

## **1998 Quarterly Trading Update**

**19/10/1998**

### **Third Quarter Revenues Up 15% In Constant Currencies And Up Almost 14% In The First Nine Months**

### **Operating Margins On Plan To Improve By 1% In 1999**

#### Revenue growth

In constant currencies, third quarter revenues rose by 15% and gross profit by over 16%. Acquisitions accounted for nearly 6% of this growth. In the first nine months of the year, in constant currencies, revenues rose by almost 14% and gross profit by over 15% with acquisitions accounting for nearly 6%.

The strength of sterling, principally against the US dollar and major European currencies, continues to have an impact with reportable revenues up by over 11% in the third quarter and over 9% in the first nine months of the year. However, these currency movements only have a translation impact, as there is no cross-border trading.

As shown in the Appendix, on a constant currency basis, revenue growth in the third quarter by region was similar to the pattern in the first half of the year with strong growth in North America, the UK and Continental Europe off-setting difficulties in parts of Asia Pacific and Latin America. In North America, revenues were up over 14%. In Europe, the UK was up over 17% and Continental Europe up over 25%. Growth in Asia Pacific, Latin America, Africa and Middle East was up over 5%.

By function, in the third quarter information and consultancy was up over 31%, public relations and public affairs up over 20%, advertising up almost 13% and specialist communications up over 6% (gross margin up over 12%).

Net new business billings of £330 million (\$545 million) were won during the third quarter making a total of £1.13 billion (\$1.87 billion) for the first nine months of the year. This compares to £178 million (\$290 million) for the comparable quarter last year and £878 million (\$1.43 billion) for the first nine months of 1997.

#### Current trading

For the first nine months of 1998, the Group was in line with budget and ahead of last year. Operating margins continued to rise in line with the Group's objective of an improvement of 1% per annum. Growth in the US, the UK and Continental Europe compensated for the difficulties in Asia Pacific and Latin America.

#### Balance sheet and cashflow

The Group continued its strategy of using free cashflow to enhance shareowner value through a combination of share purchases and strategic acquisitions. The Group purchased 8 million shares during the third quarter at an average price of £3.40 bringing the total spent so far this year to £47 million - in line with the target of £50 million for the year as a whole. In addition, in the third quarter, the Group completed

acquisitions in advertising in Central America, Japan, Spain, Sweden and Turkey; in information and consultancy in 14 countries in Europe and the US; and in specialist communications – in healthcare in the UK, in promotions in France and in food and food service marketing in the US.

The Group continues to maintain a strong balance sheet. Average net debt in constant currency was £143 million in the first nine months of the year against £136 million in the comparative period last year with interest cover of over seven times. This is despite share purchases and acquisition payments totalling £167 million over the last twelve months.

#### Future objectives

The Group continues to focus on its key objectives of improving operating profits and margins, increasing cost flexibility (particularly in the areas of staff and property costs), using free cashflow to enhance shareowner value, continuing to develop the role of the parent company in adding value to our clients and people, developing our portfolio in high revenue growth geographic and functional areas and improving the creative quality of all of our businesses.

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## Appendix: Revenue and revenue growth by region and sector

### 3 months ended September 30, 1998

	Revenue 1998	Revenue 1997	Growth reported 98/97 %	Constant currency growth (1) 98/97 %
Region	£m	£m		
North America	203.4	181.4	12.1	14.5
United Kingdom	98.3	83.9	17.2	17.2
Continental Europe	88.2	70.6	24.9	25.1
Asia Pacific, Latin America, Africa, Middle East	81.1	88	-7.8	5.1
<b>Total Group</b>	<b>471</b>	<b>423.9</b>	<b>11.1</b>	<b>15</b>

	Revenue 1998	Revenue 1997	Growth reported 98/97 %	Constant currency growth (1) 98/97 %
Services Sector	£m	£m		
Advertising, Media Planning, Buying & Research	225.2	209.1	7.7	12.8
Information & Consultancy	97.5	76.6	27.3	31.1
Public Relations & Public Affairs (2)	34.2	29.2	17.1	20.6
<b>Specialist Communications</b>	<b>114.1</b>	<b>109</b>	<b>4.7</b>	<b>6.2</b>
<b>Total Group</b>				

1 - Constant currency revenue growth excludes the effect of currency movements.

2 - The revenue figures submitted to the O'Dwyer Report reflect some public relations income which is included here in advertising and specialist communications. Total public relations and public affairs revenues grew 23% to \$74m in the third quarter.

## 9 months ended September 30, 1998

	Revenue 1998	Revenue 1997	Growth reported 98/97 %	Constant currency growth (1) 98/97 %
	£m	£m		
North America	587.9	538.7	9.1	10.8
United Kingdom	285.6	240.7	18.7	18.7
Continental Europe	262.9	229.5	14.6	20.9
Asia Pacific, Latin America, Africa, Middle East	234.5	245.6	-4.5	8.4
<b>Total Group</b>	<b>1,370.90</b>	<b>1,254.50</b>	<b>9.3</b>	<b>13.7</b>

	Revenue 1998	Revenue 1997	Growth reported 98/97 %	Constant currency growth (1) 98/97 %
	£m	£m		
Marketing Services Sector				
Advertising, Media Planning, Buying & Research	675.6	650	3.9	9.8
Information & Consultancy	260.8	215	21.3	25.3
Public Relations & Public Affairs (2)	98.9	83.7	18.2	21.8
Specialist Communications	335.6	305.8	9.7	11.6
<b>Total Group</b>	<b>1,370.90</b>	<b>1,254.50</b>	<b>9.3</b>	<b>13.7</b>

1 - Constant currency revenue growth excludes the effect of currency movements.

2 - The revenue figures submitted to the O'Dwyer Report reflect some public relations income that is included here in advertising and specialist communications. Total public relations and public affairs revenues grew 22% to \$204m in the nine months to September