

# **M&C SAATCHI PLC**

FINAL RESULTS

YEAR ENDED  
31 DECEMBER 2014

26 March 2015

**M&C Saatchi PLC**  
**Final Results for the year ended 31 December 2014**

26 March 2015

<b>Financial Highlights 2014</b>		<b>Growth versus 2013</b>
Revenue	£169.4m	+ 5% (2013: £162.0m)
Revenue in constant currencies		+ 10% (2013: £154.0m)
Operating Profit	£16.0m	+ 17% (2013: £13.7m)
Profit Before Tax	£17.2m	+ 17% (2013: £14.6m)
Profit After Tax and MI	£10.4m	+ 27% (2013: £8.2m)
EPS	15.88p	+ 28% (2013: 12.39p)
Dividend	6.27p	+ 15% (2013: 5.45p)

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

*Operational Highlights*

- Strong results with good revenue momentum and a substantial increase in earnings growth

The global network performed well across all geographies:

- UK: revenues up 9%, with CRM and Mobile continuing to excel; operating profit up 1%
- Europe: like-for-like revenues up 15%, operating profit increased 54%
- Middle East and Africa: like-for-like revenues up 14%, operating profit up 173%
- Asia and Australasia: like-for-like revenues down 1%, operating profit increased 10%
- Americas: like-for-like revenues up 51%, operating profit of £0.4m
- Acquired 33% of SS+K in New York
- Robust balance sheet maintained with net year-end cash of £5m
- Final dividend increased 15% to 4.87p, full-year dividend up 15% to 6.27p

David Kershaw, Chief Executive, said:

“2014 was another year of excellent progress for M&C Saatchi. Our strategy of consistent growth through winning new business and starting new businesses continues to deliver good results.

“We have invested and upgraded and now feel we have the network span and depth of capabilities with which we can significantly develop our international client portfolio.

“We are confident we will continue to make good progress in 2015 and beyond.”

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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 deferred and contingent consideration and other acquisition related charges 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 treats the 2013 discontinued operations as if they had been disposed at the beginning of the period.

### Like-for-like

Are the results expressed at constant exchange rates.

## **SUMMARY OF RESULTS**

2014 saw another year of very good results with continued strong momentum and good revenue and earnings growth.

### **UK**

Revenue in the UK was up 9%, with both CRM and Mobile continuing to do well. UK headline operating profit improved 1% on 2013. We experienced a positive run of account wins across our group of businesses, including Land Rover, John Lewis, Oxfam, Sky Bet, Ballantine's, Foot Locker, Duddle and the global business of Douwe Egberts. In April, we strengthened our digital offering by acquiring Lean Mean Fighting Machine, a highly respected and much awarded online agency. Our CRM offering through LIDA remains outstanding and they deservedly again won Customer Engagement Agency of the year. In addition, M&C Saatchi Mobile was awarded Mobile Agency of the Year EMEA. We are now exporting CRM and PR to our overseas offices, alongside Sport & Entertainment and Mobile. Our disciplined approach to cost and margins ensured a healthy headline operating margin of 14.9% (2013: 16.0%).

### **Europe**

European like-for-like revenues increased 15% year on year. Stockholm has maintained its vigorous revenue momentum with further good new business wins across the year. Both Germany and Italy produced remarkable performances, with Italy winning BMW in the second half. In spite of a slow advertising market, the French office successfully won McCain and Thomas Cook as well as a place on the EDF roster. Additionally, our associate in Spain won the state train operator RENFE at the end of the year. Regionally, operating profit increased 54%, with a headline operating margin of 13.7% (2013: 9.7%).

### **Middle East and Africa**

Like-for-like revenues increased 14% with substantial contributions from both Cape Town and Johannesburg. Key new business wins in South Africa were Pepsico and Deloitte Consulting. Abu Dhabi continues to build revenues beyond the Etihad account and won the account of TwoFour54, a government backed tax-free media and entertainment centre. In January 2015, we announced we were acquiring a majority stake in Ben-Natan Golan Advertising in Tel Aviv, Israel, forming a new agency M&C Saatchi Tel Aviv. Israel has the largest tech sector per capita in the world, often referred to as the second Silicon Valley. With our associate in Beirut and our office in Abu Dhabi, we now have a potent presence in the region. Overall, headline operating profit was up an exceptional 173%, with a headline operating margin of 12.8% (2013: 4.7%).

