WPP | Quarterly Trading Update

- **Reported billings up 8.3% at £11.922 billion and up 6.7% in constant currency**
- **Reported revenue up 10.5% at £3.076 billion, up 4.6% at $4.402 billion, up 6.3% at €3.989 billion and up 0.9% to ¥506.611 billion, reflecting volatile foreign exchange rates**
- **Constant currency revenue up 9.0%, like-for-like revenue up 5.1%**
- **Constant currency net sales up 6.7%, like-for-like net sales up 3.2%**
- **First quarter revenue, net sales and profit well above budget and ahead of last year**
- **Share buy-backs of £62 million, representing 3.9 million shares or 0.3% of the issued share capital purchased in first quarter**
- **Constant currency net debt at 31 March 2016 up £701 million on same date in 2015, with average net debt in first quarter of 2016 up by £767 million over same period in 2015, reflecting strong acquisition and buy-back activities**
- **Recent new business activity and net new business wins continue, chiefly reflecting the Company's success in the recent United States media "tsunami" and its strategic emphasis on technology, data and content, in addition to talent and pricing**

Quarter 1 highlights

- **Revenue growth of 10.5%,** with constant currency growth of 9.0%, like-for-like growth of 5.1%, 3.9% growth from acquisitions and 1.5% from currency, reflecting the weakness of sterling against the US dollar and the euro
- **Net sales growth of 8.1%** in sterling (up 2.2% in dollars, up 4.0% in euros and down 1.3% in yen), with constant currency growth of 6.7%, like-for-like growth of 3.2%, 3.5% growth from acquisitions and 1.4% from currency
- **Like-for-like revenue growth in all regions and business sectors,** characterised by particularly strong growth geographically in the United States, strong growth in the United Kingdom and Western Continental Europe and functionally in advertising and media investment management and sub-sectors direct, digital and interactive
- **Like-for-like net sales growth of 3.2%,** with all regions and sectors, except data investment management (which was flat), showing growth. The difference compared to revenue growth is similar to the first quarter of 2015, reflecting the scale of digital media purchases in media investment management and data investment management direct costs
- **Constant currency average net debt in the first quarter increased by £767million** to £3.689 billion compared to the same period in 2015. This continued to reflect significant incremental net acquisition spend and dividends of £493 million in the twelve months to 31 March 2016, compared with the previous twelve months, more than offsetting the improvements in working capital seen in the second half and final quarter of last year
- **Net new business of $1.779 billion in the first quarter,** compared to $1.0 billion in the first quarter last year, with the Group continuing to lead net new business league tables.

Current trading and outlook

- **FY 2016 quarter 1 preliminary revised forecasts** | Similar to budget, with like-for-like revenue and net sales growth up over 3% and a headline net sales margin target of 0.3 margin points improvement on a constant currency basis
- **Dual focus in 2016** | 1. Stronger than competitor revenue and net sales growth due to leading position in faster growing geographic markets and digital, premier parent company creative and effectiveness position, new business, horizontality and strategically targeted acquisitions; 2. Continued emphasis on balancing revenue and net sales growth with headcount increases and improvement in staff costs/net sales ratio to enhance operating margins
- **Long-term targets** | Above industry revenue and net sales growth due to geographically superior position in new markets and functional strength in new media and data investment management, including data analytics and the application of new technology, data and content; improvement in staff costs/net sales ratio of 0.2% per annum or more depending on net sales growth; net sales operating margin expansion of 0.3% margin points or more on a constant currency basis, with an ultimate goal of almost 20%; and headline diluted EPS growth of 10% to 15% per annum from revenue growth, margin expansion, strategically targeted small and medium-sized acquisitions and share buy-backs

Review of quarter one

Revenue and net sales

In the first quarter of 2016, reported revenue was up 10.5% at £3.076 billion. Revenue in constant currency was up 9.0%, reflecting the slight currency tailwinds in the first quarter, principally reflecting the weakness of sterling against the US dollar and the euro. On a like-for-like basis, excluding the impact of acquisitions and currency fluctuations, revenue was up 5.1%. Reported net sales were up 8.1%, up 6.7% in constant currency and up 3.2% like-for-like. As outlined in the Preliminary Announcements for the last few years, due to the increasing scale of digital media purchases within the Group's media investment management businesses and of direct costs in data investment management, net sales is the more meaningful and accurate reflection of top line growth, although currently none of our competitors report net sales. The differences are shown below in a table that compares the Company's like-for-like revenue and net sales against our direct competitors' like-for-like revenue only performance over the last two years.

