

Aegis Group plc

Unaudited preliminary results

for the year ended 31 December 1999

A E G I S

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for the year ended 31 December 1999

Embargoed until 7.00am, 7th March 2000.

- **Pre-tax profits (before £1.9m goodwill amortisation and £4.6m profit on disposal of Consodata) increase 26% to £64.6m.**
- **Diluted earnings per share improve 22% to 4.4p.**
- **Continued strong new business performance, with annualised net wins of US\$1,206m in billings.**
- **Entry into market research with acquisition of Market Facts in the USA. Further development of market research capabilities through acquisition of AMI in the Far East.**
- **Turnover grows to £4,791.8m, up 16%.**
- **Gross margins improve from 5.4% to 5.9%, reflecting the impact of entry into market research and further value-added services.**
- **Continued strong operating cash flow generation.**
- **Full year dividend up 18% to 1.0p (1998: 0.85p).**
- **Planned internet joint-venture with Warburg, Pincus.**

Financial highlights

	Year ended 31 December 1999	Year ended 31 December 1998	Increase
<i>Trading results</i> Turnover	£4,791.8m	£4,130.0m	16%
Gross profit	£281.7m	£221.0m	27%
% Gross profit to turnover	5.9%	5.4%	
Operating profit before amortisation of goodwill	£66.6m	£50.6m	32%
% Underlying operating profit to gross profit	24%	23%	
Profit before tax, amortisation of goodwill and exceptional items	£64.6m	£51.1m	26%
Profit before tax	£67.3m	£50.6m	33%
Effective underlying tax rate	28.9%	28.4%	
Profit for the financial year	£47.0m	£35.5m	32%
<i>Shareholder returns</i> Earnings per share			
– basic	4.6p	4.0p	16%
– diluted	4.4p	3.7p	22%
Ordinary dividend per share			
– interim	0.4p	0.35p	14%
– final	0.6p	0.5p	20%
Total	1.0p	0.85p	18%
<i>Cash flow</i> Operating cash flow	£76.3m	£57.0m	34%
Net (indebtedness) / funds at year end	£(15.1)m	£36.9m	

Commenting on the results, Aegis' Chief Executive Douglas Flynn said:

“These results demonstrate continued good growth, with our margins continuing to improve. The acquisition of Market Facts has performed in line with our expectations and net new business gains during the year reached another record high.

Global advertising continues to grow and Carat continues to outperform the market. In addition, our acquisition of the AMI network in the Far East represents a significant step towards building a second, substantial business in market research.

The current year has started well and the full year should show continued satisfactory progress.”

Statement by the Chairman, Lord Sharman

I am fortunate to have succeeded to the Chairmanship of Aegis at the end of a year in which the Group has again delivered impressive profitable growth. We continue to achieve this through our ability to generate strong organic growth and a successful acquisition track record that has been prudent and targeted, with well-executed post-acquisition integration and development.

On 1 September 1999, Douglas Flynn, who joined the board as a non-executive director in May 1998, was appointed Chief Executive Officer in succession to Crispin Davis. He has extensive experience in the media world, both internationally and in the UK, having held a number of senior positions in the News Corporation group, most recently as Managing Director of News International plc. We would like to extend our appreciation to Crispin for his contribution to the growth of the Group over the past five years.

On 1 January 2000, I took over as non-executive Chairman from Frank Law, who retired at the end of 1999. The Board would like to thank Frank for his outstanding contribution to the Group. In addition, Kai Hiemstra, Sir Kit McMahon, Sir Peter Thompson and Philippe Villin retired in 1999 and the Board would like to thank them all for their contribution. Sir David Hannay joined the Board as non-executive director on 1 January 2000.

We also announced further senior management changes last year. Our European operations have been divided into three zones: Northern Europe, Southern Europe and a German/Central European region. Ray Kelly will take responsibility for Northern Europe including UK, Scandinavia and the Benelux region. Eryck Rebbouh and Bruno Kemoun will oversee our operations in Southern Europe, including France, Spain, Italy, Portugal and Greece. Alexandra Ruzicka has been appointed Chief Executive for HMS & Carat in Germany and for our Central and Eastern Europe operations with Kai Hiemstra continuing as non-executive Chairman. David Verklin, Chief Executive of Carat North America joined the Board on 2 September 1999 and Pat Doble, Group Marketing director, joined the Board on 21 May 1999. These changes have further strengthened the effectiveness of the Board and our operations.

Each year new companies and people join us and 1999 saw the arrival of Market Facts and its depth of management talent. Around the world we have an outstanding team of dedicated professionals throughout our businesses. I thank them all for their effort and commitment.

Dividends

An interim dividend of 0.4 pence per ordinary share was declared and paid in 1999. This was a 14% increase over the 1998 interim dividend. The Board is recommending a final dividend of 0.6 pence per ordinary share, making 1.0 pence per ordinary share for the full year. This represents an 18% increase on the 0.85 pence per share paid in respect of 1998.

