

M&C SAATCHI

2007 Preliminary Results

27th March 2008

Analyst Presentation

Introduction

- 2007 was a successful year for the Group
- The core business continues to grow – for the 13th consecutive year
- The expansion into Continental Europe is delivering profits as planned after two years of investment
- We continue to expand the business into higher growth, higher margin sectors

Results Headlines

- Excellent performance from the UK
- Europe begins payback phase
- Asia Pacific recovery plan in place
- Re-organised American business back into profit

Headline Results

	<u>Growth</u> %	<u>2007</u> £000's	<u>2006</u> £000's
Revenue	15.5%	87,620	75,893
Operating profit	62.9%	10,222	6,274
Profit before tax	53.2%	11,926	7,786
Profit after tax	66.6%	8,214	4,929
Profit for period	86.4%	7,046	3,781
Basic EPS	78.2%	12.55 p	7.04 p

Key Ratios

	<u>2007</u>	<u>2006</u>
Revenue Growth	15.5%	9.4%
Operating Margin	11.7%	8.3%
PBT Margin	13.6%	10.3%
Effective Tax Rate	31.1%	36.7%
Minority Interest: PAT	14.2%	23.3%
E.P.S		
Basic	12.55p	7.04p
Diluted	12.09p	6.96p

P&L

	2007	2006	Inc/Dec	
	£000's	£000's	£000's	%
Revenue (gross profit)	87,620	75,893	11,727	15.5%
Operating Expenses	76,499	69,197	7,302	10.6%
LTIP Expense	899	422	477	113.0%
Operating profit	10,222	6,274	3,948	62.9%
Share of Associate	334	5	329	****
Net Interest	1,370	1,507	(137)	-9.1%
Profit Before Tax (ex notional interest)	11,926	7,786	4,140	53.2%
Tax Rate	31.1%	36.7%		
Profit After Tax	8,214	4,929	3,285	66.6%
Minority Interest	(1,168)	(1,148)	(20)	1.7%
Profit for Period	7,046	3,781	3,265	86.4%
Headline EPS	12.55 p	7.04 p	5.51 p	78.2%

The Headline P&L

	<u>2007</u> £000's	<u>2006</u> £000's
Revenue (gross profit)	87,620	75,893
<u>Headline</u>		
Operating profit	<u>10,222</u>	<u>6,274</u>
Profit Before Tax	<u>11,926</u>	<u>7,786</u>
<u>Less</u>		
Amortisation of intangible assets - group companies	608	20
Amortisation of intangible assets - associate	53	0
Revaluation of minority put option liabilities	3,052	8,970
Notional Interest on Deferred consideration	257	0
Deferred tax on Amortisation of Intangibles	(182)	0
<u>Reported</u>		
Operating profit	9,614	6,254
Profit Before Tax	7,956	(1,184)
Profit After Tax	4,426	(4,041)
Profit for Period	3,258	(5,189)
Basic EPS	5.80 p	-9.67 p

Clear

Reconciliation of Segmental Reporting

	UK				Total £000s	America			Europe		
	Stat's £000s	CLEAR		Total £000s		Stat's £000s	Clear £000s	Total £000s	Stat's £000s	Clear £000s	Total £000s
		UK	ROW			Total					
Revenue	52,765	4,481	973	5,454	53,738	4,132	400	3,732	6,060	573	5,487
Underlying Operating Profit	12,285	1,341	284	1,625	12,568	646	166	480	801	118	683
Reported Operating profit	8,369	1,341	284	1,625	8,653	581	166	415	722	118	604
Profit Before Tax	9,842	1,355	281	1,636	10,123	583	166	417	941	115	826

Revenue

	2007	2006	Increase/Decrease	
	£000's	£000's	Reported Rates	Constant Rates
			<u>%</u>	<u>%</u>
UK	48,284	44,352	8.9%	8.9%
Asia & Australia	24,663	25,638	-3.8%	-4.6%
America (LA)	3,471	2,798	24.1%	34.7%
Europe (France)	4,235	1,800	****	****
Organic total	80,653	74,588	8.1%	8.2%
Clear (group)	5,454	-	-	-
Germany	1,252	471	-	-
New York (closed in March)	261	834	-	-
Group Total	87,620	75,893	15.5%	15.6%