## **Asia and Australasia**

In Asia and Australasia, like-for-like revenue was down 1% year on year. Australian revenues decreased without the David Jones account in 2014. However, our Australian offices have had an outstanding new business run in 2014, winning IAG, Lexus, A2 and Cricket Australia. With this performance and some very good work; they were rightly awarded Australian Agency of the Year. Regional revenues were also hit by account losses in New Zealand, which meant we took the strategic decision to close the office. Otherwise, the relationship with our associate in China, aeiou, progresses well with the win of some Microsoft business. Malaysia made a terrific contribution, maintaining their exceptional performance. In India, we reproduced our Chinese model acquiring 20% of February, a Delhi based agency. Singapore was appointed on an Asian regional basis for Jaguar and continues to win government assignments. The headline regional operating margin was up 2.3% from 9.2% to 11.5%, with the headline operating profit increasing 10%.

## **Americas**

Like-for-like revenues increased 51% with a small operating profit of £0.4m, with our offices in Los Angeles and Sao Paulo together with our US Mobile operation more than covering our organic investment in our New York office. The conversion of new business proved slow in New York, which led us to implement a management restructure. In November, we acquired 33% of SS+K, a much respected award winning agency that will significantly enhance our presence and accelerate our growth in New York. Already the model is working well, winning the international account of J W Marriott with our London office. Our office in Los Angeles maintained their good progress, winning UGG's social media business across the US. In February of this year, we upgraded our Sao Paulo presence, replicating the investment approach we took in China. We made a 25% investment in Santa Clara, a high quality independent agency who will be a powerful addition to our network.

## **Outlook**

2014 was another year of excellent progress for M&C Saatchi. Our strategy of consistent growth through winning new business and starting new businesses continues to deliver good results. We have invested and upgraded and now feel we have the network span and depth of capabilities with which we can significantly develop our international client portfolio. We are confident we will continue to make good progress in 2015 and beyond.

# AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2014 £000	Continuing operations 2013 £000	Discontinued operations* 2013 £000	Total 2013 £000
Billings		333,302	320,288	198,618	518,906
Revenue	3	169,373	162,039	13,562	175,601
Operating costs	3	(163,720)	(149,282)	(9,588)	(158,870)
Operating profit	3	5,653	12,757	3,974	16,731
Share of results of associates and joint ventures	5	1,350	163	–	163
Gain on disposal of discontinued operations		–	–	7,048	7,048
Finance income	6	316	376	117	493
Finance costs	7	(1,087)	(15,852)	–	(15,852)
Profit / (loss) before taxation	3	6,232	(2,556)	11,139	8,583
Taxation	8	(4,293)	(4,207)	(1,046)	(5,253)
Profit / (loss) for the year		1,939	(6,763)	10,093	3,330
Attributable to:					
Equity shareholders of the Group	3	(155)	(8,610)	10,093	1,483
Non controlling interests	3	2,094	1,847	–	1,847
Profit / (loss) for the year	3	1,939	(6,763)	10,093	3,330
Earnings per share					
Basic (pence)	3	(0.24)p	(13.03)p	15.27p	2.24p
Diluted (pence)	3	(0.24)p	(13.03)p	14.38p	2.11p

## Headline results\*\*

Operating profit	16,025	13,657***
Profit before tax	17,143	14,605***
Profit after tax attributable to equity shareholders of the Group	10,365	8,187***
Basic earnings per share (pence)	15.88p	12.39p***

\* The results of Walker Media up to the sale of 75.1% on 28 November 2013 were presented as a discontinued operation in 2013.

\*\*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 11 to 21 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2014	Continuing operations	Discontinued operations	Total
Year ended 31 December	£000	2013 £000	2013 £000	2013 £000
<b>Profit / (loss) for the year</b>	<b>1,939</b>	(6,763)	10,093	3,330
<b>Other comprehensive income*:</b>				
Exchange differences on translating foreign operations before tax	(1,212)	(1,302)	–	(1,302)
<b>Other comprehensive income for the year net of tax</b>	<b>(1,212)</b>	(1,302)	–	(1,302)
<b>Total comprehensive income for the year</b>	<b>727</b>	(8,065)	10,093	2,028
Total comprehensive income attributable to:				
Equity shareholders of the Group	(1,367)	(9,912)	10,093	181
Non controlling interests	2,094	1,847	–	1,847
<b>Total comprehensive income / (loss) for the year</b>	<b>727</b>	(8,065)	10,093	2,028

\* All items in consolidated statement of comprehensive income will be reclassified to the income statement.

