

# M&C SAATCHI PLC

FINAL RESULTS

YEAR ENDED  
31 DECEMBER 2012

18 March 2013

**M&C Saatchi PLC**  
**Final Results for the year ended 31 December 2012**

18 March 2013

*Strong results, with continued revenue momentum and earnings growth*

<b>Financial Highlights 2012</b>		<b>Growth versus 2011</b>
Revenue	£169.5m	+11% (2011: £153.1m)
Operating Profit	£17.1m	+11% (2011: £15.4m)
Profit Before Tax	£17.2m	+10% (2011: £15.6m)
EPS	15.10p	+6% (2011: 14.30p)
Dividend	4.95p	+10% (2011: 4.50p)

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

*Operational Highlights*

- Further strong growth in both revenue and earnings, driven by new business wins and new businesses
- Global Network performed well across all geographies:
  - UK: revenues up 13%, with CRM and mobile performing particularly well, operating profit up 17%
  - Europe: revenues up 11%, operating profit up 14%, in spite of macro-economic challenges
  - Middle East and Africa: revenues up 121%, well positioned to take advantage of growing African market
  - Asia and Australasia: revenues up 8%, operating profit up 46%
  - Americas: revenues up 19% with our New York agency relaunched in Q4
  - Clear had a disappointing year and have restructured (resulting in a good start to the year)
- We continue to invest and build for the future: three offices added (Abu Dhabi, Singapore and Stockholm) together with a relaunch of New York
- Strong balance sheet maintained, focus on cash control with net cash of £17.9m
- Final dividend increased 10% to 3.85p, which takes the full-year dividend up 10% to 4.95p

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

“M&C Saatchi has made very good progress in 2012. The Group returned double digit revenue and operating profit growth. This arose from new business success, increasingly international and integrated, the profitable growth of new businesses in the mature markets and the rolling out of proven models across the network. This was whilst continuing to invest in further new offices and businesses.

“Looking ahead, we are confident that we will continue to make progress in 2013 and beyond. The strategy continues to deliver. ”

For further information please call:

M&C Saatchi                      +44 (0)20-7543-4500  
David Kershaw

Tulchan Communications      +44 (0)20-7353-4200  
Lucy Legh  
Susanna Voyle

Numis Securities                +44 (0)20-7260-1000  
Nick Westlake, NOMAD  
Charles Farquhar, Corporate Broking

## Notes to Editors

### 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 (note 11).

# SUMMARY OF RESULTS

2012 saw another good performance with further revenue momentum and earnings growth. Revenues increased 11% and we maintained a double digit headline operating margin of 10.1% (post central costs), notwithstanding an investment in the year of just under £1.5m in three offices (Abu Dhabi, Singapore and Stockholm) and the relaunch of our New York office. Excluding this investment, the like-for-like margin increased from 10.1% to 10.9%. These impressive results were despite a previously flagged disappointing performance from Clear whose PBT fell from £2m to £0.3m. We have restructured Clear, redefined their offer and taken out significant cost so that they are trading more buoyantly in 2013. The overall Group headline profit before tax advanced 10% to £17.2m. Headline net earnings rose 7% to £9.6m suppressed by an increased corporation tax rate (32.4% in 2012, compared with 31.0% in 2011), a function of non-deductible losses from the new office investments.

## UK

Revenue in the UK was up 13% from £67.0m to £75.4m, with our CRM and Mobile businesses performing strongly. We also had a strong run of wins across all of our businesses, including Ballantine's, Center Parcs, National Trust, Harveys, Peroni, Intercontinental Hotels, Viking and Virgin Holidays. Importantly, we are seeing an increasing number of integrated wins across communication channels. We continue to roll out proven new channel models across the network. We are now exporting CRM and PR to our overseas offices, alongside Sport & Entertainment and Mobile. We are making further investment in new businesses. In January 2013, we acquired 60% of a UK-based talent management agency Merlin Elite. This will become part of the Group's successful Sport & Entertainment division. We maintain a tight control on costs and margins. This resulted in the headline operating margin increasing to 20.2% (2011: 19.5%, both margins exclude the impact of Group recharges). The UK headline operating profit improved a positive 17% on 2011.

