

M&C SAATCHI PLC

FINAL RESULTS

YEAR ENDED
31 DECEMBER 2013

20 March 2014

M&C Saatchi PLC
Final Results for the year ended 31 December 2013
Record revenue and profit

20 March 2014

Financial Highlights 2013	Growth versus 2012	
Revenue	£177.4m	+ 5% (2012: £169.5m)
Operating Profit	£18.5m	+ 8% (2012: £17.1m)
Profit Before Tax	£18.6m	+ 8% (2012: £17.2m)
Profit After Tax and MI	£11.0m	+ 15% (2012: £9.6m)
EPS	16.69p	+ 11% (2012: 15.10p)
Dividend	5.45p	+ 10% (2012: 4.95p)
Share buyback January 2014	£21.2m	(2012: Nil)

The highlights are pro forma headline results, see note on next page for definition.

Operational Highlights

- Strong growth in revenue and earnings coming from new business wins and new businesses
- The Global Network performed well across all geographies:
 - UK: revenues up 13%, with exceptional growth from CRM and Mobile, operating profit up 12%
 - Europe: revenues up 20%, operating profit impacted by investment in Stockholm, down 18%
 - Middle East and Africa: revenues up 22%, operating profit increased 59%
 - Asia and Australasia: revenues fell 10% (5% in constant currencies), operating profit up 29% with much reduced losses in China and New Zealand
 - Americas: revenues up 31%, operating loss of £90k as a result of further investment in New York
 - Clear profits materially up following strategic review
- Strong balance sheet maintained with net year-end cash of £33.2m ahead of January's £21m share buyback, following the sale of 75% of Walker Media
- Final dividend increased 10% to 4.24p, full-year dividend up 10% to 5.45p

David Kershaw, Chief Executive, said:

“2013 was another year of outstanding progress for M&C Saatchi. Our proven strategy of winning new business and starting new businesses continues to deliver with the Group producing record revenue and profits.

“The strategic sale of 75% of Walker Media, and the current strong performance across the Global Network positions us well for the future.”

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Notes to Editors

Pro forma headline results

The term headline is not a defined term in IFRS. The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to contingent and deferred consideration taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements. Pro forma headline results treat discontinued operations as if they had not been disposed. For the 2013 headline results, we have included Walker Media in full for the year within our headline pro forma numbers.

SUMMARY OF RESULTS

2013 saw another strong performance with revenue momentum and earnings growth.

We have monitored the 2013 results on a pro forma basis, this assumes we have owned Walker Media for the full year (see note 3). On this basis Headline revenues increased 4.7% (6.5% in constant currencies). The overall Group headline profit before tax advanced an impressive 8% to £18.6m. Headline net earnings rose 15% to £11.0m aided by a reduced corporation tax rate (30.0% in 2013, compared with 32.4% in 2012).

UK (Excluding Walker Media)

Revenue in the UK was up 13%, with both CRM and Mobile particularly strong. UK headline operating profit improved 12% on 2012. Our success with new business, including HMG Cyber Security, Land Rover, O₂ and the Boots, De Beers and RBS digital business more than offset the loss of Dixons in January 2014. Our international capabilities were recognised by BASF and Douwe Egberts both of whom appointed us globally. Our CRM offering through LIDA remains outstanding and they deservedly won Customer Engagement Agency of the year. We are now exporting CRM and PR to our overseas offices, alongside Sport & Entertainment and Mobile. Our disciplined approach to cost and margins resulted in the headline operating margin improving slightly to 16.2% (2012: 16.1%).

Europe

European revenues increased 20% year on year. Operating profit fell 18%, impacted by the investment associated with opening our Stockholm office. Stockholm has started well and clients include Alliansen, Carlsberg, LG, SPP and Viasat. In spite of a difficult advertising market the French office successfully won the Mini account in October. Additionally, we are benefitting from PR and digital diversification. Germany and Italy continue to perform well.

Middle East and Africa

Revenues increased 22% with strong contributions from both Cape Town and Johannesburg. Headline operating profit was up 58% but the headline operating margin remained low due to investment in Abu Dhabi. Key new business wins in the year were the City of Cape Town, the Democratic Alliance, Heineken, Primus, Voltaren and 10X Investments. We have formed a new unit to service a growing African market and they are working with Guinness in Ghana. We have strengthened the management in Abu Dhabi and they have been looking to build revenues beyond the Etihad account. Projects won in the second half came from Image Nation, Mubadala and Senaat.

Asia and Australasia

In Asia and Australasia, revenue was impacted by currency headwinds, down 10% (5% in constant currencies) and the channelling of our Chinese revenues through our new associate, aeiou. Headline operating profit for the region rose 29% with headline operating margin up to 9.2%. The improved profitability came largely from the successful merger with aeiou in China. aeiou are proving a valuable addition to the network and have already started winning business, adding some Microsoft business. Another key driver of the increased profitability was an improving New Zealand office, which won some Government work whilst significantly downsizing their cost base. Malaysia continued to excel and had another very good year with key client wins including 1Malaysia. Japan and India both returned modest profits. We are looking for a new Indian partner as an associate to bolster our operation there. Singapore also made a small profit in their second year of trading, winning Jaguar Land Rover and the Singapore Tourism Board as well as continuing to win Government work. The Australian business responded quickly to the loss of the David Jones account, protecting profits through cutting costs accordingly.