The notes on pages 11 to 21 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED BALANCE SHEET

At 31 December	Note	2014 £000	2013 £000
<b>Non current assets</b>			
Intangible assets		29,142	35,269
Investments in associates		18,731	13,099
Plant and equipment		8,409	7,310
Deferred tax assets		1,515	1,313
Other non current assets		5,899	5,316
		<b>63,696</b>	<b>62,307</b>
<b>Current assets</b>			
Trade and other receivables		71,043	61,478
Current tax assets		318	1,355
Cash and cash equivalents		23,446	33,702
		<b>94,807</b>	<b>96,535</b>
<b>Current liabilities</b>			
Bank overdraft		(125)	(115)
Trade and other payables		(75,995)	(64,004)
Current tax liabilities		(1,995)	(3,552)
Other financial liabilities		(22)	(20)
Deferred and contingent consideration		–	(420)
Minority shareholder put option liabilities	10	(15,835)	(21,844)
		<b>(93,972)</b>	<b>(89,955)</b>
<b>Net current assets</b>		<b>835</b>	<b>6,580</b>
<b>Total assets less current liabilities</b>		<b>64,531</b>	<b>68,887</b>
<b>Non current liabilities</b>			
Deferred tax liabilities		(422)	(486)
Other financial liabilities		(18,226)	(356)
Minority shareholder put option liabilities	10	(8,708)	(16,325)
Other non current liabilities		(1,303)	(896)
		<b>(28,659)</b>	<b>(18,063)</b>
<b>Total net assets</b>		<b>35,872</b>	<b>50,824</b>
<b>Equity</b>			
Share capital		683	690
Share premium		16,807	16,402
Merger reserve		27,689	16,736
Treasury reserve		(792)	(792)
Minority interest put option reserve		(13,070)	(16,587)
Non controlling interest acquired		(7,882)	(1,532)
Foreign exchange reserve		(668)	544
Retained earnings		9,639	33,070
<b>Equity attributable to shareholders of the Group</b>		<b>32,406</b>	<b>48,531</b>
<b>Non controlling interest</b>		<b>3,466</b>	<b>2,293</b>
<b>Total equity</b>		<b>35,872</b>	<b>50,824</b>

The notes on pages 11 to 21 form part of these consolidated financial statements.



# AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	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 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	10	5	1,281	–	–	447	(447)	–	–	1,286	–	1,286
Issues of shares to minorities	10	–	–	–	–	(484)	–	–	(170)	(654)	417	(237)
Exchange rate movements		–	–	–	–	–	–	–	–	–	(77)	(77)
Issue of minority put options	10	–	–	–	–	(1,214)	–	–	–	(1,214)	–	(1,214)
Option exercise		44	496	–	–	–	–	–	(418)	122	(155)	(33)
Share option charge		–	–	–	–	–	–	–	290	290	–	290
Dividends	9	–	–	–	–	–	–	–	(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 1 January 2014		690	16,402	16,736	(792)	(16,587)	(1,532)	544	33,070	48,531	2,293	50,824
Acquisitions		–	–	–	–	(1,653)	–	–	–	(1,653)	5	(1,648)
Exercise of put options	10	48	–	13,011	–	5,151	(4,791)	–	–	13,419	(429)	12,990
Deletion of right to equity		–	–	–	–	–	(1,559)	–	–	(1,559)	1,559	–
Exchange rate movements		–	–	–	–	19	–	–	–	19	(121)	(102)
Tender offer		(63)	–	–	–	–	–	–	(21,451)	(21,514)	–	(21,514)
Merger reserve release on impairments*		–	–	(2,058)	–	–	–	–	2,058	–	–	–
Option exercise		8	405	–	–	–	–	–	(413)	–	–	–
Share option charge		–	–	–	–	–	–	–	200	200	–	200
Dividends	9	–	–	–	–	–	–	–	(3,670)	(3,670)	(1,935)	(5,605)
Total transactions with owners		(7)	405	10,953	–	3,517	(6,350)	–	(23,276)	(14,758)	(921)	(15,679)
Total comprehensive income for the year		–	–	–	–	–	–	(1,212)	(155)	(1,367)	2,094	727
At 31 December 2014		683	16,807	27,689	(792)	(13,070)	(7,882)	(668)	9,639	32,406	3,466	35,872

