

WPP

CANNES LIONS 2011/12/13
HOLDING COMPANY OF THE YEAR



EFFIE INDEX 2012/13
MOST EFFECTIVE HOLDING COMPANY



Trading Statement for the Third Quarter 2013

October 2013



Third Quarter 2013

Summary

- Reported revenues up 7.4% at £2.680 billion with like-for-like revenues up 5.0% and constant currency revenues up 6.4%.
- Operating profits and operating margins in first nine months in line with budget and target and ahead of last year.
- Net debt at 30 September 2013 down £766 million to £2.810 billion, compared to £3.576 billion at 30 September 2012 (at 2013 FX rates).
- Acceleration of growth in US and Continental Europe and Latin America continuing to grow strongly – what we lose on the faster growth market swings (BRICs), we gain on the mature market roundabouts (US and Western Europe).
- Net new business billings of £4.935 billion in first nine months, ranked first in all net new business tables.

Third Quarter 2013

Summary – Revenue Growth

% change	Third Quarter	YTD
Like-for-like	5.0	3.3
Acquisitions	1.4	2.5
Constant currency	6.4	5.8
Foreign exchange	1.0	1.4
Reportable sterling	7.4¹	7.2
Reportable US dollars²	5.4	4.9
Reportable euros²	-0.4	2.1

¹ Average Q3 2013 exchange rate for US\$/£ was \$1.55 (Q3 2012: \$1.58), €/£ was €1.17 (Q3 2012: €1.26) and Japanese Yen/£ was Y153.5 (Q3 2012:Y124.3)

² Translated into US\$ and € at average actual exchange rates for each of the periods

Third Quarter 2013

The “Singlehurst” 2 year organic growth model¹

Organic growth rate	<u>WPP</u>	<u>OMC</u>	<u>PUB</u>	<u>IPG</u>
Q4/12	7.0	7.9	6.8	3.2
Q1/13	6.1	8.0	5.4	5.0
Q2/13	5.9	7.9	6.6	3.0
Q3/13	6.9	7.6	5.5	2.0
Range	6-7	7-8	5-7	2-5
2012 Margin	15.3 ²	13.4	16.1	9.8
2013 Margin ³	15.9 ²	13.4	16.3	9.8

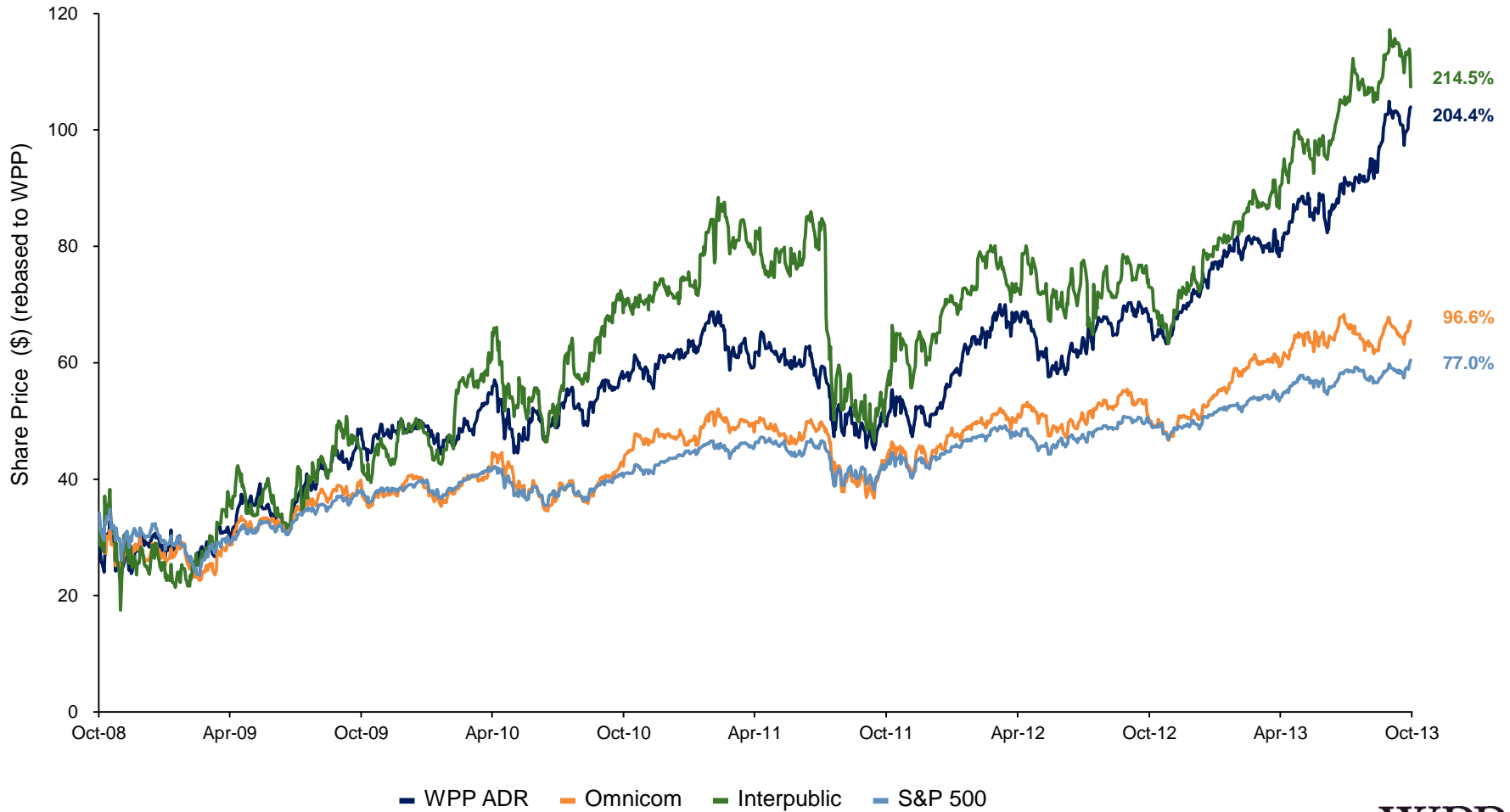
¹ For each quarter this is the combined organic growth of the relevant quarter and the same quarter in the prior year