Americas

Revenues increased 31% with a small operating loss of £90k as a result of our investment in New York office which continues to be an invaluable asset for global pitches. The team there have focused on developing key relationships and wins include CityMD, Kind Healthy Snacks and Profoot as well as projects from General Electric and Pernod Ricard. We made good progress in Los Angeles and opened a Mobile office in San Francisco. Additionally, we are upgrading our São Paulo office, replicating the investment approach we took in China and we have found a strong independent agency in which we plan to take a 20% shareholding.

Clear

Clear had a much improved year following a restructure undertaken in the fourth quarter of 2012. Clear's operating profit improved threefold, from £0.3m to £0.9m as a result of a streamlined cost base and new client wins included Cerebos, Guardian Life, John Lewis, Magners, North Face, Pernod Ricard, Suncorp and Wagamama. Their new business pipeline remains promising, fuelled by their Brand Desire research.

Discontinued operation Walker Media

Walker Media saw a small 3% headline revenue increase, though planned resource investment saw headline operating profit (excluding the impact of Group recharges) decrease 10.1% to £5.0m for the full year. On 27th November last year, we sold 75.1% of our shareholding in Walker Media to Publicis. The strategic rationale for this was clear; in all our businesses we look for entrepreneurial competitive advantage. However, one exception is media buying where scale is a critical factor and we have been increasingly unable to compete with the larger Groups. We very much believe in our media leadership and talent. During 2013 we therefore sought a new home for Walker Media, with the objectives of seeking a good price, retaining a 24.9% stake and developing a worldwide media partnership. This led to the successful sale to Publicis and we are satisfied that with the support of a large Group's media buying infrastructure that our investment will continue to grow. Following on from this sale, on 23rd January, 2014 we returned a majority of the proceeds to shareholders by way of a share buyback.

Outlook

2013 was another year of outstanding progress for M&C Saatchi. Our proven strategy of winning new business and starting new businesses continues to deliver with the Group producing record revenue and profits.

The strategic sale of 75% of Walker Media, and the current strong performance across the Global Network positions us well for the future.

Audited consolidated income statement

Year ended 31 December	Note	Continuing operations 2013 £000	Discontinued operation* 2013 £000	Total 2013 £000	Continuing operations 2012 £000	Discontinued operation* 2012 £000	Total 2012 £000
Billings		320,288	198,618	518,906	290,948	211,790	502,738
Revenue	3	162,039	13,562	175,601	154,476	15,010	169,486
Operating costs	3	(149,282)	(9,588)	(158,870)	(143,895)	(9,836)	(153,731)
Operating profit	3	12,757	3,974	16,731	10,581	5,174	15,755
Share of results of associates and joint ventures	5	163	–	163	91	–	91
Impairment of associate		–	–	–	(1,552)	–	(1,552)
Gain on disposal of discontinued operations	10	–	7,048	7,048	–	–	–
Finance income	6	376	117	493	306	116	422
Finance costs	7	(15,852)	–	(15,852)	(4,835)	–	(4,835)
(Loss) / profit before taxation	3	(2,556)	11,139	8,583	4,591	5,290	9,881
Taxation	8	(4,207)	(1,046)	(5,253)	(4,002)	(1,355)	(5,357)
(Loss) / profit for the year		(6,763)	10,093	3,330	589	3,935	4,524
Attributable to:							
Equity shareholders of the Group	3	(8,610)	10,093	1,483	(1,472)	3,935	2,463
Non controlling interests	3	1,847	–	1,847	2,061	–	2,061
(Loss) / profit for the year	3	(6,763)	10,093	3,330	589	3,935	4,524
Earnings per share							
Basic (pence)	3	(13.03)p	15.27p	2.24p	(2.32)p	6.21p	3.89p
Diluted (pence)	3	(13.03)p	14.38p	2.11p	(2.32)p	5.73p	3.59p

Headline results**

Operating profit	18,460***	17,068
Profit before tax	18,597***	17,182
Profit after tax attributable to equity shareholders	11,033***	9,560
Basic earnings per share (pence)	16.69p***	15.10p

* The results of Walker Media have been presented as a discontinued operation (note 10).

**The reconciliation of headline to statutory results above can be found in note 3.

***On a pro forma basis (note 3)

The notes on pages 14 to 29 form part of these financial statements.

