WPP Group plc Annual General Meeting, Trading Update/26 June 2000

The following statement was issued by the Chairman at the Company's 28th Annual General Meeting held at 12.00 noon today:

'First, a few comments on current trading over the first five months of 2000.

Worldwide revenues were up by over 18% on a constant currency basis. Sterling weakened against the dollar and Japanese yen but strengthened less against the major European countries and as a result, reportable revenues were up almost 19%. On a constant currency basis, revenues in North America were up 19%. In Europe, the UK was up almost 11% and Continental Europe was up 20%. Asia Pacific, Latin America, Africa and the Middle East grew by over 24% reflecting the continuing economic recovery in those regions.

By sector, advertising and media investment management was up over 16%, information and consultancy up almost 23%, public relations and public affairs up almost 45% and branding and identity, healthcare and specialist communications up almost 10% with gross margin up over 20%. Combined revenues of Ogilvy & Mather Worldwide (including OgilvyOne Worldwide), J. Walter Thompson Company, Conquest and MindShare were up by over 20%. At Kantar revenues were up by almost 23%. Hill and Knowlton - with revenues up over 28% - and Ogilvy Public Relations Worldwide - with revenues up over 80% - 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 as mentioned above.

Companies that contributed strongly were: in branding, identity and corporate consultancy, Enterprise IG, Coley Porter Bell, Banner McBride, Brindfors and BPRI; in direct, promotional and relationship marketing, OgilvyOne Worldwide, PRISM and RTCdirect; in strategic marketing consultancy, Management Ventures; in healthcare, Ferguson Communications Group and Shire Hall; in demographic marketing, The Geppetto Group 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 Clear Money, Digital NY Times, ING Barings, iPlanet, Kellogg, KPMG, Miller, NCR, Nestle, People PC, SAP, Seagrams, Sears, Telefonica, Unilever, US Mint and Vision Express.

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 2000, and following the merger of Young & Rubicam Inc. ('Y&R'), by a further 1% to 15% in 2001 and a further 0.5% by the year 2002. Productivity increased as average staff levels, excluding associates, on a like-for-like basis, rose by 6.6% to 30,438 in the first five months of 2000 compared to 28,547 in 1999.

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 £250 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 and property continues above depreciation.

Both before and after the announcement of the merger of Y&R the company continues to make small to medium-sized acquisitions or investments in high growth geographical or functional areas. These have been concentrated geographically in the United States, Europe and Latin America, and functionally in advertising and media investment management; 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.

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 - £100 million or approximately 1 - 2% of the outstanding share capital each year. Following the merger of Y&R the amount allocated to the share repurchase programme is planned to increase to £100-£150 million each year. So far this year this has resulted in the cancellation or purchase of approximately 3,675,000 shares at a total cost of £34.5 million and an average cost of £9.39 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 investment management, 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.

The highlight of the first five months of 2000 was the announcement of the agreement by the boards of directors of WPP and Y&R to a merger of the two companies. This combination creates the strongest marketing communications company in the world with 1999 proforma capitalised billings of $56 billion according to Advertising Age, revenues of $5.2 billion and operating profits of over $700 million with over 55,000 people in 1,300 offices in 92 countries. The combined company has a strong philosophical, cultural, client, functional and geographic fit. Moreover the transaction is accretive even without the cost synergies already identified. In the first quarter of 2000 revenues at Y&R were up almost 17% with operating profit up 28%.

And now a few words about two remarkable men: one who died just a short while after our last year's annual meeting; and one, I am delighted to say, who is alive and well and with us today.

When he died last year, David Ogilvy was the subject of countless affectionate and respectful tributes from around the world. He had earned every one of them. He founded the agency that became Ogilvy & Mather Worldwide in 1948. He created and inspired advertising campaigns which set new standards of style and effectiveness. To clients and competitors alike, he swiftly came to epitomise the very best of the advertising industry. He was Chairman of this Board from 1989 until 1992 and was President Emeritus of WPP until his death. His books are still widely read - and the company he built has never been in better shape. We may be absolutely certain that, together, they will serve as his right and enduring monument.

To Gordon Sampson, here with us on the platform today for the last time, we say thank-you – but not goodbye.

Gordon founded the original Wire and Plastic Products company in 1958. That company is now the manufacturing division of WPP, and Gordon still runs it – and will continue so to do.

He retires from your Board at his own request. He has served on it for 29 years, his last 11 as deputy chairman. In the words of Martin Sorrell: 'None of us would have been here but for Gordon. Friend, colleague, fellow warhorse - we record his retirement from the parent board with deep gratitude and affection. It's great to know that he'll still be around.'

To speak of two remarkable men is to remind us, also, of our debt to those 39,000 people who work for WPP companies and associates around the world. It is to their talent and their dedication that we owe the success we report today. I would like - on behalf of you our share owners and of your Board - to register our gratitude to them and our admiration for their achievements.'

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