Key New Clients Won

- Vodafone (CRM) – UK
- Ladbrokes – UK
- Findus – UK
- Macleans – UK
- Investment Dar - UK
- Bahrain – UK
- Georgian Government – UK
- Oqyana - UK
- Jameson – UK/France
- Pages Jaunes- France
- Apollinaris - Germany
- Abu Dhabi Tourism – Aus
- Westfield – Aus
- Buy Kiwi Made – NZ
- Jet – India
- Celcom Digital – Malaysia
- Uni President – China

Top 10 Clients

ANZ	GlaxoSmithKline
Astra Zeneca	Optus
Australian Tourism	Qantas
Barclays	Royal Bank of Scotland
DSGI	Woolworths (Aus)

Top 5	25%	Top 15	43.5%
Top 10	35.5%	Top 20	49.3%

Operating Profit

	Operating Profit			Operating Margin		
	2007 £000's	2006 £000's	07 v's 06 £000's	2007 %	2006 %	07 v's 06 %
<u>Underlying Operating Margin</u>						
UK	12,568	9,627	2,941	23.4%	21.7%	1.7 pts
Asia Pacific	1,170	2,018	(848)	4.7%	7.9%	-3.1 pts
USA	481	(190)	671	12.9%	-5.2%	18.1 pts
Europe	683	(1,252)	1,935	12.4%	-	*** pts
<u>Total Operating Companies</u>	<u>14,902</u>	<u>10,203</u>	<u>4,699</u>	<u>17.0%</u>	<u>13.4%</u>	<u>3.6 pts</u>
Group Costs	(3,781)	(3,507)	(274)	-4.3%	-4.6%	0.3 pts
LTIP	(899)	(422)	(477)	-1.0%	-0.6%	-0.5 pts
<u>Reported Operating Margin</u>	<u>10,222</u>	<u>6,274</u>	<u>3,948</u>	<u>11.7%</u>	<u>8.3%</u>	<u>3.4 pts</u>

The UK

- Strong organic growth 8.9%
- Clear acquired mid-year
- Operating margin up 1.7 pts to 23.4%
- Excellent new business performance:
 - Vodafone (CRM)
 - Ladbrokes
 - Findus
 - Macleans (GSK)
 - Georgian Government
 - Oqyana
 - Investment Dar
 - Jameson

The UK (including Clear Group)

Summary Profit & Loss

	<u>2007</u>	<u>2006</u>	<u>07 V's 06</u>	
	£000's	£000's	£000's	%
Revenue	53,738	44,352	9,386	21.2%
Underlying operating profit	12,568	9,627	2,941	30.5%
Group costs	(3,781)	(3,511)	(270)	7.7%
Recharged	569	556	13	2.3%
LTIP	(703)	(348)	(355)	102.0%
Reported operating profit	<u>8,653</u>	<u>6,324</u>	<u>2,329</u>	<u>36.8%</u>
Associate	25	5	20	***
Net interest	1,445	1,455	(10)	-0.7%
Profit before tax	<u>10,123</u>	<u>7,784</u>	<u>2,339</u>	<u>30.0%</u>
Underlying margin	23.4%	21.7%		1.7 PTS
Reported margin	16.1%	14.3%		1.8 PTS

Europe

- Europe into payback phase after two years of investment
- Strong year for Paris office
- Full year contribution from Germany
- Initial 25% investment into Spanish Agency Zapping

Europe (Excluding Clear)

Summary Profit & Loss

	2007	2006	Inc/Dec	
	£000's	£000's	£000's	%
Revenue	5,487	2,271	3,216	***
Underlying Operating Profit	683	(1,252)	1,935	****
Group Recharge	79	47	32	68.1%
LTIP	0	(15)	15	0.0%
Reported Operating profit	<u>604</u>	<u>(1,284)</u>	<u>1,888</u>	<u>****</u>
Associate - 25% of Spain	309	0		0.0%
Net Interest	(90)	(17)	(73)	429.4%
Profit Before Tax	<u>823</u>	<u>(1,301)</u>	<u>2,124</u>	<u>****</u>
Underlying Operating Margin	12.4%	-		-
Reported Operating Margin	11.0%	-		-