The notes on pages 11 to 21 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED CASH FLOW STATEMENT AND ANALYSIS OF NET DEBT

Year ended 31 December	2014 £000	2013* £000
<b>Revenue</b>	<b>169,373</b>	162,039
Operating expenses	(163,720)	(149,282)
<b>Operating profit (continuing)</b>	<b>5,653</b>	12,757
<b>Adjustments for:</b>		
Operating profit from discontinued operations	–	3,974
Depreciation of plant and equipment	2,055	2,233
Loss on sale of plant and equipment	198	23
Loss on disposal of a subsidiary	76	–
Loss on acquisition of a subsidiary	813	–
Amortisation of acquired intangible assets	1,445	900
Impairment of goodwill	5,573	–
Amortisation of capitalised software intangible assets	120	143
Equity settled share based payment expenses	200	290
<b>Operating cash before movements in working capital</b>	<b>16,133</b>	20,320
(Increase) / decrease in trade and other receivables	(8,690)	5,464
Increases / (decrease) in trade and other payables	8,676	(6,743)
Cash generated from operations	16,119	19,041
Tax paid	(5,332)	(5,080)
<b>Net cash from operating activities</b>	<b>10,787</b>	13,961
<b>Investing activities</b>		
Acquisitions of subsidiaries net of cash acquired	(2,244)	(512)
Acquisitions of associates	(5,084)	(2,589)
Disposal of discontinued operations, net of cash disposed of	–	15,082
Acquisitions of investments	(1,187)	(800)
Proceeds from sale of plant and equipment	70	20
Purchase of plant and equipment	(3,350)	(2,771)
Purchase of capitalised software	(77)	(90)
Dividends received from associates	660	73
Interest received	307	473
<b>Net cash (consumed) / from investing activities</b>	<b>(10,905)</b>	8,886
<b>Net cash (consumed) / from operating and investing activities</b>	<b>(118)</b>	22,847

\*The cash flows for 2013 represent only cash flows from continuing operations.

The notes on pages 11 to 21 form part of these consolidated financial statements.

Year ended 31 December	Note	2014 £000	2013 £000
<b>Net cash (consumed) / from operating and investing activities</b>		<b>(118)</b>	<b>22,847</b>
<b>Financing activities</b>			
Dividends paid to equity holders of the Company	9	(3,670)	(3,421)
Dividends paid to non controlling interest		(1,935)	(2,544)
tender offer		(21,514)	–
Issue of own shares		1	–
Subsidiaries sale of own shares to non controlling interest		–	1
Repayment of finance leases		(61)	(42)
Inception of bank loans		17,913	4,261
Repayment of bank loans		–	(8,200)
Interest paid		(532)	(321)
<b>Net cash consumed by financing activities</b>		<b>(9,798)</b>	<b>(10,266)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(9,916)</b>	<b>12,581</b>
Cash and cash equivalents at the beginning of the year		33,587	22,248
Effect of exchange rate fluctuations on cash held		(350)	(1,242)
<b>Cash and cash equivalents at the end of the year</b>		<b>23,321</b>	<b>33,587</b>
Bank loans and borrowings		(18,462)	(356)
<b>NET CASH*</b>		<b>4,859</b>	<b>33,231</b>
<b>CAPITAL</b>			
TOTAL CAPITALISATION (at 31 December: 330.00p; 333.25p)		223,339	227,740
TOTAL CAPITAL		223,339	227,740
GEARING RATIO		nil	nil

# **NOTES TO THE PRELIMINARY STATEMENTS**

## **YEAR ENDED 31 DECEMBER 2014**

### **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 2014 audited preliminary financial statements were approved for issue on 25 March 2015.

The financial information set out below does not constitute the company's statutory accounts for 2013 or 2014. Statutory accounts for the years ended 31 December 2013 and 31 December 2014 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2013 and 2014 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 2013 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2014 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. Note 3 reconciles reported to headline results.