## Europe

Despite the economic backdrop, positive progress was made in Europe with revenues up 11% and headline operating profit up 14%. Germany, Italy and Switzerland all performed well. Sport & Entertainment, launched in Germany and Switzerland, won some new business from Nestlé. In France, whilst advertising remains slow, we are benefiting from our diversification and were pleased to retain La Banque Postale, a major client. The headline operating margin was up from 14.1% to 14.4%, with some drag from our investment in Stockholm. Spain continued to underperform in a very difficult market but as an associate, our investment there is just 25%.

## **Middle East and Africa**

We experienced further good growth in Cape Town and Johannesburg. Revenues more than doubled from £3.0m to £6.6m and key wins in the period were Edgars Department Stores and Nedbank's promotional account. Additionally, Sport & Entertainment and Mobile were both launched in Johannesburg in the second half. There was also some infrastructure investment needed in our offices to enhance systems and support for the larger clients we have been winning recently. Elsewhere in the region, we opened an Abu Dhabi office on the back of our Etihad win. With the investment in the new office and the new businesses, the headline operating margin consequently fell from 9.2% to 2.1% but will rebuild as these operations come on tap in profit terms.

## **Asia and Australasia**

In Asia and Australasia, revenue increased 8% year-on-year and headline operating profit was up a very favourable 46%. The key driver for this was Australia. We won Commonwealth Bank early in the year and also retained Optus after a lengthy repitch; both are Group top ten accounts. New Zealand was impacted by two of their main clients suspending media spends for most of the year. There was another excellent performance from Malaysia. China underperformed but we have now agreed heads of terms and are already working with a respected partner, which will provide a more sustainable presence. Japan and India were both profitable, albeit relatively small. We reopened our Singapore office in February 2012 and they have achieved good new business momentum. The regional headline operating margin was 6.4%, compared with 2011's 4.7%.

## **Americas**

In New York, we completed our executive management team line up in September and relaunched the operation in the fourth quarter. The office is now busy pitching and building relationships with new business intermediaries. Revenues were up 19% to £8.0m and the region overall broke even in profit terms, with our offices in Los Angeles and Sao Paulo and our other New York businesses (Mobile and PR), covering the advertising investment in New York.

## **Clear**

Clear had a very tough year, with revenues slowing as nine of their top ten clients cut spending by 50% mainly due to budget cuts or restructuring programmes. Clear's headline operating profit reduced from £2m to £0.3m. We have significantly downsized Clear's New York and Asian operations, as well as undertaking some extensive cost cutting across the board, yielding a 31% cost saving. Clear's offering has been simplified and the new business programme boosted. New business wins came through in the fourth quarter including Bacardi, Novartis, Samsung and Pepsico and subsequently we expect the 2013 first quarter profitability to be much improved.

## **Outlook**

M&C Saatchi has made very good progress in 2012. The Group returned double digit revenue and operating profit growth. This arose from new business success, increasingly international and integrated, the profitable growth of new businesses in the mature markets and the rolling out of proven models across the network. This was whilst continuing to invest in further new offices and businesses.

Looking ahead, we are confident that we will continue to make progress in 2013 and beyond. The strategy continues to deliver.

**M&C SAATCHI PLC**  
**AUDITED CONSOLIDATED INCOME STATEMENT**

Year ended 31 December	Note	2012 £000	2011 £000
<b>BILLINGS</b>		502,738	520,017
<b>REVENUE</b>	<b>3</b>	<b>169,486</b>	<b>153,133</b>
Operating costs	3	(153,731)	(139,040)
<b>OPERATING PROFIT</b>	<b>3</b>	<b>15,755</b>	<b>14,093</b>
Share of results of associates	5	91	115
Impairment of associate		(1,552)	-
Finance income	6	422	2,199
Finance costs	7	(4,835)	(370)
<b>PROFIT BEFORE TAXATION</b>	<b>3</b>	<b>9,881</b>	<b>16,037</b>
Taxation	8	(5,357)	(4,589)
<b>PROFIT FOR THE YEAR</b>		<b>4,524</b>	<b>11,448</b>
Profit attributable to:			
Equity shareholders of the Group	3	2,463	9,599
Non controlling interests		2,061	1,849
		<b>4,524</b>	<b>11,448</b>
<b>EARNINGS PER SHARE</b>	<b>3</b>		
Basic		3.89p	15.39p
Diluted		3.59p	15.07p
<b>HEADLINE RESULTS</b>	<b>3</b>		
Operating profit		17,068	15,399
Profit before tax		17,182	15,562
Profit after tax attributable to equity shareholders		9,560	8,918
Headline basic earnings per share (pence)		15.10p	14.30p