Asia & Australia

- Difficult year
 - Revenue down 3.8%
 - Operating profit down 42%
- Sydney Agency lost IAG in December 2006 (£1.9M)
 - Westfield and Abu Dhabi Tourism won in improved second half (Annual est. £2.4M)
- Good performance from Malaysia and India, but continued losses from Singapore and Thailand
- Asia CEO hired in December 2007 and new regional strategy to be executed in 2008

Asia & Australia

Summary Profit & Loss

	2007 £000's	2006 £000's	Inc/Dec	
			£000's	%
Revenue	24,663	25,638	(975)	-3.8%
Underlying Operating Profit	1,170	2,018	(848)	-42.0%
Group Recharge	439	441	(2)	-0.5%
LTIP	181	81	100	123.5%
Reported Operating profit	<u>550</u>	<u>1,496</u>	<u>(946)</u>	<u>***</u>
Associate	-	-	-	-
Net Interest	10	62	(52)	-83.9%
Profit Before Tax	<u>560</u>	<u>1,558</u>	<u>(998)</u>	<u>***</u>
Underlying Operating Margin	4.7%	7.9%		-3.1 PTS
Reported Operating Margin	2.2%	5.8%		-3.6 PTS

America

- Strong performance from LA. Like for like revenue up 34.7%, but signs of slowdown in 4th quarter
- New York closed in May – loss for period £285k

America (excluding Clear)

Summary Profit & Loss

	<u>2007</u> £000's	<u>2006</u> £000's	<u>Inc/Dec</u>	
			£000's	%
Revenue	3,732	3,632	100	2.8%
Underlying Operating profit	<u>481</u>	<u>(190)</u>	<u>671</u>	<u>***</u>
Group Recharge	51	63	(12)	***
LTIP	15	8	7	***
Reported Operating profit	<u>415</u>	<u>(261)</u>	<u>676</u>	<u>***</u>
Associate	0	0	0	***
Net Interest	2	7	(5)	***
Profit Before Tax	<u>417</u>	<u>(254)</u>	<u>671</u>	<u>***</u>
Underlying Operating Margin	12.9%	-5.2%		18.1 PTS
Reported Operating Margin	11.1%	-7.2%		18.3 PTS

Tax Rate

	<u>PBT</u> £000's	<u>Tax Charge</u> £000's	<u>Tax Rate</u> %
Reported (inc associate PAT)	11,926	3,712	31.1%
Remove Associate	334		32.0%
Loss makers (Thailand/Singapore)	(588)	(2)	
France	419	38	
Underlying Tax Rate	<u>11,761</u>	<u>3,676</u>	<u>31.3%</u>

Minority Interest

	Profits Attributable to Minorities	MI %	Put Option Date
	<u>£000's</u>		
Walker Media	780	25.0	Open
Talk PR/IS	219	21.9/14.0	Open
Malaysia	58	20.0	2008
Los Angeles	70	16.0	2007
Germany	35	24.0	2011
Group Total	<u>1,162</u>		

Cash

	<u>£000's</u>
Opening balance @ 1st January 2007	31,284
Effect of exchange	199
Operating Profit	10,222
Net Interest Earned	1,369
Tax paid in period	(4,092)
Adjust for non cash items	2,003
Capex - cash & lease payments	(1,541)
Free cash flow before working capital	7,961
Impact of Working Capital movements	(3,218)
Dividends paid (ordinary & MI)	(3,215)
Net Cash inflow before acquisitions	<u>1,528</u>
Acquisitions	(24,602)
Bank Loans	8,486
Closing Balance @ 31st December 2007	<u>16,895</u>

Acquisitions

Entity	Germany	Zapping	Clear	Walker	Talk	Total
			Idea's	Media	PR	
Acquired in:	July 2006	March 2007	July 2007	July 2007	May 2007	
% Acquired	80%	25%	100%	19.5%	6.3%	

Initial Consideration	£'000	£'000	£'000	£'000	£'000	£'000
Cash paid		1,368	13,948	8,799		24,115
Shares issued			5,563	2,964	175	8,702
Total	0	1,368	19,511	11,763	175	32,817