Our segmental reporting (note 4) reflects our headline results in accordance with IFRS 8, and aggregation of similar activities by geography in accordance with IFRS12.

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 deferred and contingent consideration and other acquisition related charges 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 treats discontinued operations as if they had been disposed at the beginning of the period.

### **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 2014. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2013

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

### 3. Headline results and earnings per share

The analysis below provides a reconciliation between the Group's statutory results and the headline results.

Yearended 31 December 2014	Note	2014 £000	Amortisation of acquired intangibles £000	Acquisition of remaining shares in loss making associate £000	Impairment of Goodwill £000	Contingent acquisition cost classified as expense £000	Fair value adjustments to minority put option liabilities £000	Headline results £000
Revenue	4	169,373	–	–	–	–	–	169,373
Operating profit	4	5,653	1,445	813	5,649*	2,465	–	16,025
Share of results of associates & JV	5	1,350	–	–	–	–	–	1,350
Finance income	6	316	–	–	–	–	–	316
Finance cost	7	(1,087)	–	–	–	–	539	(548)
<b>Profit before taxation</b>	4	<b>6,232</b>	1,445	813	5,649	2,465	539	<b>17,143</b>
Taxation	8	(4,293)	(391)	–	–	–	–	(4,684)
<b>Profit for the year</b>		<b>1,939</b>	1,054	813	5,649	2,465	539	<b>12,459</b>
Non controlling interests		(2,094)	–	–	–	–	–	(2,094)
<b>(Loss) / profit attributable to equity holders of the Group</b>		<b>(155)</b>	<b>1,054</b>	<b>813</b>	<b>5,649</b>	<b>2,465</b>	<b>539</b>	<b>10,365</b>

\*Of the £5,649k, £76k relates to a loss on disposal of an Indian subsidiary and £5,573k relates to impairment of goodwill.

The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance. The headline result is used for internal performance management, calculating the value of subsidiary convertible shares and minority interest put options. 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 deferred and contingent consideration and other acquisition related charges 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.

Year ended		Continuing operations	Amortisation of acquired intangibles	Fair value adjustments to minority put option liabilities	Full year effect of discontinued operations**	Pro forma headline results**
31 December 2013	Note	2013 £000	£000	£000	£000	£000
Revenue	4	162,039	–	–	–	162,039
Operating profit	4	12,757	900	–	–	13,657
Share of results of associates & JV	5	163	–	–	758	921
Finance income	6	376	–	–	–	376
Finance cost	7	(15,852)	–	15,503	–	(349)
<b>Profit before taxation</b>	4	(2,556)	900	15,503	758	14,605
Taxation	8	(4,207)	(230)	–	–	(4,437)
<b>Profit for the year</b>		(6,763)	670	15,503	758	10,168
Profit from discontinued operations, net of tax		10,093	–	–	(10,093)	–
Non controlling interests		(1,847)	(134)	–	–	(1,981)
<b>Profit attributable to equity holders of the Group</b>		1,483	536	15,503	(9,335)	8,187

This analysis provides a reconciliation between the Group's statutory continuing results and the pro forma headline results. The pro forma headline results, treats the discontinued operations as if they had been disposed of at the beginning of the year. The pro forma headline results with full year treatment of Walker Media as a 24.9% associate have been what management have used for decision making and control. The term pro forma headline is not a defined term in IFRS

\*\*75.1% of Walker Media was sold on 28 November 2013. This adjustment reverses out the profit from discontinued operations, net of tax for the period to 28 November 2013 which including the profit on disposal, and puts in equivalent 24.9% associates profit for the period.

## 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	2014	Headline 2014
31 December 2014	£000	£000
(Loss) / profit attributable to equity shareholders of the Group	(155)	10,365
<b>Basic earnings per share</b>		
Weighted average number of shares (thousands)	65,285	65,285
<b>Basic EPS</b>	(0.24)p	15.88p
<b>Diluted earnings per share</b>		
Weighted average number of shares (thousands) as above	65,285	65,285
Add		
– LTIP	55	55
– 2012 LTIP	230	230
– New LTIP	2,772	2,772
<b>Total</b>	<b>68,342</b>	<b>68,342</b>
<b>Diluted earnings per share***</b>	<b>(0.24)p</b>	<b>15.17p</b>

