009 £000
<b>Profit before taxation</b>	<b>7,812</b>	<b>10,259</b>
Taxation at UK Corporation tax rate of 28%	(2,187)	(2,873)
Tax effect of associates	17	18
Expenses not deductible for tax	(489)	(237)
Option charges not deductible for tax	(99)	(35)
Different tax rates applicable in overseas jurisdictions	(90)	(30)
Effect of changes in tax rates on deferred tax	(7)	(17)
Utilisation of previously unrecognised tax losses	91	–
Adjustment for over / (under) provisions in prior periods	(30)	20
Tax losses for which no deferred tax asset was recognised	(624)	(580)
Share based incentive charge greater than value of shares	37	30
Fair value adjustments on minority shareholder put options	(1,358)	44
Loss on disposal of intangible asset	–	(6)
<b>Total taxation</b>	<b>(4,739)</b>	<b>(3,666)</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

### YEAR ENDED 31 DECEMBER 2010

#### 10. DIVIDENDS

Year ended 31 December	2010 £000	2009 £000
2009 final dividend Nil (2008 2.75p)	–	1,683
2009 additional interim dividend 2.75p (2008 Nil)	1,692	–
2010 interim dividend 0.87p (2009 0.87p)	537	536
	<b>2,229</b>	<b>2,219</b>

Proposed final dividend of 3.03p totalling £1,873k

The dividend relates to the following years:

Year ended 31 December	2010 £000	2009 £000
First interim dividend	537	536
Second interim dividend	–	1,692
Final dividends	1,873	–
<b>Total dividend that relates to the year</b>	<b>2,410</b>	<b>2,228</b>

The headline dividend cover is:

Headline profit after tax attributable to equity shareholders	7,766	6,215
Total dividend that relates to the year	2,410	2,228
<b>Headline dividend cover</b>	<b>3.2</b>	<b>2.8</b>

Headline dividend cover is calculated by taking headline profit after tax attributable to equity shareholders and dividing it by the total dividends that relate to that year's profits. The Group seeks to maintain a long term headline dividend cover of between 3 and 4.



# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 11. CASH GENERATED FROM OPERATIONS

Year ended 31 December	2010 £000	2009 £000
Revenue	125,144	103,435
Operating expenses	(112,469)	(93,257)
<b>Operating profit</b>	<b>12,675</b>	<b>10,178</b>
Adjustments for:		
Depreciation of plant and equipment	1,460	1,691
Losses on sale of plant and equipment	141	2
Amortisation on acquired intangible assets	617	159
Loss on disposal of intangible	–	23
Amortisation of capitalised software intangible assets	112	100
Non-cash share based incentive plans	517	251
<b>Operating cash flow before movements in working capital and provisions</b>	<b>15,522</b>	<b>12,404</b>
(Increase) / decrease in debtors	(27,760)	7,291
Increase / (decrease) in creditors	40,529	(2,724)
<b>Net cash inflow from operating activities</b>	<b>28,291</b>	<b>16,971</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 12. CASH CONSUMED BY ACQUISITIONS AND DISPOSALS

Year ended 31 December	2010	2009
	£000	£000
Initial cash consideration		
- M&C Saatchi Mobile Ltd	(2,481)	–
- Talk PR Ltd	(104)	(58)
- Direct One SAS	(343)	–
- Play London Ltd	(45)	–
- M&C Saatchi Agency PTY Ltd	595	–
- FCINQ SAS	–	(107)
- M&C Saatchi Sport & Entertainment Ltd	–	(171)
- M&C Saatchi/Insight Pesquisa & Planejamento Ltda	–	(82)
- M&C Saatchi Berlin GmbH	–	(109)
	(2,378)	(527)
Cash and cash equivalents acquired	1,098	–
	(1,280)	(527)
Purchase of associate (Zapping, Spain)	–	(9)
	(1,280)	(536)

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 13. MINORITY SHAREHOLDER PUT OPTION LIABILITIES

Some of our subsidiaries' minorities have the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi plc or cash (as per the agreement).