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	2012 £000	2011 £000
<b>Profit for the year</b>	<b>4,524</b>	<b>11,448</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations before tax	(518)	(189)
Tax benefit / (expense)	56	(40)
Other comprehensive income for the year net of tax	(462)	(229)
<b>Total comprehensive income for the year</b>	<b>4,062</b>	<b>11,219</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders' of the Group	2,001	9,370
Non controlling interests	2,061	1,849
	<b>4,062</b>	<b>11,219</b>

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED BALANCE SHEET

At 31 December		2012	2011
	Note	£000	£000
<b>NON CURRENT ASSETS</b>			
Intangible assets		60,540	60,229
Investments in associates		756	2,226
Plant and equipment		7,237	6,941
Deferred tax assets		1,612	1,098
Other non current assets		5,041	4,987
		<b>75,186</b>	<b>75,481</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables		95,248	89,585
Current tax assets		881	322
Cash and cash equivalents		22,332	18,779
		<b>118,461</b>	<b>108,686</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		(84)	–
Trade and other payables		(106,872)	(103,406)
Current tax liabilities		(3,809)	(2,270)
Other financial liabilities		(131)	(126)
Deferred and contingent consideration		–	(128)
Minority shareholder put option liabilities	11	(2,549)	(1,682)
		<b>(113,445)</b>	<b>(107,612)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>5,016</b>	<b>1,074</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>80,202</b>	<b>76,555</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		(669)	(813)
Other financial liabilities		(4,322)	(3,890)
Minority shareholder put options liabilities	11	(17,933)	(15,410)
Other non current liabilities		(1,092)	(396)
		<b>(24,016)</b>	<b>(20,509)</b>
<b>TOTAL NET ASSETS</b>		<b>56,186</b>	<b>56,046</b>

# M&C SAATCHI PLC

## AUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December	2012	2011
	£000	£000
<b>EQUITY</b>		
Equity attributable to shareholders of the Group		
Share capital	641	635
Share premium	14,625	13,832
Merger reserve	20,669	21,194
Treasury reserve	(792)	(792)
Minority interest put option reserve	(13,675)	(14,305)
Non controlling interest acquired	(1,085)	(297)
Foreign exchange reserve	1,846	2,308
Retained earnings	31,373	30,808
	<b>53,602</b>	<b>53,383</b>
<b>NON CONTROLLING INTEREST</b>	<b>2,584</b>	<b>2,663</b>
<b>TOTAL EQUITY</b>	<b>56,186</b>	<b>56,046</b>

# M&C SAATCHI PLC

## 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
<b>At 1 January 2011</b>	<b>625</b>	<b>12,822</b>	<b>21,922</b>	<b>(792)</b>	<b>(10,466)</b>	<b>(130)</b>	<b>2,662</b>	<b>23,053</b>	<b>49,696</b>	<b>1,375</b>	<b>51,071</b>
Acquired non controlling interest	2	262	–	–	158	(166)	–	–	256	–	256
Issues of shares to minorities	–	–	–	–	–	–	–	–	–	166	166
Impairment of M&C Saatchi (Hong Kong) Ltd*	–	–	(728)	–	–	–	–	728	–	–	–
Exchange rate movements	–	–	–	–	–	(1)	–	–	(1)	87	86
Release on company deletion	–	–	–	–	–	–	(125)	125	–	–	–
Issue of minority put options	–	–	–	–	(4,186)	–	–	–	(4,186)	–	(4,186)
Cancellation of minority put options	–	–	–	–	189	–	–	(133)	56	–	56
Option exercise	8	748	–	–	–	–	–	(756)	–	–	–
Reclassification of share to cash based option	–	–	–	–	–	–	–	(372)	(372)	–	(372)
Share option charge	–	–	–	–	–	–	–	1,087	1,087	–	1,087
Dividends	–	–	–	–	–	–	–	(2,523)	(2,523)	(814)	(3,337)
<b>Total transactions with owners</b>	<b>10</b>	<b>1,010</b>	<b>(728)</b>	<b>–</b>	<b>(3,839)</b>	<b>(167)</b>	<b>(125)</b>	<b>(1,844)</b>	<b>(5,683)</b>	<b>(561)</b>	<b>(6,244)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(229)</b>	<b>9,599</b>	<b>9,370</b>	<b>1,849</b>	<b>11,219</b>
<b>At 1 January 2012</b>	<b>635</b>	<b>13,832</b>	<b>21,194</b>	<b>(792)</b>	<b>(14,305)</b>	<b>(297)</b>	<b>2,308</b>	<b>30,808</b>	<b>53,383</b>	<b>2,663</b>	<b>56,046</b>