Deferred Consideration	£'000	£'000	£'000	£'000	£'000	£'000
Cash paid	358					358
Fair value provision -at acquisition		2,216	10,535	5,127		17,878
Fair value adjustment - notinal interest			261			261
Balance at 31st December						18,139

Total Cash Paid						£'000
Cash Paid	358	1,368	13,948	8,799	0	24,473
Less cash Acquired			(776)			(776)
Direct cost		219	559	123	3	904
TOTAL	358	1,587	13,731	8,922	3	24,601

Balance Sheet

	2007	2006
	£000's	£000's
Non Current Assets	71,483	20,564
Net Debtors	75,437	48,781
Net Creditors	(87,992)	(67,372)
Net Working Capital Position - Exc Cash	(12,555)	(18,591)
Net Tax	(1,091)	(948)
Cash	16,895	31,284
Deferred Consideration	(9,811)	(67)
Provision for minority put options	(6,854)	(11,077)
Net Current Assets	(13,416)	601
Bank Loan	(8,531)	(29)
Deferred Consideration	(8,325)	0
Provision for minority put options	(3,691)	(11,211)
Non Current liabilities	(1,622)	(175)
Net assets	35,898	9,750

Cash & Working Capital

	Cash Position			Working Capital position		
	Advance Payments	M&C Saatchi free cash	Total Cash	Advance Payments	Underlying position	Net Working Capital
31st December 2006	20.0	11.3	31.3	(20.0)	1.4	(18.6)
Exchange			0.2		0.4	0.4
2007 movements						
Free cash		8.0	8.0			
Working capital	(3.2)		(3.2)	3.2		3.2
Dividends		(3.2)	(3.2)			
Acquisitions		(24.6)	(24.6)		2.4	2.4
31st December 2007	<u>16.8</u>	<u>(8.6)</u>	<u>8.4</u>	<u>(16.8)</u>	<u>4.2</u>	<u>(12.6)</u>
Bank Loans		8.5	8.5			
31st December 2007	<u>16.8</u>	<u>(0.0)</u>	<u>16.9</u>			

Deferred Consideration

	Zapping	Clear	Walker Media	Total
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Payable				
2008	2,216	2,500	5,127	9,843
2009		3,177		3,177
2010				0
2011		6,305		6,305
Notional Interest Charge		(1,446)		(1,446)
Total	<u>2,216</u>	<u>10,535</u>	<u>5,127</u>	<u>17,879</u>

Outlook

- First quarter of 2008 on track
- Continued growth in UK, particularly from higher margin sectors
- Further growth from new European offices
- US faces challenging year
- Asia Pacific recovery plan in place
- Outlook remains in line with current expectations

America

By Location

	<u>2007</u>		<u>V's 06</u>		
	Revenue	Operating Profit	Revenue	Operating Profit	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>%</u>
Los Angeles	3,471	766	673	39	5%
New York	261	(285)	(573)	632	
Total	<u>3,732</u>	<u>481</u>	<u>(573)</u>	<u>632</u>	<u>***</u>

Asia & Australia

By Location

	2007			V's 06	
	Revenue	Operating Profit	Operating Margin	Revenue	Operating Profit
	£000s	£000s	%	£000s	£000s
Australia	15,539	853	5.5%	(2,020)	(1,420)
New Zealand	2,223	141	6.3%	711	237
Malaysia	1,619	401	24.8%	393	170
India	1,207	148	12.3%	951	281
Hong Kong	2,030	100	4.9%	(419)	(72)
Shanghai	640	30	4.7%	224	226
Singapore	964	(207)	-	(511)	(155)
Thailand	285	(297)	-	(168)	(129)
Japan	156	1	-	(135)	15
Total	24,663	1,170	4.7%	(975)	(848)

EUROPE

By Location

	<u>2007</u>		<u>07 V's 06</u>	
	Revenue	Operating Profit	Revenue	Operating Profit
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
France	4,235	480	2,435	866
Germany	1,252	308	781	223
Spain				
Europe HQ		(103)		849
Total	<u>5,487</u>	<u>685</u>	<u>3,216</u>	<u>1,938</u>
Spain - Associate (PBT)		454		454
Total Contribution		<u>1,139</u>		<u>2,392</u>