	WPP Revenue	WPP Net Sales	OMC Revenue	Pub Revenue	IPG Revenue	Havas Revenue
Revenue (local 'm)	£3,076	£2,616	$3,499	€2,291	$1,742	€506
Revenue ($'m)	4,402	3,743	3,499	2,527	1,742	558
Growth Rates (%)	5.1	3.2	3.8	2.9	6.7	3.4
Quarterly like-for-like growth%*						
Q1/15	5.2	2.5	5.1	0.9	5.7	7.1
Q2/15	4.5	2.1	5.3	1.4	6.7	5.5
Q3/15	4.6	3.3	6.1	0.7	7.1	5.5
Q4/15	6.7	4.9	4.8	2.8	5.2	3.1
Q1/16	5.1	3.2	3.8	2.9	6.7	3.4
2 Years cumulative like-for-like growth %						
Q1/15	12.2	6.3	9.4	4.2	12.3	10.1
Q2/15	14.7	6.5	11.1	1.9	11.4	13.4
Q3/15	12.2	6.3	12.6	1.7	13.4	11.5
Q4/15	14.5	7.0	10.7	6.0	10.0	6.6
Q1/16	10.3	5.7	8.9	3.8	12.4	10.5

* The above like-for-like/organic revenue figures are extracted from the published quarterly trading statements issued by Omincom Group ("OMC"), Publicis Groupe ("PUB"), Interpublic Group ("IPG") and HAVAS ("Havas")

As a result, tables and commentary in this report give both revenue and net sales data.

The pattern of net sales growth in 2016 has started similarly to the final quarter of 2015, with both constant currency and like-for-like growth showing continuing improvement across all geographies and sectors, except data investment management. On a like-for-like basis, advertising and media investment management and branding & identity, healthcare and specialist communications (including direct, digital and interactive), were the strongest sectors, as they were in the first quarter of 2015. Public relations & public affairs was slower than the final quarter of 2015, which was the strongest quarter last year for this sector. Our budgets for 2016 indicated like-for-like revenue growth of well over 3% and net sales growth of over 3%. For the first three months actual performance was ahead of budget, due to the stronger than budgeted performance in the Group's data investment management, public relations and public affairs and specialist communications (including direct, digital and interactive) businesses. A preliminary look at our quarter one revised forecasts for the full year, again, indicates revenue growth up well over 3% and net sales growth up over 3%.

Regional review

The pattern of revenue and net sales growth differed regionally. The tables below give details of revenue and net sales, revenue and net sales growth by region for the first quarter of 2016, as well as the proportion of Group revenue and net sales by region;

Revenue analysis

£ million	**2016**	Δ reported	Δ constant[1]	Δ LFL[2]	% group	**2015**	% group
N. America	1,191	14.9%	9.2%	6.9%	38.7%	1,036	37.3%
United Kingdom	451	8.2%	8.2%	4.7%	14.7%	417	15.0%
W. Cont. Europe	616	12.8%	9.2%	4.4%	20.0%	547	19.6%
AP, LA, AME, CEE[3]	818	4.4%	9.0%	3.4%	26.6%	783	28.1%
Total Group	**3,076**	**10.5%**	**9.0%**	**5.1%**	**100.0%**	**2,783**	**100.0%**

Net sales analysis

£ million	**2016**	Δ reported	Δ constant	Δ LFL	% group	**2015**	% group
N. America	1,019	11.4%	5.8%	3.9%	39.0%	915	37.8%
United Kingdom	375	7.1%	7.1%	3.2%	14.3%	350	14.5%
W. Cont. Europe	508	9.8%	6.5%	2.3%	19.4%	462	19.1%
AP, LA, AME, CEE	714	3.2%	7.9%	3.0%	27.3%	692	28.6%
Total Group	**2,616**	**8.1%**	**6.7%**	**3.2%**	**100.0%**	**2,419**	**100.0%**

North America, with like-for-like revenue and net sales growth up 6.9% and 3.9% respectively, was the strongest performing region, and significantly stronger than the first quarter of last year. Constant currency revenue was up 9.2% with net sales up 5.8% on the same basis, was also significantly stronger than the first quarter of 2015, with media investment management and direct, digital and interactive performing particularly well.

The **United Kingdom,** with constant currency revenue growth of 8.2%, was weaker than the first quarter of 2015, but stronger than the second half and final quarter of last year. Like-for-like

[1] Percentage change at constant currency exchange rates
[2] Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals
[3] Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe

revenue growth was 4.7%, lower than the first quarter of 2015 but well ahead of the full year. Net sales followed a similar pattern, with constant currency growth of 7.1%, weaker than the first quarter of 2015, but stronger than the second half and final quarter of last year, with like-for-like growth of 3.2%, also stronger than the full year. The Group's advertising and media investment management, public relations and public affairs, branding & identity and specialist communications businesses performed strongly, partly offset by a little pressure on data investment management, healthcare and direct, digital and interactive.