Audited consolidated statement of comprehensive income

Year ended 31 December	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000	Continuing operations 2012 £000	Discontinued operations 2012 £000	Total 2012 £000
(Loss) / profit for the year	(6,763)	10,093	3,330	589	3,935	4,524
Other comprehensive income*:						
Exchange differences on translating foreign operations before tax	(1,302)	–	(1,302)	(518)	–	(518)
Tax benefit	–	–	–	56	–	56
Other comprehensive income for the year net of tax	(1,302)	–	(1,302)	(462)	–	(462)
Total comprehensive income for the year	(8,065)	10,093	2,028	127	3,935	4,062
Total comprehensive income attributable to:						
Equity shareholders of the Group	(9,912)	10,093	181	(1,934)	3,935	2,001
Non controlling interests	1,847	–	1,847	2,061	–	2,061
(Loss) / profit for the year	(8,065)	10,093	2,028	127	3,935	4,062

* There are no items in other comprehensive income that would never be reclassified to the income statement.

The notes on pages 14 to 29 form part of these financial statements.

Audited consolidated balance sheet

At 31 December	Note	2013 £000	2012 £000
Non current assets			
Intangible assets		35,269	60,540
Investments in associates		13,099	756
Plant and equipment		7,310	7,237
Deferred tax assets		1,313	1,612
Other non current assets		5,316	5,041
		62,307	75,186
Current assets			
Trade and other receivables		61,478	95,248
Current tax assets		1,355	881
Cash and cash equivalents		33,702	22,332
		96,535	118,461
Current liabilities			
Bank overdraft		(115)	(84)
Trade and other payables		(64,004)	(106,872)
Current tax liabilities		(3,552)	(3,809)
Other financial liabilities		(20)	(131)
Deferred and contingent consideration		(420)	–
Minority shareholder put option liabilities	11	(21,844)	(2,549)
		(89,955)	(113,445)
Net current assets		6,580	5,016
Total assets less current liabilities		68,887	80,202
Non current liabilities			
Deferred tax liabilities		(486)	(669)
Other financial liabilities		(356)	(4,322)
Minority shareholder put option liabilities	11	(16,325)	(17,933)
Other non current liabilities		(896)	(1,092)
		(18,063)	(24,016)
Total net assets		50,824	56,186

The notes on pages 14 to 29 form part of these financial statements.

At 31 December	2013	2012
	£000	£000
Equity		
Equity attributable to shareholders of the Group		
Share capital	690	641
Share premium	16,402	14,625
Merger reserve	16,736	20,669
Treasury reserve	(792)	(792)
Minority interest put option reserve	(16,587)	(13,675)
Non controlling interest acquired	(1,532)	(1,085)
Foreign exchange reserve	544	1,846
Retained earnings	33,070	31,373
Total shareholders' funds	48,531	53,602
Non controlling interest	2,293	2,584
Total equity	50,824	56,186

The notes on pages 14 to 29 form part of these financial statements.

Audited consolidated statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
At 1 January 2012	635	13,832	21,194	(792)	(14,305)	(297)	2,308	30,808	53,383	2,663	56,046
Acquisitions	–	–	–	–	–	–	–	–	–	71	71
Acquired non controlling interest	1	115	–	–	73	(120)	–	–	69	(18)	51
Issues of shares to minorities	–	–	–	–	–	–	–	(11)	(11)	26	15
Impairment of New Zealand	–	–	(525)	–	–	–	–	525	–	–	–
Subsidiary Share buyback of own equity	–	–	–	–	–	(668)	–	–	(668)	(632)	(1,300)
Exchange rate movements	–	–	–	–	–	–	–	–	–	(61)	(61)
Issue of minority put options	–	–	–	–	(480)	–	–	–	(480)	–	(480)
Cancellation of minority put options	–	–	–	–	1,037	–	–	329	1,366	–	1,366
Option exercise	5	678	–	–	–	–	–	(686)	(3)	–	(3)
Share option charge	–	–	–	–	–	–	–	855	855	–	855
Dividends	–	–	–	–	–	–	–	(2,910)	(2,910)	(1,526)	(4,436)
Total transactions with owners	6	793	(525)	–	630	(788)	–	(1,898)	(1,782)	(2,140)	(3,922)
Total comprehensive income for the year	–	–	–	–	–	–	(462)	2,463	2,001	2,061	4,062
At 1 January 2013	641	14,625	20,669	(792)	(13,675)	(1,085)	1,846	31,373	53,602	2,584	56,186
Acquisitions	–	–	–	–	(1,661)	–	–	–	(1,661)	321	(1,340)
Disposals	–	–	(3,933)	–	–	–	–	3,933	–	(100)	(100)
Exercise of put options	5	1,281	–	–	447	(447)	–	–	1,286	–	1,286
Issues of shares to minorities	–	–	–	–	(484)	–	–	(170)	(654)	417	(237)
Exchange rate movements	–	–	–	–	–	–	–	–	–	(77)	(77)
Issue of minority put options	–	–	–	–	(1,214)	–	–	–	(1,214)	–	(1,214)
Option exercise	44	496	–	–	–	–	–	(418)	122	(155)	(33)
Share option charge	–	–	–	–	–	–	–	290	290	–	290
Dividends	–	–	–	–	–	–	–	(3,421)	(3,421)	(2,544)	(5,965)
Total transactions with owners	49	1,777	(3,933)	–	(2,912)	(447)	–	214	(5,252)	(2,138)	(7,390)
Total comprehensive income for the year	–	–	–	–	–	–	(1,302)	1,483	181	1,847	2,028
At 31 December 2013	690	16,402	16,736	(792)	(16,587)	(1,532)	544	33,070	48,531	2,293	50,824

The notes on pages 14 to 29 form part of these financial statements.