	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
<b>At 1 January 2012</b>	<b>635</b>	<b>13,832</b>	<b>21,194</b>	<b>(792)</b>	<b>(14,305)</b>	<b>(297)</b>	<b>2,308</b>	<b>30,808</b>	<b>53,383</b>	<b>2,663</b>	<b>56,046</b>
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* Subsidiary Share buyback of own equity from a non controlling shareholder	–	–	(525)	–	–	–	–	525	–	–	–
Exchange rate movements	–	–	–	–	–	(668)	–	–	(668)	(632)	(1,300)
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
<b>At 1 December 2012</b>	<b>641</b>	<b>14,625</b>	<b>20,669</b>	<b>(792)</b>	<b>(13,675)</b>	<b>(1,085)</b>	<b>1,846</b>	<b>31,373</b>	<b>53,602</b>	<b>2,584</b>	<b>56,186</b>

\* Amounts were released from merger reserve to retained earnings as an impairment charge was posted in respect of the investments that create the related merger reserve.

**M&C SAATCHI PLC**  
**AUDITED CONSOLIDATED CASH FLOW STATEMENT**

Year ended 31 December	Note	2012 £000	2011 £000
Revenue		169,486	153,133
Operating expenses		(153,731)	(139,040)
<b>OPERATING PROFIT</b>		<b>15,755</b>	<b>14,093</b>
<b>ADJUSTMENTS FOR:</b>			
Depreciation of plant and equipment		2,289	1,929
Loss on sale of plant and equipment		99	38
Loss on sale of software intangibles		35	–
Amortisation of acquired intangible assets		705	714
Impairment of goodwill		608	902
Amortisation of capitalised software intangible assets		141	188
Non cash share based incentive plans		855	1,087
<b>OPERATING CASH FLOW BEFORE MOVEMENTS IN WORKING CAPITAL</b>		<b>20,487</b>	<b>18,951</b>
Increase in debtors		(5,717)	(10,250)
Increases / (decrease) in creditors		4,194	(9,775)
Cash generated / (consumed) from operations		18,964	(1,074)
Tax paid		(5,178)	(4,159)
<b>Net cash flow from operating activities</b>		<b>13,786</b>	<b>(5,233)</b>
Investing activities			
Acquisitions net of cash acquired	10	(3,199)	(1,773)
Proceeds from sale of plant and equipment		28	9
Purchase of plant and equipment		(2,652)	(3,389)
Purchase of capitalised software		(163)	(173)
Dividends from associate		–	–
Interest earned		422	345
<b>Net cash consumed by investing activities</b>		<b>(5,564)</b>	<b>(4,981)</b>
<b>Net cash generated / (consumed) by Operating and Investing activities</b>		<b>8,222</b>	<b>(10,214)</b>

## AUDITED CONSOLIDATED CASH FLOW STATEMENT CONTINUED

Year ended 31 December	2012 £000	2011 £000
<b>Net cash consumed by Operating and investing activities</b>	<b>8,222</b>	<b>(10,214)</b>
Financing activities		
Dividends paid to equity holders of the Company	(2,910)	(2,523)
Dividends paid to non controlling interest	(1,526)	(814)
Subsidiaries sale of own shares to non controlling interest	30	58
Repayment of finance leases	(214)	(62)
Inception of bank loans	5,416	2,117
Repayment of bank loans	(4,755)	(786)
Interest paid	(390)	(297)
<b>Net cash Consumed by financing activities</b>	<b>(4,349)</b>	<b>(2,307)</b>
<b>Net (decrease) / Increase in cash and cash equivalents</b>	<b>3,873</b>	<b>(12,521)</b>
Cash and cash equivalents at the beginning of the year	18,779	31,388
Effect of exchange rate changes	(404)	(88)
<b>Cash and cash equivalents at the end of the year</b>	<b>22,248</b>	<b>18,779</b>

# **M&C SAATCHI PLC**

## **NOTES TO THE PRELIMINARY STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2012**

#### **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 2012 audited preliminary financial statements were approved for issue on 15 March 2013.