Western Continental Europe, constant currency revenue was up 9.2%, with like-for-like up 4.4%, similar to the final quarter and full year 2015 and stronger than the first quarter. Constant currency net sales were up 6.5% with like-for-like up 2.3%, slightly weaker than the final quarter and full year 2015. All markets, except Italy, the Netherlands, Norway and Greece grew, with Germany, Scandinavia, Turkey and Ireland growing well above the average.

Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, constant currency revenue was up 9.0%, similar to the final two quarters of last year, although not quite as strong as the first quarter. Like-for-like revenue was up 3.4%, the same rate of growth as the first nine months of 2015, but weaker than the final quarter. Net sales grew 7.9% in constant currency and 3.0% like-for-like, in line with the full year growth seen in 2015. In Asia Pacific, all markets, except Greater China and Korea, grew strongly. In Mainland China, parts of the Group's advertising and media investment management and data investment management sectors came under pressure, against strong like-for-like comparatives of 9.2% revenue growth and 7.0% net sales growth last year. In India, the Group's second largest market in the region, net sales were up over 11%, even higher than the 10% achieved in the first quarter of last year. **Africa** also showed strong growth, with like-for-like net sales up well over 4%, with the **Middle East** and **Central & Eastern Europe** both up less than the Group average, as Dubai and Russia were weaker. In the **BRICs**[4], like-for-like net sales growth was lower as Brazil, Russia and China slowed.

Latin America was slower in the first quarter than the final quarter of 2015, although like-for-like net sales grew almost 4%, despite the difficulties in Brazil, with all markets except, Brazil, Chile and Peru growing strongly. However, growth in the **Next 11**[5] and **CIVETS**[6] was over 10% for both, on the same basis, indicating the resilience of the smaller faster growth markets.

In the first quarter of 2016, the seasonally smallest quarter for faster growth markets, 27.3% of the Group's reported net sales came from Asia Pacific, Latin America, Africa and the Middle East and Central & Eastern Europe. This compares with 28.6% in the first quarter of 2015. The reduction was primarily due to the impact of both the lower rate of growth seen in the major faster growth markets than that seen in the mature Western markets in the first quarter, and the weakness of most faster growth market currencies. This performance in the first quarter compares with the Group's strategic objective of 40-45% in the next five years.

Business sector review

The pattern of revenue and net sales growth also varied by communications services sector and operating brand. The tables below give details of revenue and net sales, revenue and net sales growth by communications services sector for the first quarter of 2016, as well as the proportion of Group revenue and net sales by those sectors;

[4] Brazil, Russia, India and China, which accounted for over $500 million revenue, including associates, in the first quarter

[5] Bangladesh, Egypt, Indonesia, South Korea, Mexico, Nigeria, Pakistan, Philippines, Vietnam and Turkey (the Group has no operations in Iran), which accounted for almost $230 million revenue, including associates, in the first quarter

[6] Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa, which accounted for over $210 million revenue, including associates, in the first quarter

Revenue analysis

£ million	2016	Δ reported	Δ constant[7]	Δ LFL[8]	% group	2015	% group
AMIM[9]	1,387	12.2%	11.0%	7.9%	45.1%	1,236	44.4%
Data Inv. Mgt.	592	6.1%	5.0%	0.5%	19.2%	558	20.1%
PR & PA[10]	239	6.9%	4.0%	2.3%	7.8%	224	8.0%
BI, HC & SC[11]	858	12.2%	10.0%	4.7%	27.9%	765	27.5%
Total Group	**3,076**	**10.5%**	**9.0%**	**5.1%**	**100.0%**	**2,783**	**100.0%**

Net sales analysis

£ million	2016	Δ reported	Δ constant	Δ LFL	% group	2015	% group
AMIM	1,122	5.7%	5.0%	3.4%	42.9%	1,061	43.8%
Data Inv. Mgt.	433	6.2%	5.1%	-0.1%	16.5%	407	16.8%
PR & PA	234	6.8%	4.0%	2.3%	9.0%	219	9.1%
BI, HC & SC	827	13.0%	10.9%	5.2%	31.6%	732	30.3%
Total Group	**2,616**	**8.1%**	**6.7%**	**3.2%**	**100.0%**	**2,419**	**100.0%**

In the first quarter of 2016, over 38% of the Group's revenue came from direct, digital and interactive, up over 1.0 percentage point from the previous year and very close to the Group's strategic objective of 40-45% in the next five years. Digital revenue across the Group was up well over 13% in constant currency and over 8% like-for-like.

Advertising and Media Investment Management

In constant currencies, advertising and media investment management revenue grew by 11.0% with like-for-like growth of 7.9%, the strongest performing sector. On the same bases, net sales grew 5.0% and 3.4% respectively. The Group's advertising businesses grew in North America and Asia Pacific in the first quarter, with particularly strong like-for-like net sales growth at J. Walter Thompson Worldwide and Grey in both these regions. However, the Group's advertising businesses remain challenged in the mature markets, particularly Western Continental Europe, where some of the restructuring costs incurred in recent years were directed. Growth in the Group's media investment management businesses has been consistently strong over the last three years and this has continued into the first quarter of 2016, with constant currency revenue and net sales growth both up strongly.

