The following statement was issued by the Chairman at the Company's 26th Annual General Meeting held at 12:00 noon today:

"First, a few comments on current trading over the first five months of 1998.

Worldwide revenues were up by over 13% on a constant currency basis. Sterling continued to strengthen, in our case by an average of 5%, and as a result, reportable revenues were up over 8%. On a constant currency basis, a stronger revenue performance than the average was registered in Europe at 17%. The United States grew by 10% and Asia Pacific, Latin America, Africa and the Middle East by 9%.

Information and consultancy, public relations and public affairs and specialist communications revenues grew more than the average, with advertising growing by over 8%.

Combined revenues of J. Walter Thompson Company, Ogilvy & Mather Worldwide (including OgilvyOne Worldwide) and Conquest Europe were up by over 10%.

Our Kantar information and consultancy companies - Research International, Millward Brown International, Kantar Media Research, BMRB International, and Winona Group - had a good start to the year, with revenues up over 23% and gross margin up over 21%.

Hill and Knowlton with revenues up over 18%, and Ogilvy Public Relations Worldwide with revenues up over 19%, saw continued progress.

Our 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, Banner McBride, Enterprise IG and BDG/McColl; in direct, promotion and relationship marketing, RTCdirect; in strategic marketing consultancy, Management Ventures and MSI Consulting; in sector marketing, Mendoza Dillon & Asociados and OZM Group; and in media and technology services, Metro Group.

The Company as a whole is ahead of budget and last year and the trading environment is sound.

The Group continues to make significant progress in winning new business from existing and new clients, with major assignments amongst others from, Siemens, Nike, Kimberly-Clark, Oracle, American Express, TNT, Kraft, IBM, Ford, Sprint, Unilever, P&O Stena, Pepsi and Bristol-Myers Squibb.

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 1% in 1998, and a further 1.2% by 2000. Productivity increased as average staff levels, on a like-for-like basis, rose by over 2% to 24,914 in the first five months of 1998, compared to 24,311 in 1997.

Constant currency average net debt levels for the first five months rose slightly by £5 million to £117 million ($195 million) reflecting expenditure of £100 million ($167 million) on acquisitions and share repurchases over the last twelve months.

As share owners know, one of our priorities has been to reduce average net debt to the £100-150 million level. As you see from the figures just mentioned and previous reports to you, this has been achieved. Since 1992 average net debt has fallen from £437 million to approximately £100 million, and equity market value has risen from under £100 million to over £3 billion.

As a result, the Group is now rated one to two notches above investment grade and we are implementing ways of lengthening the maturity of our debt facilities and taking advantage of historically low levels of long-term interest rates. Given this relatively low net debt to market capitalisation ratio and high net interest cover of 7-8 times, your Board is prepared to see average net debt levels rise to the higher end of the target range reflecting greater use of funds in acquisitions and/or share repurchases depending on relative rates of return over the average cost of capital.

The Group's financial strategy continues to be focused on four objectives: increasing operating profit by 15-20% per annum; increasing operating margins by 1% or more per annum depending on the level of revenue growth; reducing staff cost to revenue ratios by 1% 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 £150 million 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 continues slightly above depreciation. The company continues to make small to medium-sized acquisitions or investments in high growth geographical or functional areas, such as Latin America and Asia Pacific (current weaknesses may provide buying opportunities) or interactive technology, information and consultancy, direct marketing, media buying and hi-tech marketing. In addition, we seek to strengthen our geographic market positions in countries such as Japan, Australia and France.

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 2-3% of the outstanding share capital each year. So far this year this has resulted in the cancellation or purchase of approximately 5.4 million shares at a total cost of £20.2 million and an average cost of £3.72 per share.

Professionally the parent company's major objective continues to be to encourage greater Group co-ordination and co-operation between Group companies where this will benefit our clients and our people. 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 this end 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, including the 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 approaches are being developed initially in a number of product or service areas: media planning, buying and research, healthcare, new technologies, new markets, privatisation, internal communications, and retailing.

Our business depends crucially on the quality of our people's talent and their imagination. Our elevation this month to the FTSE 100, to the hundred most valuable companies based in the United Kingdom, is a tribute to and recognition of this talent and 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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