Year ended	Continuing operations 2013	Discontinued operations 2013	Total 2013	Pro forma headline 2013
31 December 2013	£000	£000	£000	£000
Profit attributable to equity shareholders of the Group	(8,610)	10,093	1,483	8,187
<b>Basic earnings per share</b>				
Weighted average number of shares (thousands)	66,094	66,094	66,094	66,094
<b>Basic EPS</b>	(13.03)p	15.27p	2.24p	12.39p
<b>Diluted earnings per share</b>				
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
<b>Total</b>	<b>70,295</b>	<b>70,295</b>	<b>70,295</b>	<b>70,295</b>
<b>Diluted earnings per share***</b>	<b>(13.03)p</b>	<b>14.38p</b>	<b>2.11p</b>	<b>11.65p</b>

\*\*Apart from one entity, in 2013, all the other put options detailed in note 10 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

### CONTINUED

#### 4. Segmental information

##### Segmental and headline income statement

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	79,144	21,092	8,004	44,173	16,960	169,373
Operating profit excluding Group costs	11,757	2,892	1,027	5,064	445	21,185
Group costs	(4,710)	(72)	-	(331)	(47)	(5,160)
Operating profit	7,047	2,820	1,027	4,733	398	16,025
Share of results of associates & JV	1,074	(19)	-	224	71	1,350
Financial income and cost	(146)	(54)	(11)	58	(79)	(232)
Profit before taxation	7,975	2,747	1,016	5,015	390	17,143
Taxation	(1,593)	(954)	(271)	(1,652)	(214)	(4,684)
Profit for the year	6,382	1,793	745	3,363	176	12,459
Non controlling interests	(1,276)	(406)	(354)	(533)	475	(2,094)
Profit attributable to equity shareholders of the Group	5,106	1,387	391	2,830	651	10,365
Headline basic EPS						15.88p
<b>Non cash costs included in operating profit:</b>						
Depreciation	(1,126)	(239)	(185)	(264)	(241)	(2,055)
Amortisation of software	(2)	(47)	(25)	(33)	(13)	(120)
Share option charges	(200)	-	-	-	-	(200)
Office location	London	Paris Berlin Madrid Geneva Milan Moscow Stockholm	Beirut Cape Town Johannesburg Abu Dhabi	Sydney Melbourne New Delhi Kuala Lumpur Hong Kong Beijing Shanghai Tokyo Singapore	Los Angeles São Paulo New York San Francisco	

Segmental results are reconciled to the income statement in note 3. Our segmental and headline results are one and the same. The above segments reflect the fact that our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12 we have aggregated our operating units into regional segments. During the year Clear was integrated into the Groups regional reporting, and was reported to the board as a component of the regions, 2013 has been restated to reflect this.



## Segmental and headline pro-forma income statement

Year ended 31 December 2013*	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	72,681	19,434	8,055	49,961	11,908	162,039
Operating profit excluding Group costs	11,642	1,881	376	4,621	79	18,599
Group costs	(4,546)	(71)	-	(234)	(91)	(4,942)
Operating profit	7,096	1,810	376	4,387	(12)	13,657
Share of results of associates & JV	983	23	(152)	67	-	921
Financial income and cost	(44)	(55)	104	37	(15)	27
Profit before taxation	8,035	1,778	328	4,491	(27)	14,605
Taxation	(1,706)	(666)	(186)	(1,701)	(178)	(4,437)
Profit for the year	6,329	1,112	142	2,790	(205)	10,168
Non controlling interests	(1,232)	(208)	(214)	(822)	495	(1,981)
Profit attributable to equity shareholders of the Group	5,097	904	(72)	1,968	290	8,187
Headline basic EPS						12.39p
<b>Non cash costs included in operating profit:</b>						
Depreciation**	(1,033)	(232)	(172)	(462)	(158)	(2,057)
Amortisation of software	(38)	(39)	(29)	(14)	(23)	(143)
Share option charges	(290)	-	-	-	-	(290)
Office location	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	

\*These numbers have been restated to allocate Clear into its regional segments, reflecting how it is now reported to the Board, and to treat Walker Media as if it was an associate for the full year.

