

For Immediate Release

25 October 1999

## **WPP GROUP PLC**

### **QUARTERLY TRADING UPDATE**

#### **THIRD QUARTER REVENUES UP ALMOST 12% IN CONSTANT CURRENCIES**

#### **OPERATING MARGINS ON PLAN TO IMPROVE BY 0.6% IN 1999**

#### **Revenue Growth – Third Quarter**

In constant currencies, third quarter revenues rose by almost 12%. Sterling's weakness against the United States dollar and the Japanese Yen was only partially offset by strength against major European currencies and as a result reported revenues rose by over 14%.

As shown in the Appendix to this release, on a constant currency basis, the geographical pattern of revenue growth varied in the third quarter. In North America, revenues were up almost 14%. In Europe, the United Kingdom and Continental Europe were both up over 12%. Asia Pacific, Latin America, Africa, and the Middle East was up over 7%, better than the first half, reflecting an improvement in economic conditions in Asia Pacific and an easier year-to-year comparison for Latin America.

By function, advertising, media planning, buying and research was up almost 5% reflecting the Group's improved new business performance in the first half of the year. Information and consultancy was up almost 9%, public relations and public affairs up almost 32% and branding & identity, healthcare and specialist communications up almost 23%.

Net new business billings of £730 million (\$1.2 billion) were won during the third quarter. This compares to £330 million (\$545 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 such as FiNet, Ford, Mattel, Mazda, Miller, SAP, Tele 2, Thepavement.com, Unilever, WebMD and Wings Alliance.

## **Revenue Growth - Nine Months**

In the first nine months of 1999, revenues rose by almost 12% and gross profit by 11% in constant currencies. On average, sterling weakened by just under 2% against all other currencies and the same period last year. As a result reported revenues rose by over 13%.

As shown in the appendix, in the first nine months constant currency revenue growth was almost 15% in North America. United Kingdom revenues were up almost 13% and Continental Europe over 12%. Asia Pacific, Latin America, Africa and the Middle East revenues were up over 1%, chiefly reflecting the economic difficulties facing Latin America.

By function, advertising, media planning, buying and research revenue growth was up over 4%, information and consultancy up almost 14%, public relations and public affairs up over 28% and branding & identity, healthcare and specialist communications up by almost 20%.

## **Current trading**

For the first nine months of 1999, the Group's profitability was well ahead of last year. The first nine months performance indicates that the Group will achieve its objective of a further 0.6% improvement in 1999 in reported operating margins 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 third quarter of 1999 the Group completed acquisitions in advertising, media planning, buying and research in Continental Europe and Latin America; in public relations and public affairs in the United Kingdom and Latin America; in information and consultancy in the United States and Europe; in branding & identity, healthcare and specialist communications in Continental Europe and Latin America.

2.5 million WPP shares were purchased during the third quarter at an average price of £5.43 and total cost of almost £14 million. In the first nine months of 1999 the Group has purchased 3.3 million WPP shares at a total cost of £17.9 million. The rolling share re-purchase and 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 third quarter to £226 million from £206 million in the same period last year in constant currencies and compares to a market capitalisation of approximately £5 billion. This reflects the £220 million spent on capital expenditure, acquisitions and share purchases in the previous twelve months. Free cashflow over the same period was £208 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, improving our creative quality and capabilities and developing our portfolio in high revenue growth geographic and functional areas.

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

3 months ended September 30, 1999

Region	Revenue 1999 £m	Revenue 1998 £m	Revenue growth reported 99/98 %	Constant currency growth <sup>1</sup> 99/98 %
North America	238.4	203.4	17.2	13.7
United Kingdom	110.3	98.3	12.2	12.2
Continental Europe	96.4	88.2	9.3	12.5
Asia Pacific, Latin America, Africa, Middle East	92.7	81.1	14.3	7.1
<b>Total Group</b>	<b>537.8</b>	<b>471.0</b>	<b>14.2</b>	<b>11.9</b>

Marketing Services Sector	Revenue 1999 £m	Revenue 1998 £m	Revenue growth reported 99/98 %	Constant currency growth <sup>1</sup> 99/98 %
Advertising, Media Planning, Buying & Research	242.0	225.2	7.5	4.9
Information & Consultancy	107.1	97.5	9.8	8.6
Public Relations & Public Affairs	46.3	34.2	35.4	31.8
Branding & Identity, Healthcare and Specialist Communications	142.4	114.1	24.8	22.9
<b>Total Group</b>	<b>537.8</b>	<b>471.0</b>	<b>14.2</b>	<b>11.9</b>

<sup>1</sup> Constant currency revenue growth excludes the effect of currency movements.

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

9 months ended September 30, 1999

Region	Revenue 1999 £m	Revenue 1998 £m	Revenue growth reported 99/98 %	Constant currency growth <sup>1</sup> 99/98 %
North America	690.4	587.9	17.4	14.8
United Kingdom	322.3	285.6	12.9	12.9
Continental Europe	295.5	262.9	12.4	12.3
Asia Pacific, Latin America, Africa, Middle East	246.9	234.5	5.3	1.5
<b>Total Group</b>	<b>1,555.1</b>	<b>1,370.9</b>	<b>13.4</b>	<b>11.6</b>

Marketing Services Sector	Revenue 1999 £m	Revenue 1998 £m	Revenue growth reported 99/98 %	Constant currency growth <sup>1</sup> 99/98 %
Advertising, Media Planning, Buying & Research	719.2	675.6	6.5	4.3
Information & Consultancy	299.0	260.8	14.6	13.7
Public Relations & Public Affairs	129.1	98.9	30.5	28.1
Branding & Identity, Healthcare and Specialist Communications	407.8	335.6	21.5	19.8
<b>Total Group</b>	<b>1,555.1</b>	<b>1,370.9</b>	<b>13.4</b>	<b>11.6</b>

<sup>1</sup> Constant currency revenue growth excludes the effect of currency movements.