The Group gained a total of £1.148 billion ($1.779 billion) in net new business wins (including all losses) in the first quarter, compared to £624 million ($1.0 billion) in the same period last year. Of this, J. Walter Thompson Company, Ogilvy & Mather, Y&R and Grey generated net new business billings of £354 million ($548 million). Also, of the Group total, GroupM, the Group's media investment management company, which includes Mindshare, MEC, MediaCom, Maxus, GroupM Search, Xaxis and now Essence, together with tenthavenue, generated net new business billings of £551 million ($854 million), compared to £264 million ($422 million) in the same period last year.

The investigations surrounding the recent events at J. Walter Thompson Company are being finalised. Immediate action has been taken. The former CEO, Gustavo Martinez, stepped down by mutual consent. Tamara Ingram was appointed as the new CEO.

Specific policies are being tightened and training programmes are being enhanced in the areas of gender, race, diversity and sensitivity, including unconscious bias, both for men and women.

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7 Percentage change at constant currency exchange rates
8 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals
9 Advertising, Media Investment Management
10 Public Relations & Public Affairs
11 Branding and Identity, Healthcare and Specialist Communications

Although it is acknowledged by some that our industry is a little better than some others, diversity remains a key issue with most, if not all, of the major holding companies, at least historically.

Data Investment Management

On a constant currency basis, data investment management revenue grew 5.0%, principally due to the acquisition of a controlling interest in IBOPE in Latin America in 2015, with like-for-like revenue up 0.5%. Net sales growth was similar, with growth in constant currency up 5.1%, but down microscopically 0.1% like-for-like. In Continental Europe, Latin America and Africa & the Middle East, like-for-like revenue and net sales were up strongly, with North America, the United Kingdom and Asia Pacific more difficult.

Public Relations and Public Affairs

In constant currencies, public relations and public affairs both revenue and net sales were up 4.0% and up 2.3% like-for-like, a slower rate of growth than the final quarter of 2015, but significantly stronger than the first quarter of last year. All regions, except North America, were up, with particularly strong growth in the United Kingdom, Asia Pacific and Africa & the Middle East. Cohn & Wolfe performed strongly, especially in the United States, driven by consumer and healthcare spending, together with the specialist public relations and public affairs businesses, Finsbury and Ogilvy Public Relations.

Branding and Identity, Healthcare and Specialist Communications

In constant currencies, at the Group's branding and identity, healthcare and specialist communications businesses (including direct, digital and interactive), net sales growth was up strongly at 10.9%, with like-for-like growth of 5.2%, the strongest performing sector. All of the Group's businesses in this sector, except healthcare, grew in the first quarter, with particularly strong growth in the Group's direct, digital and interactive and specialist communications businesses.

Operating profitability

In the first quarter, on a constant currency basis, revenue, net sales and profits were well ahead of budget and ahead of last year. Increased severance costs were offset by reduced incentive accruals, when compared with the first quarter of last year.

We are in the process of reviewing our quarter one preliminary revised forecasts, but early indications are that full year like-for-like revenue will be up well over 3% and net sales growth will be up over 3%, with a stronger second half.

The number of people in the Group, on a proforma basis excluding associates, was up slightly at 31 March 2016 to 129,410, as compared to 129,315 on 31 March 2015, against an increase in revenue on the same basis of 5.1% and net sales of 3.2%. This reflected, in part, the transfer of approximately 250 people to IBM in February and March 2016, as part of the extension of the strategic partnership agreement and IT transformation programme. This follows the transfer of 1,445 staff to IBM in February and March 2015, making a total of 1,695 people since February last year. Similarly, the average number of people in the Group in the first quarter of this year was down slightly to 129,247 compared to 129,329 for the same period last year. Since 1 January 2016, on a like-for-like basis, the number of people in the Group has increased marginally to 129,410 at 31 March 2016 from 129,352 at the start of this year, reflecting continued caution by the Group's operating companies in hiring and the usual seasonality of a relatively smaller first quarter in comparison to all other quarters. As noted above, the preliminary quarter one revised forecast indicates a similar improvement in revenue and net sales, whilst forecast headcount at the end of the year remains well balanced.

Balance sheet highlights

The Group continues to implement its strategy of using free cash flow to enhance share owner value through a balanced combination of capital expenditure, acquisitions, share repurchases and dividends. In the twelve months to 31 March 2016, the Group's free cash flow was over £1.2 billion (almost $1.9 billion). Over the same period, acquisitions, share repurchases and dividends was £1.862 billion (over $2.8 billion).

During the quarter, 3.9 million shares, or 0.3% of the issued share capital, were purchased at a cost of £62 million and an average price of £15.81, 0.9 million shares being held as Treasury stock and 3.0 million shares held by the ESOP Trusts.