The financial information set out below does not constitute the company's statutory accounts for 2011 or 2012. Statutory accounts for the years ended 31 December 2011 and 31 December 2012 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2011 and 2012 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 2011 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2012 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.

#### **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 2012. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2011.

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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

Year ended 31 December 2012	Reported results £000	Amortisation of acquired intangibles £000	Impairment of Goodwill £000	Impairment of associate £000	Fair value adjustments to minority put option liabilities £000	Headline & segmental results £000
<b>Revenue</b>	<b>169,486</b>	–	–	–	–	<b>169,486</b>
<b>Operating profit</b>	<b>15,755</b>	<b>705</b>	<b>608</b>	–	–	<b>17,068</b>
Share of results of associates	91	–	–	–	–	91
Impairment of associate	(1,552)	–	–	1,552	–	–
Finance income	422	–	–	–	–	422
Finance cost	(4,835)	–	–	–	4,436	(399)
<b>Profit before taxation</b>	<b>9,881</b>	<b>705</b>	<b>608</b>	<b>1,552</b>	<b>4,436</b>	<b>17,182</b>
Taxation	(5,357)	(185)	–	–	–	(5,542)
<b>Profit after taxation</b>	<b>4,524</b>	<b>520</b>	<b>608</b>	<b>1,552</b>	<b>4,436</b>	<b>11,640</b>
Non controlling interests	(2,061)	(19)	–	–	–	(2,080)
<b>Profit attributable to equity holders of the Group</b>	<b>2,463</b>	<b>501</b>	<b>608</b>	<b>1,552</b>	<b>4,436</b>	<b>9,560</b>
<b>Basic earnings per share</b>						
Weighted average number of shares (thousands)	63,317	–	–	–	–	63,317
<b>Basic EPS</b>	<b>3.89p</b>	–	–	–	–	<b>15.10p</b>
<b>Diluted earnings per share</b>						
Weighted average number of shares (thousands) as above	63,317	–	–	–	–	63,317
Add						
– UK growth shares	1,581	–	–	–	–	1,581
– Options	128	–	–	–	–	128
– LTIP	111	–	–	–	–	111
– New LTIP	3,547	–	–	–	–	3,547
<b>Total</b>	<b>68,684</b>					<b>68,684</b>
<b>Diluted earnings per share</b>	<b>3.59p</b>					<b>13.92p</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

<b>Year ended 31 December 2011</b>	<b>Reported results £000</b>	<b>Amortisation of acquired intangibles £000</b>	<b>Impairment of Goodwill £000</b>	<b>Contingent liability revaluation £000</b>	<b>Fair value adjustments to minority put option liabilities £000</b>	<b>Headline &amp; segmental results £000</b>
<b>Revenue</b>	<b>153,133</b>	–	–	–	–	<b>153,133</b>
<b>Operating profit</b>	<b>14,093</b>	<b>714</b>	<b>902</b>	<b>(310)</b>	–	<b>15,399</b>
Share of results of associates	115	–	–	–	–	115
Impairment of associate	–	–	–	–	–	–
Finance income	2,199	–	–	–	(1,781)	418
Finance cost	(370)	–	–	–	–	(370)
<b>Profit before taxation</b>	<b>16,037</b>	<b>714</b>	<b>902</b>	<b>(310)</b>	<b>(1,781)</b>	<b>15,562</b>
Taxation	(4,589)	(206)	–	–	–	(4,795)
<b>Profit after taxation</b>	<b>11,448</b>	<b>508</b>	<b>902</b>	<b>(310)</b>	<b>(1,781)</b>	<b>10,767</b>
Non controlling interests	(1,849)	–	–	–	–	(1,849)
<b>Profit attributable to equity holders of the Group</b>	<b>9,599</b>	<b>508</b>	<b>902</b>	<b>(310)</b>	<b>(1,781)</b>	<b>8,918</b>
<b>Basic earnings per share</b>						
Weighted average number of shares (thousands)	62,355	–	–	–	–	62,355
<b>Basic EPS</b>	<b>15.39p</b>	–	–	–	–	<b>14.30p</b>
<b>Diluted earnings per share</b>						
Weighted average number of shares (thousands) as above	62,355	–	–	–	–	62,355
Add						
– UK growth shares	1,102	–	–	–	–	1,102
– Options	128	–	–	–	–	128
– LTIP	111	–	–	–	–	111
– New LTIP	–	–	–	–	–	–
<b>Total</b>	<b>63,696</b>					<b>63,696</b>
<b>Diluted earnings per share</b>	<b>15.07p</b>					<b>14.00p</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**4. SEGMENTAL INFORMATION**