2000 outlook

2000 has started well and initial new business wins have again been strong. The full year should represent another year of continued satisfactory progress. We remain confident that the Group can take advantage of the long-term opportunities for growth, both in terms of developing its products and services and on a geographical basis.

I would like to take this opportunity to thank all our staff for their hard work and dedication in achieving these results.

Lord Sharman

Chairman

Statement by the Chief Executive, Douglas Flynn

1999 was a year which saw a strong global economy and continuing solid growth in media and marketing services. It was also a year of major change in the media world including some re-rating of the sector. Broad consumer access to interactive media will continue to provide a substantial boost to well-positioned marketing services companies. Right now the outlook for 2000 is robust for all. For Aegis our foundation for the year is well set with many opportunities available to us.

Net annualised new business in 1999 of \$1,206 million was a record for us. There is good evidence to suggest the strong performance will continue in 2000.

The development of our Carat brand continued at every level through Carat Sphere, proprietary tools, systematic training of our people in countries around the world and our operational ability across our 360° communication model. We continue to develop a common international culture and values.

Acquisitions form an important part of Aegis' development. Our ability to carefully select and integrate new companies is a fundamental and core skill within our company. It has allowed us to grow geographically, widen our product range, deepen our client sector expertise and relationships and enter new associated fields.

In 1999 and the first part of 2000 we have made a number of acquisitions. From a strategic standpoint the most fundamental has been our entry into market research through the acquisition of USA based Market Facts and, subsequent to the year end, the acquisition the Asia Market Intelligence. These substantial investments have been supported by an acquisition in the US for car industry research and an agreement to invest in a joint venture with Ipsos SA which gives us European access panel capability. We plan to build a leading position in market research.

The Group has some exciting technologies and businesses that offer clients considerable advantage through their ability to distil key marketing and communication decisions from base data. These Decision Systems within both our Market Facts and Carat businesses will drive our competitive advantage at an accelerating rate.

The Internet and Interactive media provide major opportunities for our company. Rapidly rising expenditure by dotcom enterprises is contributing to our revenue and new business wins. Our internal expertise now includes Internet media planning and buying. The rapid growth and pan-regional and global nature of the business has encouraged us to create pan-regional structures with centres of excellence in the major markets. The technology also allows us a closer operating relationship with traditional clients as we move to establish extranet links. For research, the Internet is allowing us to turn around projects in a few weeks that previously took months, with the attendant advantages in cost and working capital.

We have also announced a plan to establish Everger, an Internet investment company, in a 50:50 joint venture with Warburg, Pincus & Co International Limited. Aegis and Warburg have made an initial joint commitment of \$100 million. Everger will make early stage investments in eMarketing services and enabling technologies. We chose Warburg, Pincus as our partner for the venture capital skills that they bring. Also, they have previously had a long and successful relationship with Aegis as an investor. The sector we are targeting is one in which we have a great deal of knowledge, which will contribute to the growth of our investments.

Statement by the Chief Executive, Douglas Flynn

Shareholder value is a concept understood widely throughout our businesses. It is not just about meeting budgets, it is about building and creating sustainable enduring competitive advantage through efficiently delivered client benefit. The dedication of our staff in all our businesses is acknowledged and appreciated. I thank them for it.

Financial results

Turnover of £4,791.8 million represented a 16% improvement on 1998.

All major countries performed well, with North America particularly strong. 1999 was also another excellent year for new business for the Group's media operations which reached a record £745 million (US\$1,206 million), up 57% compared to a strong 1998.

Gross profit of £281.7 million rose by 27% reflecting not only a strong increase in turnover but also a further improvement in margins. Gross margins rose from 5.4% to 5.9% partly due to the acquisition of Market Facts in June; excluding this impact, margins were still up on 1998.

Operating expenses (excluding amortisation of goodwill) of £215.3 million represent a 26% increase over 1998 reflecting the impact of recent acquisitions and geographical expansion. Excluding these, like for like costs increased by 14%, mainly due to our growth in the USA. Underlying costs on our European operations rose by 7%. The Group's operating margin (excluding amortisation of goodwill) was 24%.

On 18 January 1999, the Group, by mutual agreement, disposed of its 46.82% interest in the Consodata Group based in France for £6.2 million to the existing management and to Alpha, an investment company, to allow Consodata's management to pursue its own expansion plans in Europe. An exceptional profit of £4.6 million was realised at 31 December 1999.

Overall, profit before tax (excluding amortisation of goodwill and exceptional gains) increased by 26% from £51.1 million to £64.6 million (27% on a constant currency basis). After amortisation of goodwill of £1.9 million and the exceptional gain of £4.6 million in 1999, profit before tax rose 33% from £50.6 million to £67.3 million. Tax has been recorded at 28.9% based on profit before amortisation of goodwill and exceptional items.

Diluted earnings per share, after goodwill amortisation and exceptional items, of 4.4 pence rose 22% on 1998. On an underlying basis, this rise was 13%.