Average net debt in the first quarter of 2016 was £3.689 billion, compared to £2.922 billion in 2015, at 2016 exchange rates, an increase of £767 million. Net debt at 31 March 2016 was £4.125 billion, compared to £3.424 billion in 2015 (at 2016 exchange rates), an increase of £701 million. The increased average and period end debt figures, reflect both the significant incremental net acquisition spend of £407 million and incremental dividends of £86 million in the twelve months to 31 March 2016, compared with the previous twelve months, more than offsetting the improvements in working capital. The net debt figure of £4.125 billion at 31 March, compares with a market capitalisation of approximately £20.905 billion, giving an enterprise value of £25.030 billion.

As outlined in the 2015 Preliminary Announcement, the achievement of the previous targeted pay-out ratio of 45% one year ahead of schedule, raised the question of whether the pay-out ratio target should be increased further. Following that review, your Board decided to up the dividend pay-out ratio to a target of 50%, to be achieved by 2017, and, as a result, declared an increase of almost 37% in the 2015 interim dividend to 15.91p per share, representing a pay-out ratio of 47.5% for the first half, and an increase of 8.3% in the final dividend to 28.78p, giving an overall increase for the year of 17.0% and a dividend pay-out ratio of 47.7%. It now seems possible that the newly targeted pay-out ratio of 50% will be achieved by the end of 2016, one year ahead of schedule.

Acquisitions

In line with the Group's strategic focus on new markets, new media and data investment management, the Group completed 26 transactions in the first quarter; 8 acquisitions and investments were in new markets and 17 in quantitative and digital and 8 were driven by individual client or agency needs. Out of these transactions, 7 were in new markets and quantitative and digital.

Specifically, in the first quarter of 2016, acquisitions and increased equity stakes have been completed in **advertising and media investment management** in the United Kingdom; **data investment management** in the United States, Denmark and India; in **public relations and public affairs** in Canada, Switzerland and Brazil; in **direct, digital and interactive** in the United States, the United Kingdom, Germany, China, Singapore, South Korea, Brazil, Colombia and Mexico; **in healthcare** in the United States; **in sports marketing** in the United States.

On 4 April, shareholders of STW Communications Group Limited (STW) in Australia approved the merger with WPP, and as a result STW became a subsidiary of WPP on 8 April 2016. The new enlarged group, re-named WPP AUNZ, becomes the largest advertising and marketing services business in Australia and New Zealand and WPP's fifth largest market, with revenue of over $800 million.

Outlook

Macroeconomic and industry context

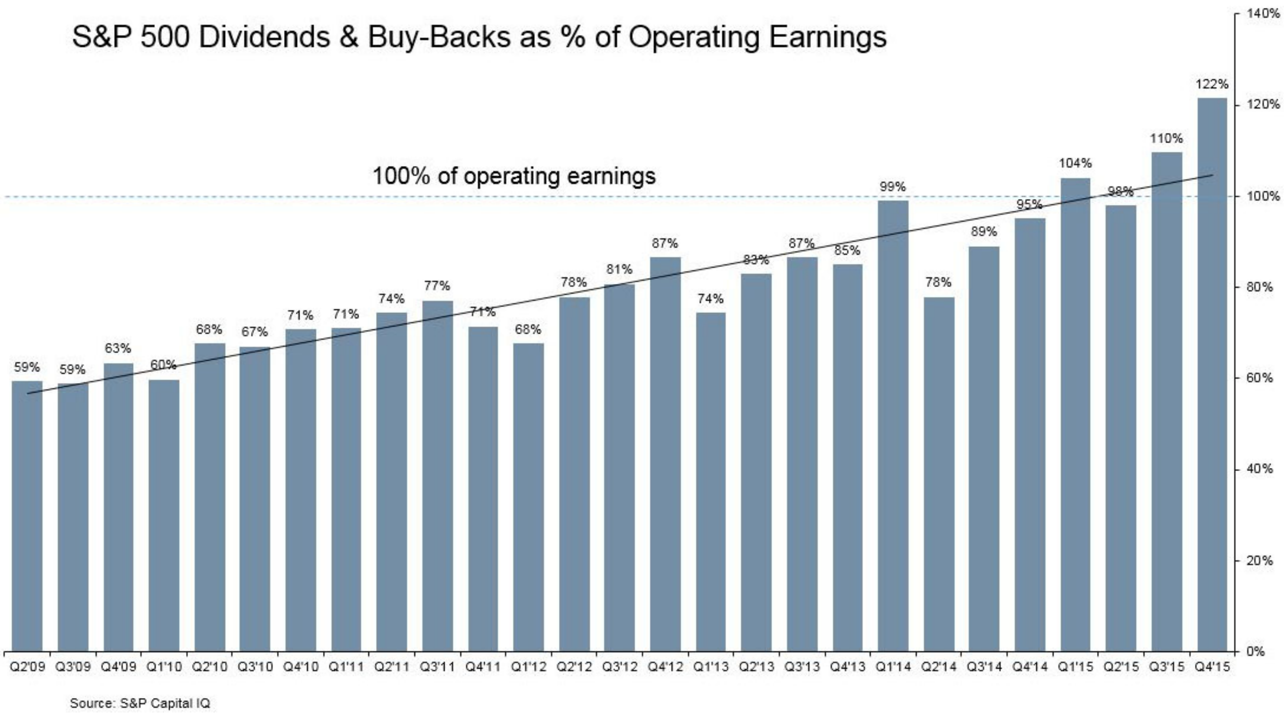
Despite these encouraging results in the first quarter of 2016 and good prospects for the rest of the year, together with record results in 2015, the Company's thirtieth year, following sequential record results from 2011 onwards, clients generally remain cautious. Worldwide real and nominal GDP growth seem stuck in a range of 3.0-3.5%, with little inflation, consequently little or no pricing power for clients and a resultant focus on costs to achieve profit targets. Procurement and finance remain the dominant functions for understandable reasons, with marketing taking a back seat. Whilst there seems limited likelihood of a worldwide recession, that is two quarters of negative GDP growth globally, there will be individual countries that go into recession, as Russia and Brazil already have. This pressure on the top line growth rates has intensified, as the previously faster growth BRICs markets have lost their shine, even though the Western markets of the United States and United Kingdom and some Western Continental European markets, like Germany, Spain and Italy have perked up.