Consolidated cash flow statement and analysis of net debt

Year ended 31 December	2013 £000	2012 £000
Revenue*	162,039	154,476
Operating expenses*	(149,282)	(143,895)
Operating profit (continuing)*	12,757	10,581
Adjustments for:		
Operating profit from discontinued operations (note 10)*	3,974	5,174
Depreciation of plant and equipment	2,233	2,289
Loss on sale of plant and equipment	23	99
Loss on sale of software intangibles	–	35
Amortisation of acquired intangible assets	900	705
Impairment of goodwill	–	608
Amortisation of capitalised software intangible assets	143	141
Equity settled share based payment expenses	290	855
Operating cash before movements in working capital	20,320	20,487
Decrease / (increase) in trade and other receivables	5,464	(5,717)
(Decrease) / increases/in trade and other payables	(6,743)	4,194
Cash generated/(consumed) from operations	19,041	18,964
Tax paid	(5,080)	(5,178)
Net cash from operating activities	13,961	13,786
Investing activities		
Acquisitions of subsidiaries net of cash acquired	(3,101)	(3,199)
Disposal of discontinued operations, net of cash disposed of	10	15,082
Acquisitions of investments	(800)	–
Proceeds from sale of plant and equipment	20	28
Purchase of plant and equipment	(2,771)	(2,652)
Purchase of capitalised software	(90)	(163)
Dividends received from associates	73	–
Interest received	473	422
Net cash from / (consumed) by investing activities	8,886	(5,564)
Net cash from operating and investing activities	22,847	8,222

The notes on pages 14 to 29 form part of these financial statements.

Consolidated cash flow statement and analysis of net debt

Continued

Year ended 31 December	Note	2013 £000	2012 £000
Net cash from operating and investing activities		22,847	8,222
Financing activities			
Dividends paid to equity holders of the Company	9	(3,421)	(2,910)
Dividends paid to non controlling interest		(2,544)	(1,526)
Subsidiaries sale of own shares to non controlling interest		1	30
Repayment of finance leases		(42)	(214)
Inception of bank loans		4,261	5,416
Repayment of bank loans		(8,200)	(4,755)
Interest paid		(321)	(390)
Net cash consumed by financing activities		(10,266)	(4,349)
Net increase in cash and cash equivalents		12,581	3,873
Cash and cash equivalents at the beginning of the year		22,248	18,779
Effect of exchange rate fluctuations on cash held		(1,242)	(404)
Cash and cash equivalents at the end of the year		33,587	22,248
Bank loans and borrowings		(356)	(4,322)
NET CASH		33,231	17,926
CAPITAL			
TOTAL CAPITALISATION (at 333.25p; 180.5p)		227,740	114,396
TOTAL CAPITAL		227,740	114,396
GEARING RATIO		nil	nil

* 2012 comparatives have been restated for discontinued operations (note 10).

The notes on pages 14 to 29 form part of these financial statements.

Notes to the preliminary statements

Year ended 31 December 2013

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 2013 audited preliminary financial statements were approved for issue on 19 March 2014.

The financial information set out below does not constitute the company's statutory accounts for 2012 or 2013. Statutory accounts for the years ended 31 December 2012 and 31 December 2013 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2012 and 2013 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 2012 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2013 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) schemes 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 IFRS 8.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to contingent and deferred consideration taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements. Headline results treats discontinued operations as if they had not been disposed.

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 2013. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2012.

Notes to the preliminary statements

Continued

3. Headline results and earnings per share

The analysis below provides a reconciliation between the Group's statutory continuing results and the headline continuing results. Then between the headline continuing results and pro forma headline results, which assume that the discontinued operation continued as a 100% subsidiary. The pro forma headline results with full year consolidation of discontinued operation as a 100% owned continued operation have been what management have used for management and control.

Year ended 31 December 2013	Note	Continuing operations 2013 £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities (note 11) £000	Headline continuing operations 2013 £000	Discontinued operations 2013 £000	Full year effect of discontinued operations* £000	Pro forma headline and segmental results* £000
Revenue	4	162,039	–	–	162,039	13,562	1,824	177,425
Operating profit	4	12,757	900	–	13,657	3,974	829	18,460
Share of results of associates & JV	5	163	–	–	163	–	(184)	(21)
Impairment of associate		–	–	–	–	–	–	–
Gain on disposal of discontinued operations	10	–	–	–	–	7,048	(7,048)	–
Finance income	6	376	–	–	376	117	14	507
Finance cost	7	(15,852)	–	15,503	(349)	–	–	(349)
Profit before taxation	4	(2,556)	900	15,503	13,847	11,139	(6,389)	18,597
Taxation	8	(4,207)	(230)	–	(4,437)	(1,046)	(100)	(5,583)
Profit for the year		(6,763)	670	15,503	9,410	10,093	(6,489)	13,014
Non controlling interests		(1,847)	(134)	–	(1,981)	–	–	(1,981)
Profit attributable to equity holders of the Group		(8,610)	536	15,503	7,429	10,093	(6,489)	11,033

* Unaudited.

