

M&C SAATCHI

Preliminary Results

Year ended 31 December 2004

HIGHLIGHTS

- Revenues up 4.8% to £62.2m (2003: £59.3m) - marking the 10th year of organic growth
- Improvement in the underlying margin to 12.4% (2003: 10.8%)
- Pre-tax profits up 8.5% to £8.1m (2003: £7.5m) with all regions making a contribution
- International expansion programme on track

PROFIT & LOSS

	<u>2004</u>	<u>2003</u>	<u>Change %</u>
	£,000's	£,000's	
Revenue (Gross Profit)	62,178	59,318	4.8%
Operating Profit	7,234	6,870	5.3%
Net Interest	901	630	43.0%
Profit Before Tax	8,135	7,500	8.5%
Tax Rate	32.8%	31.6%	1.2pts
Minority Interest	441	424	4.0%
Profit for financial period	5,028	4,708	6.8%
Earnings per share (pence)	9.28	8.69	6.8%
Dividend (pence)*	1.16	—	

Note: *paid on the basis that the Company was listed for half the year

KEY RATIOS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Staff cost/ Revenue	59.6%	61.6%	61.8%
Operating profit/ Revenue			
Reported	11.6%	11.6%	11.8%
Underlying*	12.4%	10.8%	11.8%
PBT/ Revenue			
Reported	13.1%	12.6%	13.0%
Underlying*	13.9%	11.8%	13.0%

Note: Underlying margins adjusted to exclude float, incremental plc costs and Europe costs in 2004 and rent accrual release in 2003

OPERATING MARGIN

		<u>2004</u>	<u>2003</u>
UK	- underlying	13.3%	12.8%
	- Float & plc & costs	1.4%	
	- 2003 rent accrual release		1.3%
	- Reported Pro Forma	<u>11.9%</u>	<u>14.1%</u>
Asia Pacific		11.6%	9.3%
America		7.9%	-13.9%
Group	- Reported Pro Forma	<u>11.6%</u>	<u>11.6%</u>
	- underlying	12.4%	10.8%

COSTS

2004

- £138,000 one-off IPO related costs
- £293,000 plc costs
- European development costs incurred by holding company £70,000

2005

- Annualised plc costs c. £650,000
- Holding company cost will be reallocated across the regions in 2005
- European operating results and central development costs reported separately

OTHER FINANCIAL ITEMS

- Currency impact
 - Revenue Negative £934k 1.6%
 - P.B.T. Negative £ 95k 1.3%
- Minority Interest
 - Minority interest as % of profit down to 8.1% (2003 8.3%).
Higher growth from 100% owned subsidiaries
- Tax rate
 - Tax rate increased to 32.8% (2003 31.6%). Principally, effect of taxable profit taken straight to reserve (not reflected in taxable profit in P&L).

IFRS ADOPTION

- Plan to adopt IFRS in 2006 full year numbers
- Standards that will impact the group:
 - IFRS 3 Business Combinations - treatment of goodwill
 - IAS 38 Intangible Assets - classification of intangibles from goodwill

UK

- Revenues flat at £36.5m (2003: £36.7m)
 - Strong new business performance off-set by impact of lost revenue from Matalan and Rover in 2005
- Underlying operating profits up 3.1% to £4.8m (2003: £4.7m)
 - Underlying margin of 13.3%, up from 12.8%
- Strong new business performance across the Group
 - Privilege Insurance (RBS), US Department of Commerce (Tourism), Halfords, Child Trust Funds (HMT), Thames Water, Krug (Advertising)
 - KFC, Halfords (Walker Media)
 - British Airways, NatWest assignments (Direct Marketing)
 - Amex, Dixons (PR)
 - Orange, Coca Cola, Reebok (Sponsorship)
- Continue to launch new businesses
 - Play (Interactive Marketing)
 - Spark (Media Strategy)

**COMMERCIAL
BREAK**

ASIA PACIFIC

- Revenue up 11.2% to £23.1m (2003: £20.8m)
 - First full year contribution from Optus and Medibank
- Operating profits up 38.9% to £2.7m (2003: £1.9m)
 - Operating margin of 11.6%, up from 9.3%
 - Elimination of one-off new business costs incurred in 2003
- Expanded presence during the year
 - Established an office in Thailand
 - In advanced negotiations in Indonesia
- Further opportunities for expansion
 - Areas of focus include: Greater China (Beijing), Korea, India and The Philippines
- Scale of the network gives us an opportunity to pitch for increased pan-regional revenue
 - Encouraging early signs, wins in 2005 include eBay and Great Eastern Insurance

AMERICA

- Revenue up 40.6% to £2.5m (2003: £1.8m)
- Good progress of LA and NY offices
 - New assignments from foundation clients, Ketel One Vodka and Crystal Cruises
 - New business wins including San Diego Zoo and the NFL
- Operating profits of £200,000 up from a loss of £251,000 in 2003
 - Operating margin of 8.0%
- Improved management structure
- Opportunity for further revenue growth

CONTINENTAL EUROPE

- Key growth area for the group
- Finding right management team a priority
 - Must be 'best in class' in the local market
- In detailed negotiations with partners of choice in France
- France and Spain both up and running in 2005 as planned

OUTLOOK

- Continued focus on organic growth and international expansion
- Start up costs will have some impact on profits
- Encouraging start to the current year
- New projects from existing clients in the group
 - British Airways, Dyson, RBS Group, Travelex and Ribena (GSK)
- New client wins in the group
 - ITV, Mini and Twinings

THE OPPORTUNITY

Future growth will be delivered through

- Continued growth of established businesses
 - Expanding what we do for existing clients
 - Winning new business – category gaps provide an opportunity
 - Starting new businesses that offer different services in existing markets
- Expanding proven business model into new markets in Europe and Asia Pacific
 - Significant markets in their own right
 - Expanded footprint delivers opportunity to win more international business

APPENDIX 1

The numbers in this document have been extracted from the unaudited pro forma profit and loss account for M&C Saatchi plc (The “Group”). They have been prepared to show, for illustrative purposes only, the Group’s results as if the reorganisation of the Group which occurred immediately prior its admission to trading on AIM on 14 July 2004, has occurred on 1st January 2003. The unaudited pro forma profit and loss account excludes the write off of the goodwill & exceptional charges that was created as a result of the reorganisation

COSTS

Holding Company reclassification

	<u>Out</u>	<u>In</u>
	<u>£m</u>	<u>£m</u>
UK	2.31	1.23
Asia Pacific		0.92
USA		0.14
Europe		0.01
		<u>2.31</u>