

Quarterly Trading Update

27 April 1998

First Quarter Revenues Up Over 13% In Constant Currencies

Operating Margins On Schedule To Improve By 1% In 1998

Revenue growth

In constant currencies, first quarter revenues rose by over 13%, gross profit by over 14%. Acquisitions accounted for nearly 5% of this growth. The strength of sterling, principally against the major Continental European currencies, continues to have an impact with reportable revenues up by over 8%. On average, sterling strengthened by 5% against all other currencies in the same quarter last year. Whilst certain Asian currencies have fallen substantially against sterling, these countries do not represent a significant portion of the Company's revenues. 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, the geographical pattern of revenue growth varied in the first quarter. In North America, revenues were up almost 11%. In Europe, the U.K. was up 16% and Continental Europe 17%. Growth in Asia Pacific, Latin America, Africa, and the Middle East was over 12%.

By function, information and consultancy was up 21%, public relations and public affairs almost 22%, specialist communications up over 19%, and advertising up 7%.

Net new business billings of £403 million (\$644 million) were won during the first quarter. This compares to £379 million (\$619 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 ahead of budget and last year. The budget indicates that the Group will achieve its objective of a further 1% improvement in margins.

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. 1.65 million shares were purchased during the first quarter at an average price of 319p. In addition, the Group completed acquisitions in advertising in Argentina; in information

and consultancy in Korea, the U.K. and Latin America; and in specialist communications – in direct in Australia and Thailand, in retail consulting in the U.S. and in high-tech marketing in both the U.K. and the U.S.

Despite this expenditure, average net debt in constant currency fell to £84 million in the first quarter of the year against £92 million in the comparative period last year at 1998 exchange rates. Share purchases and acquisition payments have totalled £103 million over the last 12 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 and finally, 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 ending March 31, 1998

Region	1998 £m	1997 £m	Revenue Growth Reported 98/97 %	Constant currency growth_ 98/97 %
North America	186.2	170.3	9.3	10.9
United Kingdom	84.6	72.9	16	16
Continental Europe	79.5	75.1	5.9	17
Asia Pacific, Latin America, Africa, Middle East	68.4	68.7	-0.4	12.2
Total Group	418.7	387	8.2	13.2

Marketing Services Sector	1998 £m	1997 £,	Revenue Growth Reported 98/97 %	Constant currency growth_ 98/97 %
Advertising	208.4	207.3	0.5	6.9
Information & Consultancy	75.1	64.3	16.8	21
Public Relations & Public Affairs_	30.3	25.7	17.9	21.7
Specialist Communications	104.9	89.7	16.9	19.4
Total Group	418.7	387	8.2	13.2

_ Constant currency growth excludes the effects of currency movements.

_ 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 17.1% to \$59m in the three months to March.