The Directors believe that the pro forma headline results and headline earnings per share provide additional useful information on the underlying performance. The pro forma headline result is used for internal performance management, calculating the value of subsidiary convertible shares and minority interest put options. The term pro forma headline is not a defined term in IFRS.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to contingent and deferred consideration taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements. Pro forma headline results treats discontinued operations as if they had not been disposed.

Notes to the preliminary statements

Continued

3. Headline results and earnings per share continued

Year ended		Continuing operations	Amortisation of acquired intangibles	Impairment of goodwill & associate	Fair value adjustments to minority put option liabilities (note 11)	Headline continuing operations	Discontinued operation	Total Headline and segmental results
31 December 2012	Note	2012 £000	£000	£000	£000	2012 £000	2012 £000	£000
Revenue	4	154,476	–	–	–	154,476	15,010	169,486
Operating profit	4	10,581	705	608	–	11,894	5,174	17,068
Share of results of associates	5	91	–	–	–	91	–	91
Impairment of associate		(1,552)	–	1,552	–	–	–	–
Gain on disposal of discontinued operations	10	–	–	–	–	–	–	–
Finance income	6	306	–	–	–	306	116	422
Finance cost	7	(4,835)	–	–	4,436	(399)	–	(399)
Profit before taxation	4	4,591	705	2,160	4,436	11,892	5,290	17,182
Taxation	8	(4,002)	(185)	–	–	(4,187)	(1,355)	(5,542)
Profit for the year		589	520	2,160	4,436	7,705	3,935	11,640
Non controlling interests		(2,061)	(19)	–	–	(2,080)	–	(2,080)
Profit attributable to equity holders of the Group		(1,472)	501	2,160	4,436	5,625	3,935	9,560

Notes to the preliminary statements

Continued

3. Headline results and earnings per share continued

Basic and diluted earnings per share is calculated by dividing profit attributable to equity holders of the Group by the weighted average number of shares in issue during the year.

Year ended	Continuing operations	Discontinued operations	Total	Pro forma headline and segmental results
31 December 2013	2013	2013	2013	
	£000	£000	£000	£000
Profit attributable to equity	(8,610)	10,093	1,483	11,033
Basic earnings per share				
Weighted average number of shares (thousands)	66,094	66,094	66,094	66,094
Basic EPS	(13.03)p	15.27p	2.24p	16.69p
Diluted earnings per share				
Weighted average number of shares (thousands) as above	66,094	66,094	66,094	66,094
Add				
– UK growth shares	631	631	631	631
– Options	128	128	128	128
– LTIP	102	102	102	102
– 2012 LTIP	230	230	230	230
– New LTIP	2,751	2,751	2,751	2,751
– Dilutive put options**	359	359	359	359
Total	70,295	70,295	70,295	70,295
Diluted earnings per share***	(13.03)p	14.38p	2.11p	15.70p

Notes to the preliminary statements

Continued

3. Headline results and earnings per share continued

Year ended 31 December 2012	Continuing operations 2012 £000	Discontinued operations 2012 £000	Total 2012 £000	Headline and segmental results £000
Profit attributable to equity holders of the Group	(1,472)	3,935	2,463	9,560
Basic earnings per share				
Weighted average number of shares (thousands)	63,317	–	–	63,317
Basic EPS	(2.32)p	6.21p	3.89p	15.10p
Diluted earnings per share				
Weighted average number of shares (thousands) as above	63,317	63,317	63,317	63,317
Add				
– UK growth shares	1,581	1,581	1,581	1,581
– Options	128	128	128	128
– LTIP	111	111	111	111
– New LTIP	3,547	3,547	3,547	3,547
Total	68,684	68,684	68,684	68,684
Diluted earnings per share***	(2.32)p	5.73p	3.59p	13.92p

** Apart from one entity, in 2013, all the other put options detailed in note 11 are non dilutive as the exercise price approximates fair value of the underlying non controlling interest.