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

Year ended 31 December 2012	UK £000	Europe £000	Middle East & Africa £000	Asia and Australasia £000	Americas £000	Clear £000	Total £000
Revenue	75,401	16,164	6,604	53,798	8,031	9,488	169,486
Operating profit excluding Group costs	15,252	2,331	237	3,443	66	276	21,605
Group costs	4,269	71	–	110	87	–	4,537
Operating profit	10,983	2,260	237	3,333	(21)	276	17,068
Share of results of associates	77	(88)	102	–	–	–	91
Financial income & cost	75	(45)	15	14	(38)	2	23
<b>Profit before taxation</b>	<b>11,135</b>	<b>2,127</b>	<b>354</b>	<b>3,347</b>	<b>(59)</b>	<b>278</b>	<b>17,182</b>
Taxation	(2,956)	(743)	(167)	(1,566)	(52)	(58)	(5,542)
<b>Profit for the year</b>	<b>8,179</b>	<b>1,384</b>	<b>187</b>	<b>1,781</b>	<b>(111)</b>	<b>220</b>	<b>11,640</b>
Non controlling interests	(1,231)	(435)	(98)	(565)	255	(6)	(2,080)
<b>Profit attributable to equity shareholders of the Group</b>	<b>6,948</b>	<b>949</b>	<b>89</b>	<b>1,216</b>	<b>144</b>	<b>214</b>	<b>9,560</b>

**Headline basic EPS**

**15.10p**

**Non cash costs included in operating profit:**

Depreciation	(1,118)	(250)	(144)	(527)	(79)	(171)	(2,289)
Amortisation of software	(1)	(30)	(25)	(61)	(24)	–	(141)
Share option charges	(855)	–	–	–	–	–	(855)
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	London Hong Kong New York Sydney Singapore	

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

Year ended 31 December 2011	UK £000	Europe £000	Middle East & Africa £000	Asia and Australasia £000	Americas £000	Clear £000	Total £000
<b>Revenue</b>	<b>66,974</b>	<b>14,540</b>	<b>2,987</b>	<b>49,700</b>	<b>6,736</b>	<b>12,196</b>	<b>153,133</b>
<b>Operating profit excluding Group costs</b>	<b>13,031</b>	<b>2,053</b>	<b>276</b>	<b>2,358</b>	<b>77</b>	<b>2,016</b>	<b>19,811</b>
Group costs	4,175	70	–	79	88	–	4,412
Operating profit	8,856	1,983	276	2,279	(11)	2,016	15,399
Share of results of associates	(13)	93	35	–	–	–	115
Financial income & cost	(31)	(46)	1	124	(4)	4	48
<b>Profit before taxation</b>	<b>8,812</b>	<b>2,030</b>	<b>312</b>	<b>2,403</b>	<b>(15)</b>	<b>2,020</b>	<b>15,562</b>
Taxation	(2,768)	(706)	118	(883)	29	(585)	(4,795)
<b>Profit for the year</b>	<b>6,044</b>	<b>1,324</b>	<b>430</b>	<b>1,520</b>	<b>14</b>	<b>1,435</b>	<b>10,767</b>
Non controlling interests	(618)	(443)	(113)	(541)	(4)	(130)	(1,849)
<b>Profit attributable to equity shareholders of the Group</b>	<b>5,426</b>	<b>881</b>	<b>317</b>	<b>979</b>	<b>10</b>	<b>1,305</b>	<b>8,918</b>

**Headline basic EPS**

**14.30p**

**Non cash costs included in operating profit:**

Depreciation	(882)	(215)	(69)	(584)	(57)	(122)	(1,929)
Amortisation of software	(56)	(48)	(8)	(56)	(20)	–	(188)
Share option charges	(1,048)	–	–	(37)	(2)	–	(1,087)
Office location	London	Paris Berlin Madrid Geneva Milan Moscow	Beirut Cape Town Johannesburg	Sydney Melbourne Auckland Wellington New Delhi Mumbai Kuala Lumpur Hong Kong Beijing Shanghai Tokyo	Los Angeles São Paulo New York	London Hong Kong New York Amsterdam Sydney Singapore	

