

M&C SAATCHI

2005 Preliminary Results

Investor Presentation

24th March 2006

Headlines

Underlying performance

(Excludes cost of European expansion)

- Revenues up 9.4% to £68.0m (7.9% at constant currency) (2004: £62.2m)
 - 11th year of continued organic growth
- Underlying operating profit (pre options) up 7.5% to £7.8m (2004: £7.2m)
- Net interest up 50.4% to £1.4m (2004: £0.9m)
- Underlying Profit Before Tax (pre options) up 11.3% to £9.1m (2004: £8.1m)
- Underlying operating margin 11.5% (2004: 11.6%)

Headlines

- Significant new business wins during the year were;
 - Australian Tourism
 - Ribena
 - Direct Line Insurance
 - Independent News & Media
 - Mini
 - Wyeth (China)
 - City National Bank (California)
 - ITV
 - Cadbury Muller
 - Weetabix
 - NatWest Mortgages
 - eBay (Asia)
 - PODs

Headlines

- International Expansion progressing well
 - Offices opened in
 - Paris – September
 - India – October
 - Thailand - September
- European “investment” on track @ £1.4 million in 2005
- New businesses opened - Provenance - Luxury Brands
 - Walker-i - Digital Media

The Numbers

	<u>2005</u>	<u>2004</u>	<u>Inc/Dec</u>
	£'000s	£'000s	%
Revenue (gross profit)	68,001	62,178	9.4
Operating Profit	7,776	7,234	7.5
- Options expense	-185	-	-
- European investment	-1,414	-	-
Reported Operating Profit	6,177	7,234	-14.6
- Share of Associate	-75	-	-
- Net Interest	1,355	901	50.3
Profit Before Tax	7,457	8,135	-8.3
- Tax rate	36.1%	32.8%	3.3pts
- Minority interest	-663	-441	50.3
Profit for Period	4,104	5,028	-18.4

Note: Excludes amortisation

The Detail

Revenue

	2005				2004	05 vs 04	
	Constant		Reported			1st Half	2nd Half
	Rates	V's 04	Rates	Vs 04			
	£'000	%	£'000	%	£'000	%	%
UK	39,470	8.1	39,470	8.1	36,518	7.9	8.2
Asia Pacific	24,187	4.6	25,084	8.5	23,126	4.6	11.9
USA	3,189	25.8	3,211	26.7	2,534	15.6	33.8
Europe	236	-	236	-	-		
Total	67,082	7.9	68,001	9.4	62,178	7.1	11.4

Top 10 Clients

1. RBS Group
2. DSG (Dixons, etc)
3. Optus
4. Qantas
5. IAG
6. ANZ
7. Woolworth
8. TFL
9. Tourism Australia
10. = Scottish & Newcastle
= COI

Top 5 = 30% of Revenue

Top 10 = 45% of Revenue

The Detail

Operating Costs

	<u>2005</u> £'000s	<u>2004</u> £'000s	<u>2005</u> vs 2004
Operating Costs (Pre Europe)	60,159	54,944	9.5%
Underlying Operating Margin	11.5%	11.6%	-0.1 pts
Option Expense	0.3%		
Europe Investment	2.1%		
Reported Operating Margin	<u>9.1%</u>	<u>11.60%</u>	<u>-2.5 pts</u>

The Detail

Tax Rate

	<u>PBT</u> £'000s	<u>Tax Charge</u> £'000s	<u>Tax Rate</u> %	<u>Tax Effect</u> %
Reported	7,457	2,690	36.07	
Add back Europe	<u>1,429</u>	<u>293</u>		
Adjusted	8,886	2,983	33.57	2.50
<u>Non - deductible losses</u>				
Associate (Play London)	<u>162</u>			
Sub Total	9,048	2,983	32.97	0.60
Other	128			
Underlying 2005 Tax Rate	9,176	2,983	32.51	0.46
2004	8135	2,666	32.77	-0.26