If you are running a legacy business, as many of our clients are, you face disrupters like Uber and Airbnb at one end of the spectrum, zero-based cost budgeters like 3G and Coty at the other end, with seemingly short-term focused activist investors in the middle, like Nelson Peltz, Bill Ackman and Dan Loeb. There is, therefore, considerable pressure in the system. Moreover, the average managerial life expectancy of a United States CEO is currently 6-7 years, a CFO 5-6 years and a CMO two years, although the latter has improved from 18 months recently! This cocktail of difficult trends result, logically, in a short-term focus, reinforced by the needs of quarterly reporting and similarly focused, short-term, institutional investor measurement and incentives.

Neither do the geo-political grey swans (known unknowns) help, let alone the possibility of black swans (unknown unknowns). In the immediate future, we face the Brexit vote in the United Kingdom in June, where it is generally agreed by both sides that an "out" vote will result, at least in the short-term or mid-term, in GDP weakness in the United Kingdom, the EU and possibly globally, let alone further political and economic uncertainty in the United Kingdom around Scottish Independence and further disintegration of the EU. Not forgetting the still unresolved question of Grexit, which has recently re-emerged. Political concerns also remain around the Ukraine, as well as the Middle East and Africa, including the migrant crisis and continued risk of terrorism. Add to this the potential impact of the rise of populism at both ends of the political spectrum in the United States Presidential election in November. In the longer term, there are significant political and economic uncertainties surrounding three of the BRIC nations, Brazil, Russia and China, although we remain unabashed bulls on all three. However, all will take significant time to resolve, especially in the case of Russia. If all this was not enough, there are the continuing longer term fiscal deficit issues in the United States, the United Kingdom and EU that have to be dealt with, along with the impact of the inevitable reversal of US, Japanese and EU quantitative easing and low interest policies at some point in time, although just as with global GDP growth, interest rates are likely to stay lower, longer than people anticipate.