\*\*These figures have been restated removing £176k of Walker Media depreciation.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 4. Segmental information continued

##### Segmental income statement translated at 2013 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 2014 results been translated at 2013 exchange rates then our results would have been:

Year ended	UK	Europe	Middle East and Africa	Asia and Australasia	Americas	Total
31 December 2014	£000	£000	£000	£000	£000	£000
<b>Revenue</b>	<b>79,144</b>	<b>22,344</b>	<b>9,204</b>	<b>49,408</b>	<b>17,974</b>	<b>178,074</b>
<b>Operating profit excluding Group costs</b>	<b>11,757</b>	<b>3,061</b>	<b>1,204</b>	<b>5,746</b>	<b>437</b>	<b>22,205</b>
Group costs	(4,710)	(76)	–	(372)	(49)	(5,207)
<b>Operating profit</b>	<b>7,047</b>	<b>2,985</b>	<b>1,204</b>	<b>5,374</b>	<b>388</b>	<b>16,998</b>
Share of results of associates & JV	1,074	(20)	–	237	75	1,366
Financial income and cost	(146)	(54)	(13)	65	(92)	(240)
<b>Profit before taxation</b>	<b>7,975</b>	<b>2,911</b>	<b>1,191</b>	<b>5,676</b>	<b>371</b>	<b>18,124</b>
Taxation	(1,593)	(1,009)	(321)	(1,841)	(216)	(4,980)
<b>Profit for the year</b>	<b>6,382</b>	<b>1,902</b>	<b>870</b>	<b>3,835</b>	<b>155</b>	<b>13,144</b>
<b>Increase / (decrease) in 2014 results caused by translation differences</b>	<b>–</b>	<b>(110)</b>	<b>(125)</b>	<b>(471)</b>	<b>21</b>	<b>(685)</b>

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

	2014	2013
US dollar	1.6478	1.5643
Malaysian ringgit	5.3883	4.9279
Australian dollar	1.8264	1.6212
South African rand	17.8639	15.0952
Brazilian real	3.8717	3.3772
Euro	1.2406	1.1776

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 5. Share of associates and joint ventures

Year ended 31 December	2014 £000	2013 £000
Share of associates' profit before taxation	1,723	195
Share of associates' taxation	(373)	(32)
	1,350	163

#### 6. Finance income

Year ended 31 December	2014 £000	2013 £000
Bank interest receivable	256	173
Other interest receivable	60	203
<b>Total interest receivable</b>	<b>316</b>	<b>376</b>
In respect of discontinued operations	–	117
<b>Total finance income</b>	<b>316</b>	<b>493</b>

#### 7. Finance costs

Year ended 31 December	2014 £000	2013 £000
Bank interest payable	(541)	(342)
Interest payable on finance leases	(7)	(7)
<b>Total interest payable</b>	<b>(548)</b>	<b>(349)</b>
Fair value adjustments to minority shareholder put option liabilities (note 10)	(539)	(15,503)
<b>Total finance costs</b>	<b>(1,087)</b>	<b>(15,852)</b>

#### 8. Taxation

Year ended 31 December	2014 £000	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000
<b>Current taxation</b>				
Taxation in the year				
– UK	1,373	1,945	1,046	2,991
– Overseas	3,292	2,756	–	2,756
Withholding taxes payable	6	9	–	9
Utilisation of previously unrecognised tax losses	(108)	–	–	–
Adjustment for under provision in prior periods	168	72	–	72
<b>Total</b>	<b>4,731</b>	<b>4,782</b>	<b>1,046</b>	<b>5,828</b>
<b>Deferred taxation</b>				
Origination and reversal of temporary differences	(658)	(658)	–	(658)
Recognition of previously unrecognised tax losses	220	83	–	83
Effect of changes in tax rates	–	–	–	–
<b>Total</b>	<b>(438)</b>	<b>(575)</b>	<b>–</b>	<b>(575)</b>
<b>Total taxation</b>	<b>4,293</b>	<b>4,207</b>	<b>1,046</b>	<b>5,253</b>

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 9. Dividends

	2014	2013
Year ended 31 December	£000	£000
2013 final dividend paid 4.24p on 4 July 2014 (2012: 3.85p)*	2,723	2,596
2014 interim dividend paid 1.40p on 14 November 2014 (2013: 1.21p)	947	825
	<b>3,670</b>	<b>3,421</b>

Proposed final dividend of 4.87p totalling £3,442k. Subject to shareholders approval at 10 June 2015 AGM, the dividend is payable on 10 July 2015 to shareholders on the register 12 June 2015.