The Detail

EPS & Dividends

	<u>2005</u>	<u>2004</u>	Inc/Dec
	Pence	Pence	%
Earnings per share			
- Pre Europe investment	9.67	9.28	4.2
- Reported - pre amortisation	7.57	9.28	-18.4
- Reported	4.46	6.19	-28.0
Recommended Dividend			
1. 2004			
- Dividend paid (half year)	-	1.16	-
- Full year equivalent	-	2.32	-
2. 2005			
- Recommended	2.55	-	10.0

Note: No of Shares 54,206,799 (Basic)

The Detail

Minority Interests

	<u>2005</u>	<u>2004</u>	<u>Inc/Dec</u>
	£'000s	£'000s	
Profit After Tax	3,079	3,797	
Amortisation	1,688	1,672	
Europe	1,139	-	
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Adjusted Profit After Tax	5,906	5,469	8.0%
Minority Interest	663	441	50.3%
MI %	11.2%	8.1%	3.1 pts
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- Walker Media			2.1 pts
- LA			0.2 pts
- UK (Talk / IS)			0.8 pts

Commercial Break

The UK

- Revenue up 8.1% to £39.5m - Growth in all sectors
- Underlying operating margin up 1.0 pts to 12.9%
- Underlying operating profit up 17.4% to £5.1m (option charge - £121k – holding companies impact £826k)
- Significant new clients won in 2005
 - ITV, Ribena, Direct Line Insurance and Cadbury Muller (M&C Saatchi)
 - Weetabix and Independent News and Media (Walker Media)
 - NatWest mortgages and Mini (LIDA),
 - Twinings, Perrier Jouet, Orange, Ovaltine and Disney (Talk PR)
 - Carlsberg (Sports & Entertainment)
- New businesses opened
 - Provenance - Luxury brand specialists
 - Walker-i - Digital media

** Underlying figure adjusted for impact of Holding Company restructure*

The UK - Continued

Outlook

- Loss of BA will impact 2006 revenues
- Year has started well, significant new wins
 - RBS Retail
 - Kingsmill (Allied Bakers)
 - Barclays (Walker Media)
- Challenging contractual environment

Asia Pacific

- Revenue up 8.5% to £25.1m (currency impact 3.9%)
- Underlying operating margin down 0.2 pts to 11.4%
- Underlying operating profit up 6.7% to £2.9m (plc recharge £703k, options £46k)
- Small acquisitions in Thailand (Bangkok) and India (New Delhi)
- Important new clients
 - Australian Tourism
 - Spirit of Tasmania (Ferry Service)
 - eBay
 - Alliance Bank
 - Wyeth
 - Australia
 - Australia
 - Asia Regional
 - Malaysia
 - China

Asia Pacific

Outlook

- Australia is the dominant market
- New management in New Zealand
- Additional contribution From new offices
- Scope for margin improvement
- Comfortable with start to the year

America

- Revenue up 26.7% to £3.2m
- Underlying operating loss (£4k)
 - Management change (£216k)
 - Holding company (£99k)
 - Options (£3k)

- Reported loss (£322k)
- New clients:
 - PODs
 - RBS
 - Travelex
 - City National Bank
 - Ghiradelli Chocolate
 - Beverley Hills Visitors Bureau

America

Outlook

- Lost BA revenue will impact 2006
- America is key market for network growth
- LA has a successful 2005 and we are optimistic for 2006
- New York in rebuilding phase
 - Good start following AIG Insurance win

Europe

- Paris office opened in September
- Clients won
 - Pernod Ricard (Havana Club & Olmeca)
 - S'Miles
 - Branly Museum
- European investment on track

Trading Loss	£436k
Development cost	£993k
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	£1,429

- Plans for Germany and Spain progressing well

** Development cost includes option charge*

Europe

Outlook

- Announcements shortly
- Investigating organic and small acquisitions
- Focussed on Germany and Spain
- Great start by Paris office continued into 2006 with Bordeaux wines win.

Summary

- Strong 2005 results reflect continuing momentum of underlying business
- Encouraging start to 2006
- Excellent start of Paris office with announcements of further developments to follow shortly