Operating cashflow was 118% of operating profits, the fourth successive year that operating cash flow has exceeded operating profit. Free cash flow (after interest, tax, capital expenditure and deferred payments on prior period acquisitions) was £36.0 million. Net debt at 31 December 1999 was £15.1 million compared to net cash of £36.9 million at 31 December 1998, reflecting the net cash outflow of £97.1 million on current and prior period acquisitions. Net interest payable, excluding the amortisation of refinancing costs, now stands at £1.6 million compared to £0.8 million receivable in 1998. On 15 October 1999, the Group obtained a new £250 million credit facility to support its investment programme going forward.

Year 2000

Our programme to ensure that our businesses were unaffected by the "millennium bug" was successful with no significant issues arising. The total cost of this project was £0.7 million.

Statement by the Chief Executive, Douglas Flynn

Media communications

Global advertising expenditure growth in 1999 is estimated at around 6%. The Group continued to outperform the market with our media turnover rising by 14%. Turnover in North America increased by 56% against 1998, with European turnover up by 6%. We are forecasting continued solid global advertising growth for 2000 of over 6%, with European growth of around 6% and the USA at 7%.

The Group produced an excellent new business performance boosted by the \$280 million win of the Pfizer account. We achieved net annualised new business billings worth US\$1,206 million, a 57% rise over the previous year reflecting the quality of the Group's services and its international presence.

North America contributed \$529 million of net annualised new business billings with Midas, Seagate Technologies and Henkel adding to the impact of the Pfizer win. This was a particularly strong performance despite the loss of Ameritech at the end of last year. We have now completed the integration of our core US media buying activities into Carat USA. In addition, we are developing our internet-related activities and have opened a new office in San Francisco.

Europe contributed \$624 million of net gains. It has been especially pleasing to win the Peugeot Citroen account in Germany, worth over \$120 million. Other new accounts include Ambipure and Aventis in France, Henkel and Mannesmann Mobil in Germany, Telering in Austria, SPT Telecom in the Czech Republic, Infostrade and Daewoo in Italy, Versatel in Netherlands, Sega in Spain and NTL Corporate and Dolphin Telecom in the UK. Our larger operations in France, Germany, UK, and Spain continue to perform strongly and our Central and Eastern European network is developing well. Although turnover in Italy is down in sterling terms, the volume of media billings handled has in fact risen by 17%. In the Scandinavian markets, although Norway and Sweden are experiencing more difficult trading conditions predominantly due to a downturn in client spend, our businesses remain fundamentally in strong shape with previously implemented efficiency measures helping to mitigate the impact.

We continue to develop our Asia Pacific network. This year, we have opened offices in Taiwan (by way of a 50:50 joint venture with United Advertising) and Singapore. We are confident of announcing further developments in the region in the near future that will complete our regional network. Meanwhile, we are expanding our existing businesses on a prudent basis.

On 9 April 1999, we announced that the Group had acquired a 51% interest in Fax SA in Argentina. This acquisition enables us to gain entry into the important Central and South American markets. Our Argentinian operation performed well in 1999 and we have consequently purchased the remaining 49% this year.

We remain committed to providing our clients with the best service. We are nearing completion of the implementation of the Carat Sphere process across the network, which will enable us to maximise the effectiveness of our clients' media communications programmes. We are also continually introducing and upgrading our proprietary tools. The Group continues to develop its range of services in line with our stated strategy.

Statement by the Chief Executive, Douglas Flynn

Market research

In 1999, the Group decided to expand its range of client services into market research in order to form a broader platform for growth. Market research represents a logical and related business to our existing media communications operations in a sector that has shown strong historic growth. We estimate that the global value of the research business was approximately \$13 billion in 1998. In the customised area, the market is worth over \$5 billion, of which approximately 50% is in the USA. For the past 11 years, the market has grown by a compound average annual rate of approximately 9%.

Our entry into this area has been achieved through the Group's acquisition of Market Facts, Inc. in June 1999 for £183.8 million (US\$297 million). Market Facts is a company which was recently included in the Business Week 100 Hot Growth list as well as Forbes' Top 200 Best Small Companies and has both an excellent reputation in the research market and a strong growth record. Market Facts has a strong, blue-chip client base, a large consumer mail panel of over 600,000 households in North America and an excellent array of branded research products. This acquisition has presented us with a good foundation for future development both within North America and globally and traded in line with expectations for 1999, with revenues for the full year 1999 of \$160 million.

The acquisition of Market Facts was funded partly by raising £119 million, after costs, by way of a 10% vendor placing of 96 million new shares in Aegis with the remainder of the acquisition cost and expenses being funded by some £70 million of new debt.

On 12 January 2000, the Group further extended its service capability in North America by the acquisition of Motoresearch, a business servicing the automotive industry. On 4 February 2000, the Group reached agreement with Ipsos SA to take a 35% stake in its European access panels for £2.8 million. There are currently access panels in UK, France, Germany and Italy with plans for further development into the rest of Europe. Our agreement with Ipsos will greatly enhance our ability to provide European research information to our clients.

On 6 March 2000, we purchased a 100% interest in the AMI Group, based in Hong Kong. The AMI Group has operations in China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand and is the second largest custom research network in the region behind AC Nielsen. Initial consideration is £15 million with additional deferred consideration payable in cash over three years. Our acquisition of the AMI Group represents an important step in the development of our global research capabilities.