² To aid comparability margin on Gross Margin basis reduced by contribution of associates

³ Consensus

Parent Company Performance Comparison

North America – 5 Year TSR



Source: Bloomberg as at 18 October 2013

Parent Company Performance Comparison

Europe – 5 Year TSR



Source: Bloomberg as at 18 October 2013

Third Quarter 2013

Revenue by Discipline: Third Quarter

	2013 £m	2012 £m	% Change		
			Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	1,087	999	8.8	8.2	6.6
Data Investment Management	617	591	4.4	3.2	3.6
Public Relations & Public Affairs	229	227	0.7	-0.6	-0.9
Branding & Identity, Healthcare and Specialist Communications	747	679	10.1	8.9	5.7
Total	2,680	2,496	7.4	6.4	5.0¹

¹ Direct, digital & interactive growth of 7.2%

Third Quarter 2013

Revenue by Discipline: Year to Date

	2013 £m	2012 £m	Reported	% Change	
				Constant Currency	Like-for- like
Advertising, Media Investment Management	3,279	3,043	7.7	6.5	5.1
Data Investment Management	1,855	1,783	4.1	2.6	1.8
Public Relations & Public Affairs	687	686	0.1	-1.7	-2.7
Branding & Identity, Healthcare and Specialist Communications	2,186	1,956	11.7	10.3	3.8
Total	8,007	7,468	7.2	5.8	3.3¹

¹ Direct, digital & interactive growth of 8.2%

Third Quarter 2013

Advertising, Media Investment Management

- Strongest performing sector as in 2012 and first half of 2013. Growth in quarter three was the strongest quarterly growth so far this year in both advertising and media investment management.
- Advertising improved in third quarter, particularly in North America, Asia Pacific and Africa. Grey, Y&R and JWT performed particularly well.
- Media investment management continued its strong performance, with double digit growth in all regions except North America and Asia. Growth in Mindshare, MEC, MediaCom and Maxus high single- or double-digit.



Third Quarter 2013

Data Investment Management

- Like-for-like growth in third quarter accelerated from quarter two, with particularly strong growth in North America, Africa and the Middle East, with the United Kingdom and Ireland weaker.
- Millward Brown, Kantar Media, Kantar Worldpanel, Kantar Retail, Lightspeed, Center Partners, the Futures Group and KIMRB performed strongly.



Third Quarter 2013

Public Relations & Public Affairs

- Weak third quarter, with like-for-like revenues down 0.9% but less worse than the first half.
- Geographically, positive growth in Asia Pacific and Africa.
- Forecast like-for-like growth for quarter four.



