

Chairman

2012 was the best year in the Company's trading history.

As David Kershaw and Jamie Hewitt report later, turnover was up, headline profits were up, margins were up and, importantly for all shareholders, the dividend was up.

The Board would like to pay tribute to all our partners round the world for these achievements. They have brought the strategy of New Business and New Businesses to life in the most remarkable way.

The Australian office won the Commonwealth Bank with a powerful and imaginative campaign. Sport & Entertainment opened offices in South Africa and Germany. The network was enlarged with the establishment of offices in Stockholm, Abu Dhabi and Singapore. The New York office was also revitalised with the arrival of a high-profile new management team.

Our Brutal Simplicity of Thought book was published in four more languages, bringing the total to seven.

Few things give the founders of the Company more satisfaction than seeing the strategy laid down at its formation operating so effectively. The idea, in a nutshell, is that men and women work better if they are masters and mistresses of their destiny i.e. where they own meaningful equity in the business, they work harder, work better and enjoy it more.

To keep doing this we have to keep creating companies where they can exercise the entrepreneurial spirit.

So for example, the original founder/managers of the company's highly successful Customer Relationship Marketing division, LIDA, long ago exchanged their 20% of LIDA shares into PLC shares. That was their right and their reward for creating a hugely valuable entity. They now have a tradable asset for their efforts. The new generation of management must be equally driven, so their opportunity comes with the right to own shares in overseas expansion of the LIDA brand and the creation of subsidiaries which will enlarge and enhance the LIDA offering for clients.

It is the Board's ambition that, one day, we will open companies at the rate that our competitors buy them. Rather than seeing joining M&C Saatchi as a way to exit, we want talent to see M&C Saatchi as a way to grow and grow their business.

This puts the Company's emphasis on organic growth.

Last year's figure of 11.7% organic growth compares favourably with Omnicom at 4.0%, WPP at 2.9%, Publicis at 2.9%, and Interpublic at 0.7%

The company's rate of organic growth is 4.5 times the average for the big four.

It must be admitted, it is easier for us to grow by 11% than it is for our larger competitors. We start from a much smaller base.

But that leaves our management with a much more rewarding and potentially more exciting future.

JEREMY SINCLAIR