Douglas Flynn

Chief Executive Officer

7 March 2000

For further information please contact Douglas Flynn (Chief Executive Officer) or Colin Day (Group Finance Director) at Aegis Group plc on +44 (0) 20 7470 5000.

Notes to editors

Aegis is a holding company listed on the London Stock Exchange and is the holding company for Carat and Market Facts. In 1999, Carat had net billings of approximately US\$10.3 billion and Market Facts had annualised revenue of \$160 million.

Unaudited consolidated profit and loss account*for the year ended 31 December 1999*

	Notes	1999 £'m	1998 £'m
Turnover:			
– continuing operations		4,642.4	4,035.8
– acquisitions		149.4	94.2
	2	4,791.8	4,130.0
Cost of sales		(4,510.1)	(3,909.0)
Gross profit		281.7	221.0
Operating expenses before amortisation of goodwill		(215.3)	(170.4)
Amortisation of goodwill		(1.9)	(0.5)
Operating expenses		(217.2)	(170.9)
Income from interests in associated undertakings		0.2	—
Operating profit:			
– continuing operations		54.7	48.7
– acquisitions		10.0	1.4
		64.7	50.1
Profit on disposal of associated undertakings	3	4.6	—
Interest and similar charges:			
– interest receivable		5.1	5.2
– interest payable	4	(6.7)	(4.4)
– amortisation of refinancing costs	4	(0.4)	(0.3)
Net interest (payable) / receivable		(2.0)	0.5
Profit on ordinary activities before taxation		67.3	50.6
Tax on profit on ordinary activities	5	(18.7)	(14.5)
Profit on ordinary activities after taxation		48.6	36.1
Equity minority interests		(1.6)	(0.6)
Profit for the financial year		47.0	35.5
Dividends:	6		
– preference		—	0.2
– ordinary		(10.8)	(8.0)
Retained profit for the financial year		36.2	27.7
Earnings per share:			
Basic	7	4.6p	4.0p
– Profit on disposal of associated undertakings		(0.5)p	—
– Amortisation of goodwill		0.2p	—
– Underlying basic earnings per share		4.3p	4.0p
Diluted		4.4p	3.7p

The underlying basic earnings excludes amortisation of goodwill of £1.9 million for the year ended 31 December 1999 and £0.5 million for the year ended 31 December 1998 and the exceptional profit of £4.6 million realised on the disposal of an associated undertaking (note 3).

Unaudited consolidated statement of total recognised gains and losses

for the year ended 31 December 1999

	1999	1998
	£'m	£'m
Profit for the financial year	47.0	35.5
Currency translation differences on foreign currency net investments	(5.7)	(0.7)
Total recognised gains and losses relating to the year	41.3	34.8

Unaudited reconciliation of movements in equity shareholders' funds

for the year ended 31 December 1999

	1999	1998
	£'m	£'m
Profit for the financial year	47.0	35.5
Preference dividends	—	0.2
Ordinary dividends	(10.8)	(8.0)
Retained profit for the financial year	36.2	27.7
Issue of shares by the Company (net of expenses)	128.4	17.4
Goodwill realised in the year	1.3	—
Currency translation differences on foreign currency net investments	(5.7)	(0.7)
Net increase in equity shareholders' funds	160.2	44.4
Equity shareholders' funds at 1 January	(63.1)	(107.5)
Equity shareholders' funds at 31 December	97.1	(63.1)

Unaudited note of historical cost profits and losses

for the year ended 31 December 1999

There is no material difference between the reported results for 1999 and 1998 and the results for those years restated on an unmodified historical cost basis.

Unaudited consolidated balance sheet

at 31 December 1999

	Notes	1999 £'m	1998 £'m
Fixed assets			
Intangible fixed assets: goodwill	1,8	242.2	17.0
Tangible assets		30.4	16.0
Investments		3.1	1.8
		275.7	34.8
Current assets			
Debtors		831.9	669.9
Stock: work in progress		9.0	—
Investments		—	0.1
Cash at bank and in hand		91.5	114.0
		932.4	784.0
Creditors: amounts falling due within one year		(997.1)	(859.3)
Net current liabilities		(64.7)	(75.3)
Total assets less net current liabilities		211.0	(40.5)
Creditors: amounts falling due after more than one year		(110.0)	(21.1)
Net assets / (liabilities)		101.0	(61.6)
Capital and reserves			
Issued, allotted, called up and fully paid share capital	9	53.9	47.8
Share premium account	9	181.3	59.0
Capital redemption reserve	9	0.2	0.2
Special reserve	9	—	4.5
Profit and loss account	9	(138.3)	(174.6)
Equity shareholders' funds		97.1	(63.1)
Equity minority interests		3.9	1.5
Total capital employed		101.0	(61.6)

