Annual General Meeting: Trading Update
28 June 1999

The following statement was issued by the Chairman at the Company's 27th Annual General Meeting held at 12.00 noon today:

'First, a few comments on current trading over the first five months of 1999.

Worldwide revenues were up by almost 11% on a constant currency basis. Sterling weakened slightly principally against the dollar and as a result, reportable revenues were up over 12%. On a constant currency basis, a stronger revenue performance than the average was registered in North America at over 14%. The United Kingdom grew by over 13%, Continental Europe by over 12%. Asia Pacific, Latin America, Africa and the Middle East continued to be affected by economic uncertainty falling by over 2% (excluding the impact of a Group deconsolidation, like-for-like revenues were flat).

By sector:
Information and consultancy were up by almost 18%, public relations and public affairs up by almost 26% and branding and identity, healthcare and specialist communications - up by over 15% - grew more than the average, with advertising, media planning, buying and research growing by almost 4%.

By company:
Combined revenues of J Walter Thompson Company, Ogilvy & Mather Worldwide (including OgilvyOne Worldwide) Conquest and MindShare were up by 5%.

Our Kantar information and consultancy companies – Research International, Millward Brown, Kantar Media Research, Goldfarb Consultants and Winona Group – had a good start to the year with revenues up by almost 18%.

Hill and Knowlton - with revenues up over 15% - and Ogilvy Public Relations Worldwide - with revenues up over two thirds - saw excellent progress.

Our branding and identity, healthcare and specialist communications activities, which are concentrated in the United States and the United Kingdom, performed well.

Companies that contributed strongly were: in branding, identity and corporate consultancy, Enterprise IG in the UK, BDG/McColl and Walker Group/CNI; in direct, promotional and relationship marketing, Mando Marketing, OgilvyOne Worldwide and RTCdirect; in strategic marketing consultancy, Management Ventures; in healthcare, HLS; and in media and technology services, Savatar.

The Group as a whole is well ahead of last year and operating margins are improving in line with our objectives.

The Company continues to make significant progress in winning new business from existing and new clients, with major assignments, amongst others, from UDV, NTL, Kimberly-Clark, Qwest, Bermuda Department of Tourism, Ford, IBM, Office of National Drug Control, Wind, Britvic-Pepsi, Gulf Air, KFC International, FedEx and Nestlé.

Trading margins continued to improve in the first five months in line with the Group’s business plan which calls for an increase in operating margins of at least 0.6% in 1999, and a further 0.6% by the year 2000. Productivity increased as average staff levels, on a like-for-like basis, rose by 3% to 26,813 in the first five months of 1999 compared to 26,012 in 1998.

The Group's financial strategy continues to be focused on four objectives: increasing operating profit by 15 - 20% per annum; increasing operating margins by 0.6% or more per annum depending on the level of revenue growth; reducing staff cost to revenue ratios by 0.3% per annum or more again depending on the level of revenue growth; and finally converting 20 – 33 1/3% of incremental revenue to profit whilst growing revenues at or above industry growth rates.

Currently surplus cash flow amounts to approximately £200million per annum. Alternatives for the use of this cash flow are capital expenditure, acquisitions, dividends and share buy-backs. Capital expenditure, mainly on information technology and Y2K issues continues above depreciation.

The company continues to make small to medium-sized acquisitions or investments in high growth geographical or functional areas. These are concentrated geographically in the United States, Europe and Latin America, and functionally in advertising; media planning, buying and research; information and consultancy; public relations and public affairs; direct, promotional and relationship marketing; sector marketing; and branding identity and corporate consultancy. In addition, we seek to strengthen our geographic market positions in countries such as France and Germany.

Your Board also continues to focus on the options of increasing the dividend pay-out ratio and share buy-backs, and has continued a rolling share repurchase programme aimed at buying in £50 million or approximately 1-2% of the outstanding share capital each year. So far this year this has resulted in the cancellation or purchase of approximately 470,000 shares at a total cost of £2.3 million and an average cost of £4.94 per share.

Professionally the parent company’s two objectives continue to be to encourage greater co-ordination and co-operation between Group companies where this will benefit our clients and our people and to improve our creative product. As both multi-national and national clients seek to expand geographically while at the same time seeking greater efficiencies, the Group is uniquely placed to deliver added value to clients with its coherent spread of functional and geographic activities.

To these ends we continue to develop our parent company talents in five areas: in human resources, with innovative recruitment programmes, training and career development, and incentive planning; in property, which includes radical re-design of the space we use to improve communication as well as the more mundane utilisation of surplus property; in procurement, to ensure we are using the Group's considerable buying power to the benefit of our clients; in information technology, to ensure that the rapid improvements in technology and capacity are deployed as quickly and effectively as possible; and finally in practice development where cross-brand or cross-tribe approaches are being developed in a number of product or service areas: media planning, buying and research, healthcare, new technologies, new markets, privatisation, internal communications, retailing, financial services, entertainment and media and hi-tech.

In addition, we seek to improve our creative product, in as broadly a defined sense as possible, by recruiting excellent outside talent, acquiring outstanding creative businesses, recognising and celebrating creative success and pursuing creative awards.

Our business depends crucially on the quality of our people’s talent and their imagination. On behalf of both the Board and our share owners, I would like to thank our people, yet again, for their commitment and hard work. The continuous improvements in revenues, margins, earnings per share and cash flow are merely reflections of their successes and achievements.'

Further information

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