Dividends relate to the profit of the following years:

	2014	2013
Year ended 31 December	£000	£000
First interim dividend paid 1.40p on 14 November 2014 (2013: 1.21p)	947	825
Final dividends payable 4.87p on 10 July 2015 (2013:4.24p)	3,442	2,629
	<b>4,389</b>	<b>3,454</b>
Headline dividend cover	<b>2.4</b>	<b>2.4</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 2 and 3.

\* 2013 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 2013.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 10. 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).

	2014 £000	2013 £000
Amounts falling due within one year		
– Cash	(1,031)	(3,642)
– Equity	(14,804)	(18,202)
	(15,835)	(21,844)
Amounts falling due after one year		
– Cash	(178)	(684)
– Equity	(8,530)	(15,641)
	(8,708)	(16,325)
	(24,543)	(38,169)

	2014 £000	2013 £000
At 1 January	(38,169)	(20,482)
Exchange difference	1	4
Additions	(1,653)	(3,359)
Exercises	15,817	1,171
Termination	-	-
Income statement charge due to		
– Change in estimates	(886)	1,333
– Change in share price	442	(16,760)
– Time	(95)	(76)
Total income statement charge	(539)	(15,503)
At 31 December	(24,543)	(38,169)

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

	2014 £000	2013 £000
<b>Cash based</b>		
At 1 January	(4,326)	(3,297)
Exchange difference	-	158
Reclassified from share based	(291)	-
Additions	-	(684)
Exercises	2,553	-
Income statement charge due to		
– Change in estimates	841	(136)
– Change in share price	9	
– Time	5	(367)
<b>At 31 December</b>	<b>(1,209)</b>	<b>(4,326)</b>

	2014 Equity*	2014 £000	2013 £000
<b>Equity based</b>			
At 1 January	(10,156)	(33,843)	(17,185)
Exchange difference		1	(154)
Additions	(589)	(1,653)	(2,675)
Exercises	4,852	13,264	1,171
Reclassified to cash based	33	291	-
Terminations	-	-	-
Income statement charge due to			
– Change in estimates	(1,301)	(1,727)	1,469
– Change in share price	120	433	(16,393)
– Time	(30)	(100)	(76)
<b>At 31 December</b>	<b>(7,071)</b>	<b>(23,334)</b>	<b>(33,843)</b>

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

Put options are exercisable from:

Subsidiary	Year	% of subsidiaries' shares exchangeable
M&C Saatchi LA Inc**	2015	6.0
M&C Saatchi Marketing Arts Ltd	2015	50.0
M&C Saatchi (M) SDN BHD	2015	20.0
M&C Saatchi Sports & Entertainment Ltd	2015	2.8
Influence Communications Ltd	2015	5.0
M&C Saatchi Europe Holdings Ltd	2015	4.0
M&C Saatchi German Holdings Ltd	2015	4.0
M&C Saatchi Communications Pty Ltd	2015	13.0
M&C Saatchi Berlin GmbH	2015	15.0
Talk PR Audience Ltd	2015	17.0
FCINQ SAS	2015	15.0
Clear Ideas Consulting LLP	2015	12.5
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	40.0
Lean Mean Fighting Machine LTD*	2017	13.3
Lean Mean Fighting Machine LTD*	2018	13.3
Samuelson Talbot and Partners Pty Ltd	2018	8.8
M&C Saatchi Merlin Ltd	2018	22.5
Direct One SAS	2018	10.0
Lean Mean Fighting Machine LTD*	2019	13.3

\* New or amended options in 2014.

\*\* Holding changed or shares put in 2014.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 10. Minority shareholder put option liabilities continued

At each period end the fair value of the put option 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 (2014: 330.0p, 2013: 333.3p).

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 330.0p (2013: 333.3p). The 2014 charges would have changed as follows, had the share price been:

#### Forecast accuracy

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

Share price	Movement %	Increase / (decrease) in profit before and after tax £000	Result	Increase / (decrease) in profit before and after tax £000
396.0p	+20%	£(4,939)	+10%	£(992)
363.0p	+10%	£(2,803)	(10)%	£992
330.0p	—	—		
297.0p	(10)%	£2,886		
264.0p	(20)%	£5,776		