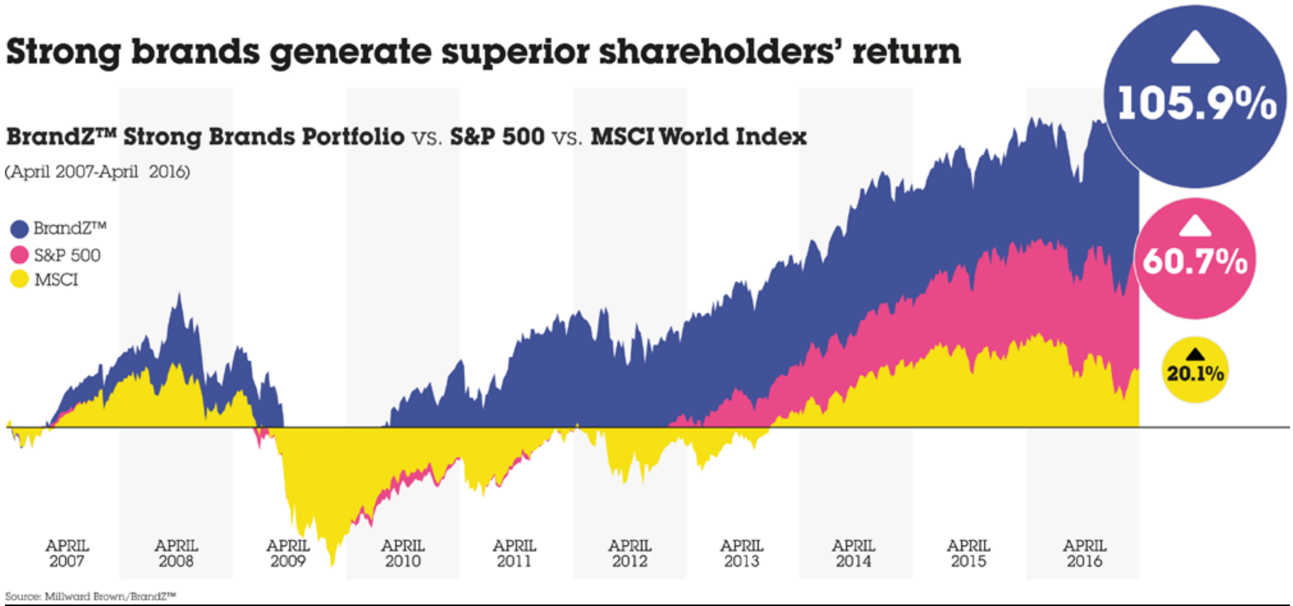
Having said all this, there are positives. Countries and opportunities like Indonesia, the Philippines, Vietnam, Egypt, Nigeria, Mexico, Colombia and Peru and recently a post-Macri Argentina add to confidence. In addition maybe Cuba and even Iran (despite the continuing effective impact of sanctions, especially on US citizens) will also improve the sentiment along with a continuing mild recovery in Western Continental Europe.

The impact of all this on corporates is clear. Multi-nationals are sitting on $7 trillion of net cash and relatively unleveraged balance sheets. Caution, understandably, prevails and as a result, companies, in a sense, may be shrinking. Take for example the S&P 500. If you think of them as one company, share buy-backs and dividends are starting to exceed retained earnings.



This chart clearly illustrates the conservatism that the current climate encourages, which has also had an impact on corporate investment as a proportion of GDP, which continues to decline, for example, in the United States. Corporate animal spirits are low. Interestingly, the companies that seem most expansive and willing to take risk are those that tend to offend good corporate governance, those that have controlled voting structures and consequently are prepared to take risks, without fear of failure and removal.

Needless to say, given what we do, we believe this approach to be a misguided one. There is a clear correlation between investment and innovation and long-term financial success. Take for example brand investment. If we and you had invested in the top ten brands in our annual BrandZ Top 100 Global Brands Financial Times survey over the last ten years, we would have outperformed the MSCI World Index by well over 400 per cent and the S&P 500 Index by almost 75%.



There is a clear correlation between investment in brands, top line like-for-like growth and total share owner return, through stock price appreciation. You cannot cost cut your way to long-term success. There is a finite limit to cutting costs, whilst there is no limit to top line growth, at least in theory, until you reach 100 per cent market share.

Despite this context, 2016's first quarter top line growth has been well above budget. Like-for-like revenue growth at 5.1%, was similar to the second half and full year of 2015, with all geographies and sectors showing positive growth. Net sales growth, on the same basis, was up 3.2%, not as strong as the final quarter of 2015, but pretty much in line with the full year growth of 3.3%. Our operating companies are still hiring cautiously and responding to any geographic, functional and client changes in revenue – positive or negative. On a constant currency basis, operating profit is well above budget and ahead of last year.

We see little reason, if any, for this pattern of behaviour to change in 2016, with continued caution being the watchword. There is certainly no evidence, based on 2015, to suggest any such change in behaviour, although one or two institutional investors, including, most notably, Blackrock, Legal & General and the United Kingdom Government, are saying that they are tiring with some companies' total focus on short-term cost cutting and would favour strategies based more on the long-term and top line growth and the end to quarterly reporting. Your Company, together with McKinsey & Co., Blackrock and Dow Chemical Co., amongst others, has joined an alliance to stimulate focus on long-term strategic thinking.

The pattern for 2016 looks very similar to 2015, but with the bonus of the maxi-quadrennial events of the visually-stunning Rio Olympics, the UEFA Euro Football Championships and, of course, the United States Presidential Election to boost marketing investments, as usual by up to 1% or so. Forecasts of worldwide real GDP growth still hover around 3.0% to 3.5%, with recently reduced inflation estimates of 0.5% giving nominal GDP growth, in dollars (because of its strength), of even less than 3%. Advertising as a proportion of GDP should at least remain constant overall. Although it is still at relatively depressed historical levels, particularly in mature markets, post-Lehman, it should be buoyed by incremental branding investments in the under-branded faster growing markets.