*** There is no dilutive effect on losses.

Notes to the preliminary statements

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4. Segmental information

Segmental and headline income statement

Year ended 31 December 2013	Discontinued operations (for year) £000	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Clear £000	Total £000
Revenue	15,386	68,147	19,424	8,055	48,299	10,502	7,612	177,425
Operating profit excluding Group costs	4,985	11,057	1,902	376	4,438	(90)	919	23,587
Group costs	(185)	(4,546)	(71)	–	(234)	(91)	–	(5,127)
Operating profit	4,800	6,511	1,831	376	4,204	(181)	919	18,460
Share of results of associates	–	41	23	(152)	67	–	–	(21)
Financial income and cost	131	(45)	(55)	104	37	(19)	5	158
Profit before taxation	4,931	6,507	1,799	328	4,308	(200)	924	18,597
Taxation	(1,146)	(1,560)	(670)	(186)	(1,671)	(137)	(213)	(5,583)
Profit for the year	3,785	4,947	1,129	142	2,637	(337)	711	13,014
Non controlling interests	–	(1,232)	(208)	(214)	(811)	509	(25)	(1,981)
Profit attributable to equity shareholders of the Group	3,785	3,715	921	(72)	1,826	172	686	11,033
Headline basic EPS								16.69p
Non cash costs included in operating profit:								
Depreciation	(176)	(966)	(229)	(172)	(454)	(82)	(154)	(2,233)
Amortisation of software	–	(38)	(39)	(29)	(14)	(23)	–	(143)
Share option charges	–	(290)	–	–	–	–	–	(290)
Office location	London	London	Paris Berlin Madrid Geneva Milan Moscow Stockholm	Beirut Cape Town Johannesburg Abu Dhabi	Sydney Melbourne Auckland Wellington New Delhi Mumbai Kuala Lumpur Hong Kong Beijing Shanghai Tokyo Singapore	Los Angeles São Paulo New York	London New York Sydney Singapore	

Notes to the preliminary statements

Continued

4. Segmental information continued

Segmental and headline income statement

Year ended 31 December 2012	Discontinued operations (for year) £000	UK* £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Clear £000	Total £000
Revenue	15,010	60,391	16,164	6,604	53,798	8,031	9,488	169,486
Operating profit excluding Group costs	5,544	9,708	2,331	237	3,443	66	276	21,605
Group costs	(370)	(3,899)	(71)	–	(110)	(87)	–	(4,537)
Operating profit	5,174	5,809	2,260	237	3,333	(21)	276	17,068
Share of results of associates	–	77	(88)	102	–	–	–	91
Financial income and cost	116	(41)	(45)	15	14	(38)	2	23
Profit before taxation	5,290	5,845	2,127	354	3,347	(59)	278	17,182
Taxation	(1,355)	(1,601)	(743)	(167)	(1,566)	(52)	(58)	(5,542)
Profit for the year	3,935	4,244	1,384	187	1,781	(111)	220	11,640
Non controlling interests	–	(1,231)	(435)	(98)	(565)	255	(6)	(2,080)
Profit attributable to equity shareholders of the Group	3,935	3,013	949	89	1,216	144	214	9,560
Headline basic EPS								
15.10p								
Non cash costs included in operating profit:								
Depreciation	(307)	(811)	(250)	(144)	(527)	(79)	(171)	(2,289)
Amortisation of software	–	(1)	(30)	(25)	(61)	(24)	–	(141)
Share option charges	–	(855)	–	–	–	–	–	(855)
Office location	London	London	Paris Berlin Madrid Geneva Milan Moscow Stockholm	Beirut Cape Town Johannesburg Abu Dhabi	Sydney Melbourne Auckland Wellington New Delhi Mumbai Kuala Lumpur Hong Kong Beijing Shanghai Tokyo Singapore	Los Angeles São Paulo New York	London Hong Kong New York Sydney Singapore	

* UK has been restated to remove discontinued operations.

Notes to the preliminary statements

Continued

4. Segmental information continued

Segmental income statement translated at 2012 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 2013 results been translated at 2012 exchange rate then our results would have been:

Year ended 31 December 2013	UK discontinued £000	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Clear £000	Total £000
Revenue	15,386	68,147	18,560	9,123	50,845	10,771	7,650	180,482
Operating profit excluding Group costs	4,985	11,057	1,819	475	4,711	(54)	923	23,916
Group costs	(185)	(4,546)	(68)	–	(252)	(99)	–	(5,150)
Operating profit	4,800	6,511	1,751	475	4,459	(153)	923	18,766
Share of results of associates	–	41	23	(150)	63	–	–	(23)
Financial income and cost	131	(45)	(56)	122	38	(21)	5	174
Profit before taxation	4,931	6,507	1,718	447	4,560	(174)	928	18,917
Taxation	(1,146)	(1,560)	(640)	(213)	(1,749)	(135)	(214)	(5,657)
Profit for the year	3,785	4,947	1,078	234	2,811	(309)	714	13,260
Increase/(decrease) in 2013 results caused by translation differences	–	–	51	(92)	(174)	(28)	(3)	(246)

The key currencies that affect us and the average exchange rate used were:

	2013	2012
US dollar	1.5643	1.5849
Malaysian ringgit	4.9279	4.8926
Australian dollar	1.6212	1.5306
South African rand	15.0952	13.0054
Brazilian real	3.3772	3.0955
Euro	1.1776	1.2332

Notes to the preliminary statements

Continued

5. Share of associates and joint ventures

Year ended 31 December	2013 £000	2012 £000
Share of associates' profit before taxation	195	120
Share of associates' taxation	(32)	(29)
	163	91