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**SEGMENTAL INCOME STATEMENT TRANSLATED AT 2011 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 2012 results been translated at 2011 exchange rate then our results would have been:

<b>Year ended 31 December 2012</b>	<b>UK £000</b>	<b>Europe £000</b>	<b>Middle East &amp; Africa £000</b>	<b>Asia and Australasia £000</b>	<b>Americas £000</b>	<b>Clear £000</b>	<b>Total £000</b>
<b>Revenue</b>	<b>75,401</b>	<b>17,278</b>	<b>7,290</b>	<b>53,129</b>	<b>8,508</b>	<b>9,426</b>	<b>171,032</b>
<b>Operating profit excluding Group costs</b>	<b>15,252</b>	<b>2,506</b>	<b>296</b>	<b>3,427</b>	<b>65</b>	<b>275</b>	<b>21,821</b>
Group costs	4,269	76	–	110	100	–	4,555
Operating profit	10,983	2,430	296	3,317	(35)	275	17,266
Share of results of associates	77	(96)	100	–	–	–	81
Financial income & cost	75	(45)	16	10	(44)	2	14
<b>Profit before taxation</b>	<b>11,135</b>	<b>2,289</b>	<b>412</b>	<b>3,327</b>	<b>(79)</b>	<b>277</b>	<b>17,361</b>
Taxation	(2,956)	(800)	(185)	(1,546)	(49)	(60)	(5,596)
<b>Profit for the year</b>	<b>8,179</b>	<b>1,489</b>	<b>227</b>	<b>1,781</b>	<b>(128)</b>	<b>217</b>	<b>11,765</b>
<b>Increase/(decrease) in 2012 results caused by translation differences</b>	<b>–</b>	<b>(105)</b>	<b>(40)</b>	<b>–</b>	<b>17</b>	<b>3</b>	<b>(125)</b>

**5. SHARE OF ASSOCIATES**

<b>Year ended 31 December</b>	<b>2012 £000</b>	<b>2011 £000</b>
Share of associates' profit before taxation	120	133
Share of associates' taxation	(29)	(18)
	<b>91</b>	<b>115</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**6. FINANCE INCOME**

Year ended 31 December	2012	2011
	£000	£000
Bank interest receivable	398	401
Other interest receivable	24	17
Total interest receivable	422	418
Fair value adjustments to minority shareholder put option liabilities	–	1,781
<b>Total finance income</b>	<b>422</b>	<b>2,199</b>

**7. FINANCE COSTS**

Year ended 31 December	2012	2011
	£000	£000
<b>Finance costs</b>		
Bank interest payable	(390)	(369)
Other interest payable	(9)	(1)
Total interest payable	(399)	(370)
Fair value adjustments to minority shareholder put option liabilities	(4,436)	–
<b>Total finance costs</b>	<b>(4,835)</b>	<b>(370)</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**8. TAXATION**

Year ended 31 December	2012	2011
	£000	£000
<hr/>		
<b>Current taxation</b>		
Taxation in the year		
- UK	3,123	2,858
- Overseas	2,916	2,308
Utilisation of previously unrecognised tax losses	(147)	(141)
Adjustment for over / (under) provisions in prior periods	354	(10)
	<hr/> 6,246	<hr/> 5,015
<hr/>		
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(877)	(571)
Recognition of previously unrecognised tax losses	(11)	145
Effect of changes in tax rates	(1)	–
	<hr/> (889)	<hr/> (426)
<b>Total taxation</b>	<hr/> <b>5,357</b>	<hr/> <b>4,589</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**9. DIVIDENDS**

Year ended 31 December	2012	2011
	£000	£000
2011 final dividend 3.50p (2010: 3.03p)	2,213	1,895
2012 interim dividend 1.10p (2011: 1.00p)	697	628
	<b>2,910</b>	<b>2,523</b>

Proposed final dividend of 3.85p totalling £2,577k. Subject to shareholders approval on 12 June 2013, the dividend is payable on 5 July 2013 to shareholders on the register 7 June 2013.