Third Quarter 2013

Branding & Identity, Healthcare and Specialist Communications

- Like-for-like growth of 5.7% in third quarter, stronger than the second quarter driven by direct, digital and interactive, branding and identity and healthcare communications.
- Geographically, strong like-for-like growth in North America, the United Kingdom, Latin America and Asia Pacific.



Third Quarter 2013

Direct, Digital and Interactive

- In the first nine months almost 35% of Group revenues came from direct, digital and interactive, up nearly 300 basis points from the previous year.
- Direct, digital and interactive revenues up over 8% like-for-like in the first nine months.
- Acquisition of BrandDigital and BrandAnalytics in Latin America, Verticurl, Sirius and Postvisual in Asia.



Third Quarter 2013

Xaxis Ad Serving accelerates

Evidon Ad Delivery Index Sept 2013

Rank		Impressions (bn)
1	Double-Click (Google)	230.0
2	OpenX	84.4
3	AppNexus	73.7
4	Google Adsense	59.2
5	Rubicon	46.2
6	Advertising.com	45.4
7	Right Media	43.9
8	MediaMind	41.5
9	YieldSquare	31.7
10	MediaMath	31.2
11	24/7 Media (Xaxis)	28.6
12	DoubleClick Bid Mgr	27.3
13	Atlas	24.4
14	Criteo	23.1

No other
direct
competitor
present



Third Quarter 2013

Revenue by Region: Third Quarter

	2013 £m	2012 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	948	885	7.2	5.5	4.6
UK	352	311	13.2	13.2	8.1
Western Continental Europe	589	537	9.6	2.7	2.6
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	791	763	3.6	7.3	5.8
Total	2,680	2,496	7.4	6.4	5.0

Third Quarter 2013

Revenue by Region: Year to Date

	2013 £m	2012 £m	% Change		
			Reported	Constant Currency	Like-for- like
North America	2,788	2,633	5.9	3.8	2.0
UK	1,021	902	13.1	13.1	5.8
Western Continental Europe	1,847	1,724	7.2	2.4	0.1
Asia Pacific, Latin America, Africa & Middle East, Central & Eastern Europe	2,351	2,209	6.4	7.8	6.2
Total	8,007	7,468	7.2	5.8	3.3

Third Quarter 2013

Growth by Region

- Faster growing markets of Asia Pacific, Latin America, Africa & the Middle East continued the strong growth seen in the first half with like-for-like growth of 5.8%. The United Kingdom grew even more strongly in the third quarter with like-for-like growth of 8.1%.
- Western Continental Europe grew by 2.6% offsetting first half decline.
- Central & Eastern Europe was up strongly at 7.5%, with Russia, Poland and Czech Republic particularly strong.
- On a like-for-like basis, BRICs up over 5%, Next 11 up over 10% and CIVETS up over 17%. MIST was up almost 10%.



Third Quarter 2013

Revenue Growth by Country

Revenue Growth ¹	Countries
>20%	Argentina
10% to 20%	Thailand
5% to 10%	Brazil, Germany, India, Italy, Mainland China ² , Netherlands, Poland, Russia, South Africa, Sweden, UK
Below 5%	Australia, Belgium, Canada, Denmark, France, Greater China ³ , Japan, Mexico, Norway, Singapore, South Korea, Spain, USA

¹ Like-for-like growth
³ Includes Hong Kong and Taiwan

² Excludes Hong Kong

Third Quarter 2013

Revenue Growth by Category

Revenue Growth ¹	Categories
Above 10%	Entertainment, Travel & Airline
5% to 10%	Automotive, Oil, Personal Care & Drugs
Below 5%	Computers, Drinks, Electronics, Financial Services, Food, Government, Retail, Telecommunications



¹ Like-for-like growth

Third Quarter 2013

Effects of Currency

- Currency movements accounted for a 1.0% increase in revenue, largely reflecting the weakness of the £ sterling against the euro and the US\$, partly offset by strength against most faster growing market currencies.
- Sterling weaker overall as follows:

	Q3 2013	Q3 2012	Sterling weaker/(stronger)
US\$	1.55	1.58	2%
€	1.17	1.26	7%
¥	153.5	124.3	(23%)
Brazilian Real	3.55	3.21	(11%)
Chinese Renminbi	9.5	10.0	5%
Indian Rupee	96.5	87.1	(11%)
South African Rand	15.5	13.1	(18%)

Third Quarter 2013

Trade Estimates of Major New Business Wins (1)

