

QUARTERLY TRADING UPDATE

FIRST QUARTER REVENUES UP 10% IN CONSTANT CURRENCIES

OPERATING MARGINS ON TARGET TO IMPROVE BY 0.6% IN 1999

Revenue growth

In constant currencies, first quarter revenues rose by 10%. As sterling weakened, principally against the dollar, reportable revenues were up by over 11%.

As shown in the Appendix to this release, on a constant currency basis, the geographical pattern of revenue growth varied in the first quarter. In North America, revenues were up 14%. In Europe, the U.K. was up almost 12% and Continental Europe was up over 10%. Asia Pacific, Latin America, Africa, and the Middle East was down 2% reflecting difficult trading conditions particularly in Latin America.

By function, advertising, media planning, buying and research was up almost 5%, information and consultancy was up over 18%, public relations and public affairs up almost 23% and specialist communications up almost 11%.

Net new business billings of £447 million (\$738 million) were won during the first quarter. This compares to £403 million (\$644 million) for the comparable quarter last year. The Group continues to benefit from consolidation trends in the industry winning several large assignments from existing and new clients.

Current trading

For the first quarter, the Group was on budget and significantly ahead of last year. The budget and first quarter performance indicates that the Group will achieve its objective of a further 0.6% improvement in reported operating margins (including income from associates) from 12.8% to 13.4%.

Balance sheet and cashflow

The Group continues to implement its strategy of using free cashflow to enhance shareowner value through a combination of strategic acquisitions and share purchases.

In the first quarter of 1999 the Group completed acquisitions in advertising in Argentina; in media planning, buying and research in Sweden; in public relations and public affairs in the United States and in specialist communications – in direct in the United States, in sector marketing in the United States, in promotion and relationship marketing in Europe and in media and technology services in Europe.

270,000 WPP shares were purchased during the first quarter at an average price of £4.88p and total cost of over £1 million. The rolling buy-back programme continues at a target level of £50 million per annum, equivalent to approximately 1% of the current market capitalisation.

Average net debt rose during the first quarter to £126 million from £83 million in constant currencies, reflecting the £185 million spent on acquisitions and share purchases in the previous twelve months. Free cashflow over the same period was £133 million.

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 our creative quality and capabilities.

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Appendix: Revenue and revenue growth by region and sector

3 months ending March 31, 1999

Region	1999 £m	1998 £m	Revenue Growth Reported 99/98 %	Constant currency growth ¹ 99/98 %
North America	212.9	186.2	14.3	13.6
United Kingdom	94.5	84.6	11.7	11.7
Continental Europe	91.5	79.5	15.1	10.2
Asia Pacific, Latin America, Africa, Middle East	66.9	68.4	-2.2	-2.5
Total Group	<u>465.8</u>	<u>418.7</u>	<u>11.2</u>	<u>9.9</u>
Sector	1999 £m	1998 £m	Revenue Growth Reported 99/98 %	Constant currency growth ¹ 99/98 %
Advertising, Media Planning, Buying & Research	219.5	206.2	6.5	4.7
Information & Consultancy	89.1	75.1	18.7	18.2
Public Relations & Public Affairs ²	37.4	30.2	23.8	22.8
Specialist Communications	119.8	107.2	11.7	10.6
Total Group	<u>465.8</u>	<u>418.7</u>	<u>11.2</u>	<u>9.9</u>

¹ Constant currency growth excludes the effects 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 by over 26% to \$75m in the three months to March.