The dividend relates to the following years:

Year ended 31 December	2012	2011
	£000	£000
First interim dividend	697	628
Final dividends	2,577	2,313
<b>Total dividend that relates to the year</b>	<b>3,274</b>	<b>2,841</b>

The headline dividend cover is:

Headline profit after tax attributable to equity shareholders	9,560	8,918
Total dividend that relates to the year	3,274	2,841
<b>Headline dividend cover</b>	<b>2.9</b>	<b>3.1</b>

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

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**10. CASH CONSUMED BY ACQUISITIONS**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Cash consideration		
– M&C Saatchi Mobile Ltd	(1,300)	–
– M&C Saatchi GAD SAS (Part of 4% put)	(45)	–
– Clear USA LLC (20%)	(64)	–
– Bang Pty Ltd (85%)	(1,666)	–
– Direct One SAS (final payments for 70%)	(126)	(283)
– Brazilian Client list	–	(912)
– M&C Saatchi Communications Pvt Ltd (2012: 5%, 2011: 20%)	(5)	(17)
– M&C Saatchi Export Ltd (2011: Part of 2.8% put)	–	(27)
	<b>(3,206)</b>	<b>(1,239)</b>
Less cash and cash equivalents acquired	7	–
	<b>(3,199)</b>	<b>(1,239)</b>
Purchase of associates	–	(534)
	<b>(3,199)</b>	<b>(1,773)</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**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).

<b>Year ended 31 December</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Amounts falling within one year		
– Cash	(847)	(234)
– Equity	(1,702)	(1,448)
	(2,549)	(1,682)
Amounts falling after one year		
– Cash	(2,450)	–
– Equity	(15,483)	(15,410)
	(17,933)	(17,092)
	<b>(20,482)</b>	<b>(17,092)</b>
<b>Year ended 31 December</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
At 1 January	(17,092)	(15,035)
Exchange difference	(1)	–
Additions	(480)	(4,133)
Exercises	161	295
Termination	1,366	–
Income statement charge due to		
– Change in estimates	2,627	517
– Change in share price	(6,932)	1,979
– Time	(131)	(715)
Total income statement charge	(4,436)	1,781
<b>At 31 December</b>	<b>(20,482)</b>	<b>(17,092)</b>

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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

<b>Cash Based</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
At 1 January	(234)	(216)
Reclassified from share based	(2,863)	-
Income statement charge due to		
– Change in estimates	(71)	(44)
– Change in share price	(129)	26
<b>At 31 December</b>	<b>(3,297)</b>	<b>(234)</b>

<b>Equity Based</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>Equity*</b>	<b>£000</b>	<b>£000</b>
At 1 January	(14,471)	(16,858)	(14,819)
Exchange difference	-	(1)	-
Additions	(266)	(480)	(4,134)
Exercises	107	161	295
Reclassified to cash based	2,458	2,863	
Terminations	1,173	1,366	
Income statement charge due to			
– Change in estimates	1,495	2,698	561
– Change in share price	59	(6,803)	1,953
– Time	(72)	(131)	(715)
<b>At 31 December</b>	<b>(9,517)</b>	<b>(17,185)</b>	<b>(16,858)</b>

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

**M&C SAATCHI PLC**  
**NOTES TO THE PRELIMINARY STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

Put options are exercisable from:

<b>Subsidiary</b>	<b>Year</b>	<b>% of Subsidiaries shares exchangeable</b>
M&C Saatchi LA Inc	2013	16.0
M&C Saatchi Marketing Arts Ltd	2013	50.0
M&C Saatchi (M) SDN BHD	2013	20.0
M&C Saatchi Sports and Entertainment Ltd	2013	2.8
Influence Communications Ltd	2013	5.0
M&C Saatchi Europe Holdings Ltd	2013	4.0
M&C Saatchi German Holdings Ltd	2013	4.0
M&C Saatchi Communications Pty Ltd	2013	13.0
M&C Saatchi Berlin GmbH	2013	10.0
Talk PR Audience Ltd	2013	17.0
M&C Saatchi GAD SAS**	2013	39.0
FCINQ SAS	2013	18.0
M&C Saatchi PR LLP (US)	2014	35.0
M&C Saatchi Berlin GmbH	2014	5.0
Clear Ideas Consulting LLP	2014	12.5
Clear Ideas Consulting LLP	2015	12.5
M&C Saatchi Agency Pty Ltd	2015	20.0
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
M&C Saatchi Mobile Ltd**	2016	25.0
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
Direct One SAS*	2018	10.0

\*New or amended options in 2012.

\*\* Holding changed or shares put in 2012.