Year ended 31 December	2010 £000	2009 £000
Amounts falling within one year		
– Cash	(216)	(419)
– Equity	(3,657)	(670)
	<b>(3,873)</b>	<b>(1,089)</b>
Amounts falling after one year		
– Cash	–	(379)
– Equity	(11,162)	(2,455)
	<b>(11,162)</b>	<b>(2,834)</b>
	<b>(15,035)</b>	<b>(3,923)</b>

Year ended 31 December	2010 £000	2009 £000
At 1 January	(3,923)	(3,697)
Exchange difference	(93)	(84)
Additions	(7,345)	(1,736)
Exercises	974	939
Termination	204	498
Income statement charge due to		
– Change in estimates	796	244
– Change in share price	(5,273)	(59)
– Time	(375)	(28)
<b>At 31 December</b>	<b>(15,035)</b>	<b>(3,923)</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

### YEAR ENDED 31 DECEMBER 2010

The movements in the year relating to the minority interest put options that are payable in cash and in equity are as follows:

<b>Cash Based</b>	<b>2010</b>
	<b>£000</b>
At 1 January	(792)
Exchange difference	(102)
Exercises	882
Termination	189
Income statement charge due to	
– Change in estimates	(293)
– Change in share price	(80)
– Time	(20)
<b>At 31 December</b>	<b>(216)</b>

<b>Equity Based</b>	<b>2010</b>	<b>2010</b>
	<b>Equity</b>	<b>£000</b>
At 1 January	(3,865)	(3,131)
Exchange difference	–	9
Additions	(8,624)	(7,345)
Exercises	72	92
Termination	10	15
Income statement charge due to		
– Change in estimates	861	1,089
– Change in share price	322	(5,193)
– Time	(264)	(355)
<b>At 31 December</b>	<b>(11,488)</b>	<b>(14,819)</b>

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

Company	Country of incorporation	Put options are exercisable from	% of Company shares exchangeable
M&C Saatchi Export Ltd	UK	2010	2.8%
M&C Saatchi LA Inc	USA	2010	16.0%
M&C Saatchi Marketing Arts Ltd	UK	2010	50.0%
M&C Saatchi (M) SDN BHD	Malaysia	2010	20.0%
M&C Saatchi Sports and Entertainment Ltd	UK	2010	2.8%
Provenance Communication Ltd	UK	2010	30.0%
Influence Communications Ltd	UK	2010	5.0%
M&C Saatchi Europe Holdings Ltd	UK	2010	4.0%
M&C Saatchi German Holdings Ltd	UK	2010	4.0%
M&C Saatchi GAD SAS	France	2011	48.0%
M&C Saatchi Corporate SAS	France	2011	12.5%
M&C Saatchi Communications Pty Ltd	India	2011	38.0%
M&C Saatchi Berlin GmbH	Germany	2011	15.0%
Talk PR Audience Ltd	UK	2011	17.0%
FCINQ SAS	France	2013	18.0%
M&C Saatchi/Insight Pesquisa & Planejamento Ltda	Brazil	2013	20.0%
M&C Saatchi Sport & Entertainment LLP	USA	2014	35.0%
Direct One SAS*	France	2014	10.0%
Direct One SAS*	France	2015	10.0%
M&C Saatchi Brazil Participações LTDA*	Brazil	2015	10.0%
M&C Saatchi Brazil Comunicação LTDA*	Brazil	2015	7.0%
M&C Saatchi Agency Pty Ltd*	Australia	2015	20.0%
M&C Saatchi Sport & Entertainment PTY LTD*	Australia	2015	49.0%
Talk PR Ltd*	UK	2015	49.0%
M&C Saatchi (Switzerland) SA	Switzerland	2016	40.0%
M&C Saatchi Mobile Ltd*	UK	2016	40.0%
Direct One SAS*	France	2016	10.0%

\*New options in 2010

# M&C SAATCHI PLC

## NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 14. OTHER RESERVES

	MI Put Option Reserve £000	Non Controlling Interest Acquired £000	Foreign exchange reserve £000	Total £000
<b>AT 1 JANUARY 2009</b>	<b>(4,463)</b>	<b>–</b>	<b>2,249</b>	<b>(2,214)</b>
Exchange rate movements	(10)	–	–	(10)
Exercise of minority put options	401	–	–	401
Issue of minority put options	(1,737)	–	–	(1,737)
Cancellation of minority put options	2,329	–	–	2,329
Total comprehensive income for the year	–	–	(101)	(101)
<b>AT 1 JANUARY 2010</b>	<b>(3,480)</b>	<b>–</b>	<b>2,148</b>	<b>(1,332)</b>
Acquired non controlling interest	169	(214)	–	(45)
Exchange rate movements	(13)	–	–	(13)
Sale to non controlling interests	–	84	–	84
Issue of minority put options	(7,345)	–	–	(7,345)
Cancellation of minority put options	203	–	–	203
Total comprehensive income for the year	–	–	514	514
<b>AT 31 DECEMBER 2010</b>	<b>(10,466)</b>	<b>(130)</b>	<b>2,662</b>	<b>(7,934)</b>