Although consumers and corporates both seem to be increasingly cautious and risk averse, the latter should continue to purchase or invest in brands in both fast and slow growth markets to stimulate top line sales growth. Merger and acquisition activity may be regarded as an alternative way of doing this, particularly funded by cheap long-term debt, but we believe clients may regard this as a more risky way than investing in marketing and brand and hence growing market share, particularly as equity valuations continue to be strong. The recent, almost record spike in merger and acquisition activity, may be driven more by companies running out of cost-reduction opportunities in the existing businesses, rather than trying to find revenue growth opportunities or synergies. Although, in our own industry, the Bolloré Model, which unites ownership and control of telecommunications, media, content and agency services, is probably a unique approach.

Financial guidance

The budgets for 2016 were prepared on a cautious basis as usual (hopefully), but continue to reflect the faster growing geographical markets of Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe and faster growing functional sectors of advertising, media investment management and direct, digital and interactive to some extent moderated by the slower growth in the mature markets of Western Continental Europe. Our quarter one preliminary revised forecasts are in line with budget at the net sales level and show the following;

- Like-for-like revenue growth of well over 3% and net sales growth of over 3%

- Target operating margin to net sales improvement of 0.3 margin points excluding the impact of currency

In 2016, our prime focus will remain on growing revenue and net sales faster than the industry average, driven by our leading position in the new markets, in new media, in data investment management, including data analytics and the application of technology, creativity and horizontality. At the same time, we will concentrate on meeting our operating margin objectives by managing absolute levels of costs and increasing our flexibility in order to adapt our cost structure to significant market changes and by ensuring that the benefits of the restructuring investments taken in 2014 and 2015 continue to be realised. The initiatives taken by the parent company in the areas of human resources, property, procurement, information technology and practice development continue to improve the flexibility of the Group's cost base. Flexible staff costs (including incentives, freelance and consultants) remain close to historical highs of above 8% of net sales and continue to position the Group well, should current market conditions deteriorate. Some commentators and analysts believe that the markets are signalling a recession. Whilst some countries may technically go into recession (i.e. two consecutive quarters of negative GDP growth), we do not believe there will be a general recession. More likely the markets are adjusting to continued low growth; so lower, longer – both growth and interest rates.

The Group continues to improve co-operation and co-ordination among its operating companies in order to add value to our clients' businesses and our people's careers, an objective which has been specifically built into short-term incentive plans. We have decided that up to half of operating company incentive pools are funded and allocated on the basis of Group-wide performance in 2016 and beyond. Horizontality has been accelerated through the appointment of 45 global client leaders for our major clients, accounting for over one third of total revenue of almost $20 billion and 18 regional and country managers (France being the latest) in a growing number of test markets and sub-regions, covering about half of the 112 countries in which we operate.

Emphasis has been laid on the areas of media investment management, healthcare, sustainability, government, new technologies, new markets, retailing, shopper marketing, internal communications, financial services and media and entertainment. The Group continues to lead the industry, in co-ordinating communications services geographically and functionally through parent company initiatives and winning Group pitches. For example, the Group has been very successful in the recent tsunami of media investment management pitches, chiefly in the United States and is now ranked first by RECMA, for both net new business reviews and retentions. The swing factor between the most and least successful firms totals approximately $5 billion on net new business currently, and even more including retentions and will probably go higher in due course. This has resulted in an increase in our media investment market share to around a third and market leadership in almost all regions, with North America now at around 25%. Whilst talent and creativity (in the broadest sense) remain key differentiators between us and our competitors, increasingly differentiation can also be achieved in three additional ways – through application of technology, for example, Xaxis and AppNexus, through integration of data investment management, for example, Kantar and comScore, and investment in content, for example, Imagina, Imagine Entertainment, Vice, Media Rights Capital, Refinery 29, Fullscreen, Indigenous Media, China Media Capital and Bruin.

Our business remains geographically and functionally well positioned to compete successfully and to deliver on our long-term targets:

- Revenue and net sales growth greater than the industry average

- Improvement in net sales margin of 0.3 margin points or more, excluding the impact of currency, depending on net sales growth and staff cost to net sales ratio improvement of 0.2 margin points or more
- Annual headline diluted EPS growth of 10% to 15% p.a. delivered through revenue growth, margin expansion, acquisitions and share buy-backs

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This announcement has been filed at the Company Announcements Office of the London Stock Exchange and is being distributed to all owners of Ordinary shares and American Depository Receipts. Copies are available to the public at the Company's registered office.

The following cautionary statement is included for safe harbour purposes in connection with the Private Securities Litigation Reform Act of 1995 introduced in the United States of America. This announcement may contain forward-looking statements within the meaning of the US federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially including adjustments arising from the annual audit by management and the Company's independent auditors. For further information on factors which could impact the Company and the statements contained herein, please refer to public filings by the Company with the Securities and Exchange Commission. The statements in this announcement should be considered in light of these risks and uncertainties.