6. Finance income

Year ended 31 December	2013 £000	2012 £000
Bank interest receivable	173	282
Other interest receivable	203	24
Total interest receivable	376	306
In respect of discontinued operations	117	116
Total finance income	493	422

7. Finance costs

Year ended 31 December	2013 £000	2012 £000
Bank interest payable	(342)	(390)
Interest payable on finance leases	(7)	(9)
Total interest payable	(349)	(399)
Fair value adjustments to minority shareholder put option liabilities (note 11)	(15,503)	(4,436)
Total finance costs	(15,852)	(4,835)

Notes to the preliminary statements

Continued

8. Taxation

Year ended 31 December	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	operations	operations		operations	operations	
	2013	2013	2013	2012	2012	2012
	£000	£000	£000	£000	£000	£000
Current taxation						
Taxation in the year						
– UK	1,945	1,046	2,991	1,784	1,339	3,123
– Overseas	2,756	-	2,756	2,916	-	2,916
Withholding taxes payable	9	-	9	-	-	-
Utilisation of previously unrecognised tax losses	-	-	-	(147)	-	(147)
Adjustment for under provision in prior periods	72	-	72	86	268	354
Total	4,782	1,046	5,828	4,639	1,607	6,246
Deferred taxation						
Origination and reversal of temporary differences	(658)	-	(658)	(632)	(245)	(877)
Recognition of previously unrecognised tax losses	83	-	83	(11)	-	(11)
Effect of changes in tax rates	-	-	-	6	(7)	(1)
Total	(575)	-	(575)	(637)	(252)	(889)
Total taxation	4,207	1,046	5,253	4,002	1,355	5,357

Notes to the preliminary statements

Continued

9. Dividends

	2013	2012
Year ended 31 December	£000	£000
2012 final dividend paid 3.85p on 5 July 2013 (2011: 3.50p)	2,596	2,213
2013 interim dividend paid 1.21p on 15 November 2013 (2012: 1.10p)	825	697
	3,421	2,910

Proposed final dividend of 4.24p totalling £2,629k. Subject to shareholders approval on 11 June 2014, the dividend is payable on 4 July 2014 to shareholders on the register 6 June 2014.

Dividends relate to the profit of the following years:

	2013	2012
Year ended 31 December	£000	£000
First interim dividend paid 15 November 2013	825	697
Final dividends payable 4 July 2014 *	2,629	2,596
	3,454	3,293
Headline dividend cover	3.2	2.9

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.

* 2012 dividend has been restated to reflect the number of shares in issue when the dividend was paid, as opposed to the number of shares in existence at 31 December 2012.

Notes to the preliminary statements

Continued

10. Discontinued Operations

On 28 November 2013 the Group sold its 75.1% of Walker Media Limited. No gain or loss arose on the measurement to fair value less cost to sell on this reclassification.

75.1% of Walker Media Limited was sold for £36.0m cash and a pre-tax and post-tax gain of £7.0m was recorded. At the time of disposal it was stated that the majority of proceeds would be returned to shareholders. On 23 January 2014 the Company completed a tender offer returning £21.2m to shareholders in return for 6,337,800 M&C Saatchi plc shares that were cancelled.

The results of discontinued operations can be seen in note 3 and on face of the income statement.

	11 Months 2013 £000	Year 2012 £000
Net cash used in operating activities	2,052	(916)
Net cash used in investing activities	(6)	(41)
Net cash from financing activities	(383)	(1,384)
Net (decrease)/increase in cash and cash equivalents	1,663	(2,341)
Cash and cash equivalents at the beginning of the period	15,194	17,535
Net cash from (used in) discontinued operations	16,877	15,194

Effect of the disposals on individual assets and liabilities:

	28 November 2013 £000	31 December 2012 £000
Plant and equipment	211	367
Deferred tax assets	301	301
Trade and other receivables	24,930	33,200
Cash and cash equivalents	16,877	15,194
Trade and other payables	(33,501)	(42,993)
Current tax liabilities	(1,046)	(872)
Net identifiable assets and liabilities	7,772	5,197
Consideration received, satisfied in cash, net of expenses	31,959	–
Cash disposed of	(16,877)	–
Net cash (inflow)	15,082	–

Notes to the preliminary statements

Continued

11. 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).