Unaudited consolidated cash flow statement*for the year ended 31 December 1999*

	1999 £'m	1998 £'m
Net cash flow from operating activities	76.3	57.0
Returns on investments and servicing of finance		
Interest received	5.1	5.2
Interest paid	(6.7)	(4.3)
Interest element of finance lease rental payments	(0.1)	(0.1)
Issue costs for new unsecured loan	(1.2)	—
Dividends paid to minority interests	(0.7)	(1.2)
Net cash flow for returns on investments and servicing of finance	(3.6)	(0.4)
Taxation	(12.6)	(13.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13.1)	(8.2)
Sale of tangible fixed assets	0.7	0.3
Purchase of investments	—	(0.4)
Sale of investments	0.8	0.9
Net cash flow for capital expenditure and financial investment	(11.6)	(7.4)
Acquisitions and disposals	-	
Purchase of subsidiary undertakings and minority interests (note 8)	(205.2)	(9.2)
Cash acquired on purchase of subsidiary undertakings (note 8)	1.6	4.6
Investment in associated undertakings	—	(0.4)
Sale of associated undertakings (a)	6.2	0.4
Deferred consideration on prior period acquisitions	(12.5)	(6.2)
Net cash flow for acquisitions and disposals	(209.9)	(10.8)
Equity dividends paid	(9.1)	(6.6)
Cash flow before use of liquid resources and financing	(170.5)	18.1
Management of liquid resources (b)		
Sale of short term money market investments	0.1	1.0
Net cash flow for management of liquid resources	0.1	1.0
Financing		
Issue of ordinary share capital (net of expenses)	128.4	17.4
New unsecured loan	79.7	—
Repayment of secured loans	(18.4)	(1.2)
Capital element of finance lease rental payments	(0.3)	(0.3)
Net cash flow from financing	189.4	15.9
Increase in cash in the year	19.0	35.0

(a) Sale of investments in the year ended 31 December 1999 includes £6.2 million on the disposal of the Group's shareholding in Consodata SA (note 3).

(b) Readily disposable short-term investments and deposits that are not repayable on demand without penalty are reported as liquid resources in the cash flow statement.

Notes to this unaudited cash flow statement are provided overleaf.

Notes to the unaudited consolidated cash flow statement

for the year ended 31 December 1999

	1999 £'m	1998 £'m
Reconciliation of operating profit to operating cash flow		
Operating profit	64.7	50.1
Amortisation of goodwill	1.9	0.5
Depreciation charges	8.1	6.2
Loss on disposal of tangible fixed assets	0.1	0.1
Loss on disposal of other fixed asset investments	0.2	—
Profit on disposal of associated undertakings	—	(0.2)
Increase in debtors	(117.3)	(93.9)
Decrease in stock: work in progress	7.3	—
Increase in creditors	111.3	94.2
Net cash flow from operating activities	76.3	57.0

Subsidiary undertakings acquired in the year contributed £10.3 million to the Group's net cash flow from operating activities.

	1999 £'m	1998 £'m
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	19.0	35.0
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(61.0)	1.5
Cash outflow from issue costs of debt	1.2	—
Change in net debt resulting from cash flows	(40.8)	36.5
Amortisation of new refinancing costs	(0.2)	—
Debt and finance lease obligations in subsidiaries acquired in the year	(4.0)	—
Effect of foreign exchange rate changes	(7.0)	2.6
Movement in net debt in the year	(52.0)	39.1
Net funds/(debt) at 1 January	36.9	(2.2)
Net (debt)/funds at 31 December	(15.1)	36.9

	1 January 1999 £'m	Cash flow £'m	Other non- cash changes £'m	Exchange movement £'m	31 December 1999 £'m
Analysis of net funds / (debt)					
Cash in hand and at bank	114.0	(15.1)	—	(7.4)	91.5
Overdrafts	(59.3)	34.1	—	0.6	(24.6)
	54.7	19.0	—	(6.8)	66.9
Debt due within one year	(10.5)	14.1	(3.4)	(0.3)	(0.1)
Debt due after one year	(6.9)	(75.4)	—	0.1	(82.2)
Net funds / (debt) before finance lease obligations and issue costs of new debt	37.3	(42.3)	(3.4)	(7.0)	(15.4)
Finance lease obligations	(0.4)	0.3	(0.6)	—	(0.7)
Issue costs of new debt	—	1.2	(0.2)	—	1.0
Total	36.9	(40.8)	(4.2)	(7.0)	(15.1)

There were bank loans and overdrafts of £3.4 million within subsidiaries acquired in the year.

Notes to the unaudited preliminary results

1. Principal accounting policies

Basis of preparation

The preliminary results have been prepared applying the accounting policies in the Group's 31 December 1998 report and accounts.

In accordance with Financial Reporting Standard 10, the directors are required to review the estimated useful economic life of goodwill arising on each acquisition and, where this is considered finite, the goodwill is amortised over this period on a straight line basis. In the case of goodwill arising on the acquisition of Market Facts, Inc., the directors are of the opinion that the goodwill has an indefinite economic life due to the strength of the brand, its market position, its long-term profitability outlook and Aegis' commitment and proven ability to enhance brand value. The financial statements depart from the specific requirements of companies' legislation to amortise goodwill over a finite period in order to give a true and fair view. If the goodwill on this acquisition had been amortised over 20 years, a further charge of £5.9 million would have been incurred in the year ended 31 December 1999 results (£10.0 million on an annualised basis).