	2013 £000	2012 £000
Amounts falling due within one year		
– Cash	(3,642)	(847)
– Equity	(18,202)	(1,702)
	(21,844)	(2,549)
Amounts falling due after one year		
– Cash	(684)	(2,450)
– Equity	(15,641)	(15,483)
	(16,325)	(17,933)
	(38,169)	(20,482)
	2013 £000	2012 £000
At 1 January	(20,482)	(17,092)
Exchange difference	4	(1)
Additions	(3,359)	(480)
Exercises	1,171	161
Termination	–	1,366
Income statement charge due to		
– Change in estimates	1,333	2,627
– Change in share price	(16,760)	(6,932)
– Time	(76)	(131)
Total income statement charge	(15,503)	(4,436)
At 31 December	(38,169)	(20,482)

Notes to the preliminary statements

Continued

11. Minority shareholder put option liabilities continued

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

Cash based	2013 £000	2012 £000
At 1 January	(3,297)	(234)
Exchange difference	158	–
Reclassified from share based	–	(2,863)
Additions	(684)	–
Income statement charge due to		
– Change in estimates	(136)	(71)
– Change in share price	(367)	(129)
At 31 December	(4,326)	(3,297)

Equity based	2013 Equity*	2013 £000	2012 £000
At 1 January	(9,517)	(17,185)	(16,858)
Exchange difference	–	(154)	(1)
Additions	(803)	(2,675)	(480)
Exercises	512	1,171	161
Reclassified to cash based	–	–	2,863
Terminations	–	–	1,366
Income statement charge due to			
– Change in estimates	297	1,469	2,698
– Change in share price	(621)	(16,393)	(6,803)
– Time	(23)	(76)	(131)
At 31 December	(10,156)	(33,843)	(17,185)

*The estimated number of M&C Saatchi plc shares that will be issued, in thousands, to fulfil.

Notes to the preliminary statements

Continued

11. Minority shareholder put option liabilities continued

Put options are exercisable from:

Subsidiary	Year	% of subsidiaries' shares exchangeable
M&C Saatchi LA Inc	2014	16.0
M&C Saatchi Marketing Arts Ltd	2014	50.0
M&C Saatchi (M) SDN BHD	2014	20.0
M&C Saatchi Sports & Entertainment Ltd	2014	2.8
Influence Communications Ltd	2014	5.0
M&C Saatchi Europe Holdings Ltd	2014	4.0
M&C Saatchi German Holdings Ltd	2014	4.0
M&C Saatchi Communications Pty Ltd	2014	13.0
M&C Saatchi Berlin GmbH	2014	10.0
Talk PR Audience Ltd	2014	17.0
M&C Saatchi GAD SAS**	2014	19.6
FCINQ SAS**	2014	15.0
M&C Saatchi Berlin GmbH	2014	5.0
Clear Ideas Consulting LLP	2014	12.5
M&C Saatchi Mobile Ltd*	2014	20.0
M&C Saatchi Agency Pty Ltd	2014	20.0
M&C Saatchi PR LLP (US)	2015	35.0
Clear Ideas Consulting LLP	2015	12.5
M&C Saatchi Mobile Ltd*	2015	10.0
M&C Saatchi Sport & Entertainment Pty Ltd	2015	49.0
Talk PR Ltd	2015	49.0
M&C Saatchi UK PR LLP	2015	35.0
M&C Saatchi Corporate SAS	2015	29.8
M&C Saatchi (Switzerland) SA	2016	40.0
Samuelson Talbot and Partners Pty Ltd*	2016	31.2
M&C Saatchi Merlin Ltd*	2016	22.5
The Source (London) Ltd	2016	30.0
Direct One SAS	2016	10.0
Direct One SAS	2017	10.0
M&C Saatchi Berlin GmbH*	2017	5.0
M&C Saatchi Brazil Comunicação LTDA	2017	49.9
Samuelson Talbot and Partners Pty Ltd*	2018	8.8
M&C Saatchi Merlin Ltd*	2018	22.5
Direct One SAS*	2018	10.0

* New or amended options in 2013.

** Holding changed or shares put in 2013.

Notes to the preliminary statements

Continued

11. Minority shareholder put option liabilities continued

At each period end the fair value of the put options' liability is calculated in accordance with the shareholders' agreement and any movement is charged to the income statement. Where the agreement gives a right to convert to a variable number of shares (rather than a value), the number of shares is converted to a value by using the period end share price (2013: 333.3p, 2012: 180.5p).

The liability will vary with our share price, and with the results of the subsidiary companies. Current liabilities are determined by our year end share price and the 2013 results of the companies who can exercise in 2014. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2014. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2014, given that these companies are small, single account wins/losses can have a significant effect on their results. Such account wins are far more significant than changes to exchange rates and underlying economic growth rates.

The fair value of minority shareholder put option liabilities is measured using some inputs that are not based on observable market data (i.e. IFRS13, Level 3 fair value measurement).

Share price risk

Changes in our year end share price will impact the fair value adjustment to minority shareholder put options. The year end share price was 333.3p (2012: 180.5p). The 2013 charges would have changed as follows, had the share price been:

Share price	Movement %	Increase/ (decrease) in profit before and after tax £000
433.3p	+30%	£(6,644)
400.0p	+20%	£(5,528)
366.6p	+10%	£(3,420)
333.3p	–	–
300.0p	(10)%	£3,446
266.6p	(20)%	£6,913

Forecast accuracy

Difference in actual and projected results of the companies could have an impact on the fair value adjustments as follows:

Result	Increase/ (decrease) in profit before and after tax £000
+10%	£(1,277)
(10)%	£1,265