For the market research business, profit is recognised either on completion of a project or on the satisfactory completion of a specific phase of a project. Provision is made for losses on a project when identified.

2. Net assets / (liabilities) and operating performance

	Net assets / (liabilities)		Profit/(loss) on ordinary activities before taxation		Turnover	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Geographical analysis:						
Europe	(3.2)	(26.3)	51.5	48.3	3,788.9	3,568.8
North America	99.7	(33.6)	13.6	3.6	855.4	504.6
Latin America and Asia Pacific	4.5	(1.7)	1.3	(1.3)	147.5	56.6
	101.0	(61.6)	66.4	50.6	4,791.8	4,130.0
Income from interests in associated undertakings			0.2	—		
Profit on disposal of associated undertakings			4.6	—		
Net interest (payable) / receivable			(2.0)	0.5		
Amortisation of goodwill			(1.9)	(0.5)		
Profit before taxation			67.3	50.6		

The Group's share of the net assets of associated undertakings of £0.4 million (1998: £0.6 million) are located in Mainland Europe.

The Group operates in two business sectors: media communications and market research. A further analysis of turnover by geographical area is set out below:

	1999 Local'm	1998 Local'm	1999 £'m	1998 £'m
France	10,652.5	9,774.1	1,069.8	1,001.2
Germany	2,578.9	2,432.1	868.6	835.1
UK	770.3	667.9	770.3	667.9
Spain	89,563.2	77,978.4	354.6	315.2
Scandinavia	4,463.7	4,868.9	332.9	368.3
Italy	440,009.3	483,093.0	149.7	167.8
Rest of Europe	N/A	N/A	243.0	213.3
Total for Europe			3,788.9	3,568.8
North America (excluding market research)	1,274.4	838.9	787.7	504.6
Latin America and Asia Pacific	N/A	N/A	147.5	56.6
Turnover for media communications	N/A	N/A	4,724.1	4,130.0
Turnover for market research (all North America)	109.6	—	67.7	—
			4,791.8	4,130.0

There is no material difference between turnover determined by origin and that determined by destination. A further analysis of profits has not been given since, in the opinion of the directors, this would be seriously prejudicial to the interests of the Group.

3. Profit on disposal of associated undertakings

On 18 January 1999, the Group disposed of its 46.82% interest in the Consodata Group based in France for £6.2 million (FFr 60.9 million) to the existing management and to Alpha, an investment company. The Group realised a profit on disposal of £4.6 million in the year. Due to the availability of brought forward losses, there was no tax payable on this gain.

Notes to the unaudited preliminary results

4. Interest payable and similar charges

	1999	1998
	£'m	£'m
Interest payable:		
On bank loans and overdrafts	4.7	2.4
On other loans	0.8	0.7
Interest payable under finance lease and hire purchase contracts	0.1	0.1
Other charges	1.1	1.2
	6.7	4.4
Amortisation of refinancing costs	0.4	0.3
	7.1	4.7

On 15 October 1999, the Group entered into new banking facilities under which the Group obtained an unsecured, multi-currency revolving credit facility of £250 million.

5. Tax on profit on ordinary activities

	1999	1998
	£'m	£'m
Overseas taxation	18.7	14.4
Associated undertakings	—	0.1
	18.7	14.5

The effective rate of tax on the Group's underlying profits is 28.9% based on profits before amortisation of goodwill (1998: 28.4%). As disclosed in note 3 above, there was no tax arising in 1999 on the profit on disposal of the Group's 46.82% shareholding in Consodata SA.

6. Dividends

	1999	1998
Ordinary shares of 5p each		
– interim dividend rate per share	0.4p	0.35p
– final dividend proposed rate per share	0.6p	0.5p
	1.0p	0.85p
	£'m	£'m
– interim dividend paid	4.3	3.2
– final dividend proposed	6.5	4.8
	10.8	8.0

The final dividend, if approved, will be paid as a conventional dividend on 30 June 2000 to all ordinary shareholders on the register on 9 June 2000.

Notes to the unaudited preliminary results

7. Earnings per ordinary share

	Year ended 31 December 1999	Year ended 31 December 1998
Earnings per ordinary share is calculated as follows:		
Basic		
Profit for the period	£47.0m	£35.7m
Underlying profit for the period	£44.3m	£36.2m
Weighted average number of ordinary shares in issue	1,019.2m	898.4m
Basic earnings per share	4.6p	4.0p
Underlying basic earnings per share	4.3p	4.0p

Diluted		
Profit for the period	£47.0m	£35.5m
Underlying profit for the period	£44.3 m	£36.0m
Weighted average number of ordinary shares in issue and the weighted average number of dilutive securities	1,057.2m	971.3m
Diluted earnings per share	4.4p	3.7p
Underlying diluted earnings per share	4.2p	3.7p

The calculation of basic earnings per share is based on profit after tax, minority interests and preference dividends.

The calculation of diluted earnings per share is based on profit for basic earnings per share adjusted for preference dividends.

At 31 December 1999, there were 1,078.8 million ordinary shares in issue and 77.3 million options outstanding. The total proceeds that would be received on exercise of the outstanding options at 31 December 1999 is £74.5 million. The table below sets out the effect of the dilutive securities on the diluted earnings per share calculation:

	No of ordinary shares 31 December 1999	No of ordinary shares 31 December 1998
Options	38.0m	34.7m
Convertible preference shares	—	15.6m
Warrants	—	22.6m
Total weighted average number of dilutive securities	38.0m	72.9m

Underlying profits are calculated by adding back amortisation of goodwill of £1.9 million for the year ended 31 December 1999 and £0.5 million for the year ended 31 December 1998 and the profit on disposal of an associated undertaking of £4.6 million (note 3) for the year ended 31 December 1999, in order to eliminate the effect of these distorting items.

Notes to the unaudited preliminary results

8. Goodwill on acquisitions

During the period, the Group acquired subsidiaries (all acquisition accounted for) and outstanding minority interests as detailed below:

	Book value acquired £'m	Adjustments £'m	Fair value of net assets £'m
Net assets/(liabilities) acquired:			
Intangible fixed assets	0.7	(0.7) (a)	—
Tangible fixed assets	13.0	(1.9) (b),(c)	11.1
Other fixed assets	2.6	—	2.6
Debtors	53.9	(7.6) (d),(e),(f)	46.3
Stock: work in progress	—	16.3 (e)	16.3
Cash at bank and in hand	1.6	—	1.6
Debt	(3.4)	—	(3.4)
Creditors	(45.7)	(36.7) (e),(g)	(82.4)
Minority interest acquired	(1.8)	—	(1.8)
Minority interest extinguished	0.3	—	0.3
	21.2	(30.6)	(9.4)
Goodwill capitalised in the period			227.1
			217.7
			£'m
Satisfied by:			
Cash consideration paid			201.6
Direct costs of acquisition paid and payable			4.0
Deferred consideration			12.1
			217.7

Adjustments have been made as follows:

- Software licences of £0.7 million within Market Facts, Inc. have been written off in accordance with the Group's accounting policy.
- The depreciation rate for computer hardware within Market Facts, Inc. has been reduced from five to three years, resulting in a write-off of £0.9 million.
- The carrying value of a building owned by Market Facts, Inc. has been reduced by £1.0 million in line with an independent valuation.
- Deferred tax assets of £1.0 million within Market Facts, Inc. have been written off in accordance with UK accounting standards.
- The accounting policy for revenue recognition for Market Facts, Inc. has been amended to recognise revenue only on completion of a project or on the satisfactory completion of a specific phase of a project. The net effect is to reduce the net assets acquired by £9.0 million.
- Provisions for doubtful debts have been made for Market Facts, Inc. of £0.3 million and £1.2 million for Carat Fax SA.
- Estimated deferred consideration of £16.5 million payable to 100% owned subsidiaries previously acquired by Market Facts, Inc. has been provided in accordance with UK accounting standards.

Further details on the acquisitions in the period are set out below:

Carat Fax SA

On 9 April 1999, the Group acquired a 51% interest in Fax SA (now renamed Carat Fax SA), based in Buenos Aires, Argentina. The Group paid cash consideration of £7.9 million (US\$12.75million). The Group has an option to purchase a further 9% by 9 April 2000 for approximately £1.4 million (US\$2.3 million). There is also a put and call option over the existing 49% minority share exercisable after 9 April 2002 for cash consideration based on the profits of the preceding periods.

Market Facts, Inc.

Notes to the unaudited preliminary results

On 2 June 1999, the Group's tender offer to acquire a 100% interest in Market Facts, Inc. (based near Chicago, USA) became unconditional. The offer was for cash consideration of £183.8 million (US\$ 297.2million), of which £0.5 million has yet to be paid.

Feather Brooksbank

On 11 November 1999, the Group acquired a 100% interest in WIRR Limited (trading as Feather Brooksbank), based in Edinburgh, Scotland. The Group paid consideration of £7.5 million, £4.5million in cash and £3 million by way of a loan note payable on 10 January 2001. Further contingent consideration payable in cash of up to £6 million may also be paid between 2000 and 2002 subject to specified growth criteria.

Notes to the unaudited preliminary results

8. Goodwill on acquisitions (continued)

BBJ Media Services Limited

On 7 October 1999, the Group acquired a further 15.6% interest in BBJ Media Services, based in London, UK for cash consideration of £2.8 million.

Other acquisitions

In addition to the transactions outlined above, the Group made further acquisitions for initial cash consideration of £3.1 million and deferred cash consideration of up to £2.6 million, including:

Carat Sante SA

On 1 July 1999, the Group acquired a 100% interest in the businesses of Media Deal and Media Medical to form a new company called Carat Sante, based in Paris, France.

Christine Malleret Conseil SA

On 22 October 1999, the Group acquired a 100% interest in Christine Malleret Conseil SA based in Paris, France.

Nord Espace Media SA

On 27 December 1999, the Group acquired a 100% interest in Nord Espace Media SA, based in Lille, France.

9. Reserves

	Share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Special reserve £'m	Profit and loss account £'m
At 1 January 1999	47.8	59.0	0.2	4.5	(174.6)
Retained profit for the financial year	—	—	—	—	36.2
Issue of shares by the Company (net of expenses)	6.1	122.3	—	—	—
Goodwill realised on disposal	—	—	—	—	1.3
Transfers	—	—	—	(4.5)	4.5
Currency translation differences on foreign currency net investments	—	—	—	—	(5.7)
At 31 December 1999	53.9	181.3	0.2	—	(138.3)

Following the issue of shares during the year the remaining £4.5 million has been transferred from the special reserve to the profit and loss account reserve in accordance with a court approved share premium account reduction scheme implemented in 1994.

Goodwill arising on acquisitions up to 31 December 1997 of £563.9 million, which has been written-off immediately to reserves, is included within the profit and loss account reserve.

10. Deferred consideration and other contingent liabilities

Deferred consideration, which has been fully provided for in creditors, may be made to the vendors of certain subsidiary undertakings in the years to 2004. Such payments are either fixed under the terms of the acquisition or are contingent on the future financial performance. The directors estimate that, at the rates of exchange ruling at the balance sheet date, the maximum liability at 31 December 1999 for payments that may be due is as follows:

	1999 £'m	1998 £'m
Within one year	16.7	12.1
Between one and two years	8.3	7.4
Between two and five years	17.4	4.3
	42.4	23.8

All of the contingent deferred payments noted above are payable in cash. The minimum liability is £17.9 million.

Put options held by outstanding minority interests

There are put options exercisable between 1998 and 2002 in respect of Carat companies in Argentina, France, Germany, Greece, Thailand and the United Kingdom. The value of the put options is based upon the profitability of the individual companies. The directors estimate the value of these contingent liabilities to be approximately £13.0 million, payable in a combination of cash and ordinary shares.

Notes to the unaudited preliminary results

11. Post balance sheet events

Media Consultants SARL

On 7 January 2000, the Group acquired a 25% interest in Media Consultant SARL, based in Paris, France. The Group paid initial cash consideration of £0.1 million with further payment of approximately £0.3 million due on or before 31 March 2000.

Motoresearch, Inc.

On 12 January 2000, the Group acquired a 100% interest in Motoresearch, Inc., a market research company based in Detroit, USA. The initial consideration of £5.0 million was payable in cash on closing; there is also deferred cash consideration of £2.8 million, subject to performance criteria, payable over the next three years.

Ufa Medianet GmbH

On 20 January 2000, the Group acquired a 100% interest in UFA Medianet GmbH (now renamed Carat Munich), a media agency owned by the Bertelsmann Group and based in Munich. The initial consideration is £0.5 million payable in cash with further deferred cash consideration payable in 2001, based on performance criteria for the first operating year of a maximum of £0.3 million.

Carat Taiwan

On 27 January 2000, the Group commenced a 50:50 joint venture with United Advertising based in Taipei, Taiwan for initial consideration of £1.0 million and contingent deferred consideration payable in cash between 2000 and 2002 of a maximum of £0.5 million, subject to performance criteria.

Ipsos Access Panels Holdings SA

On 4 February 2000, the Group reached agreement to enter into a joint venture with Ipsos SA to take a 35% interest in their European access panel business, Ipsos Access Panels Holdings SA, for cash consideration of £2.8 million, subject to certain conditions precedent.

Carat Fax SA

On 25 February 2000, the Group reached agreement to acquire the remaining 49% interest in Carat Fax SA, based in Buenos Aires, Argentina, for cash consideration of £8.4 million (US\$13.5 million).

Carat Interactive AG

On 1 March 2000, the Group acquired 100% interests in SetStep AG and Ambi Dexter AG, both based in Zurich, Switzerland, merged and renamed Carat Interactive AG. The initial cash consideration of £1.1 million is payable in cash on closing with deferred cash consideration of a maximum of £1.1 million payable in March 2001, subject to performance criteria.

Asia Market Intelligence (Holding) Limited

On 6 March 2000, the Group acquired a 100% interest in Asia Market Intelligence (Holdings) Limited, a market research group based in Hong Kong and with operations in Indonesia, Malaysia, the People's Republic of China, Philippines, Singapore, South Korea, Taiwan and Thailand. The initial consideration is £15 million (US\$24 million) paid in cash on closing and contingent deferred consideration payable in cash between 2001 and 2003 of a maximum of £35 million (US\$56 million) consideration, subject to performance criteria.

12. Statutory accounts

The financial information contained in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 1999 and 1998. The 1999 statutory accounts will be distributed to shareholders prior to the Annual General Meeting and filed with the Registrar of Companies thereafter. Copies will be available from the Company's registered office at 11A West Halkin Street, London SW1X 8JL. Statutory accounts for the year ended 31 December 1998, containing an unqualified auditors' report have been filed with the Registrar of Companies.