WPP Agency	Incumbent	Account	Office	Billings(\$m)
Grey	OMC	Procter & Gamble (Gillette)	Global	800
GroupM	PUB	Nestlé	USA	750
GroupM	PUB/DEN	GSK	Global	600
MediaCom	OMC	Sony	Global	500
Y&R	PUB/IND	JCPenney	USA	440
Team Plus	MEC	Chanel	Global	400
Mindshare	IPG/Mindshare	Lionsgate/Summit	USA	400
VML	PUB	Wendy's	USA	273
MEC	OMC/PUB	GE - Media	Global ex USA	200
		GE - Search	Global	
Mindshare	OMC/IPG	Dyson	Global	185
JWT	OMC	Vonage	USA	160
GroupM	PUB	360buy.com	China	160
MediaCom	OMC	Fonterra	Asia Pac/M East	150
Mindshare	IND	Bacardi	USA	130

Shaded figures are Q3 wins

Third Quarter 2013

Trade Estimates of Major New Business Wins (2)

WPP Agency	Incumbent	Account	Office	Billings(\$m)
JWT	IND	Nokia	Global	120
Mindshare	OMC/HAV	BBVA	Global	115
Grey	OMC/Y&R	Allianz	Global	100
Ogilvy	PUB	Weight Watchers	USA	95
JWT/ Mindshare	IND	Air Canada	Global	80
MEC	IPG	LegalZoom	USA	50
Grey	Grey	Kellogg's (Pringles)	Global	50
Grey	IPG	Mengniu Dairy	China	50
MediaCom	AGS	Coca-Cola	UK	48
MediaCom	OMC	Siemens	Global	46
JWT	IND	China Auto Rental	China	40
JWT	DEN	China Unicom	China	40
Maxus	AGS	Qantas	Asia Pacific	40
Mindshare	IND	TGI Friday	USA	36

Shaded figures are Q3 wins

Third Quarter 2013

Trade Estimates of Major New Business Losses

WPP Agency	Winning Agency	Account	Office	Billings(\$m)
Mindshare	PUB	AbbVie	Global	365
Mindshare	IPG	Amazon	Global	220
MEC	Team Plus	Chanel	Global	200
Mindshare	HAV	LG	Global	160
Mindshare	PUB	Motorola	Global	150
JWT	MDC	Diageo	Global	50
Mindshare	IPG	Zurich	Global	39
MediaCom	DEN	Staples	USA	33
JWT	PUB	HSBC Wealth	Global	32

Shaded figures are Q3 losses.

Third Quarter 2013

Internal Estimates of Net New Business Wins – Year to Date

(\$m)	Creative	Media	Total
Advertising	3,136	3,976	7,112
Other Businesses	784	-	784
Third Quarter YTD 2013	3,920	3,976	7,896
<i>Third Quarter YTD 2012</i>	<i>2,047</i>	<i>3,328</i>	<i>5,375</i>

Third Quarter 2013

Trade Estimates of Major New Business Wins/Losses Since 1 October

WINS

WPP Agency	Incumbent	Account	Office	Billings(\$m)
Mindshare	PUB	L'Oreal - Digital	China	100
Grey	OMC	Hasbro	USA	96
JWT	DEN	Canon	EMEA	80
MediaCom	MDC	ADT	USA	57
Ogilvy	United	Comcast	USA	50
Wunderman	N/A	Shell	Global	45
Ogilvy	HAV	Aetna	Global	43

LOSSES

WPP Agency	Winning Agency	Account	Office	Billings(\$m)
Y&R	MDC/OMC/HAV	JCPenney	USA	440
MediaCom	PUB	AB-Inbev	China	190
Grey	IPG	SEAT	Global	150
AKQA	PUB	Chase	USA	50
United	Ogilvy	Comcast	USA	50

Third Quarter 2013

Cash Flow and Net Debt

- Average net debt in the first nine months down £61 million to £3.080 billion, compared to £3.141 billion in 2012, at 2013 exchange rates.
- Acquisitions and investments (including earnouts) and share repurchases totalled £320 million in nine months to 30 September 2013.
- Net debt at 30 September down £766 million to £2.810 billion, compared to £3.576 billion last year, at 2013 exchange rates, reflecting an improvement in working capital in the first nine months and the benefit of converting £416 million of the £450 million Convertible Bond.
- Free cash flow in the 12 months to 30 September 2013 of £1.5 billion.
- Average net debt to Headline EBITDA in line with target to reduce ratio to 1.6x for 12 months to 31 December 2013.

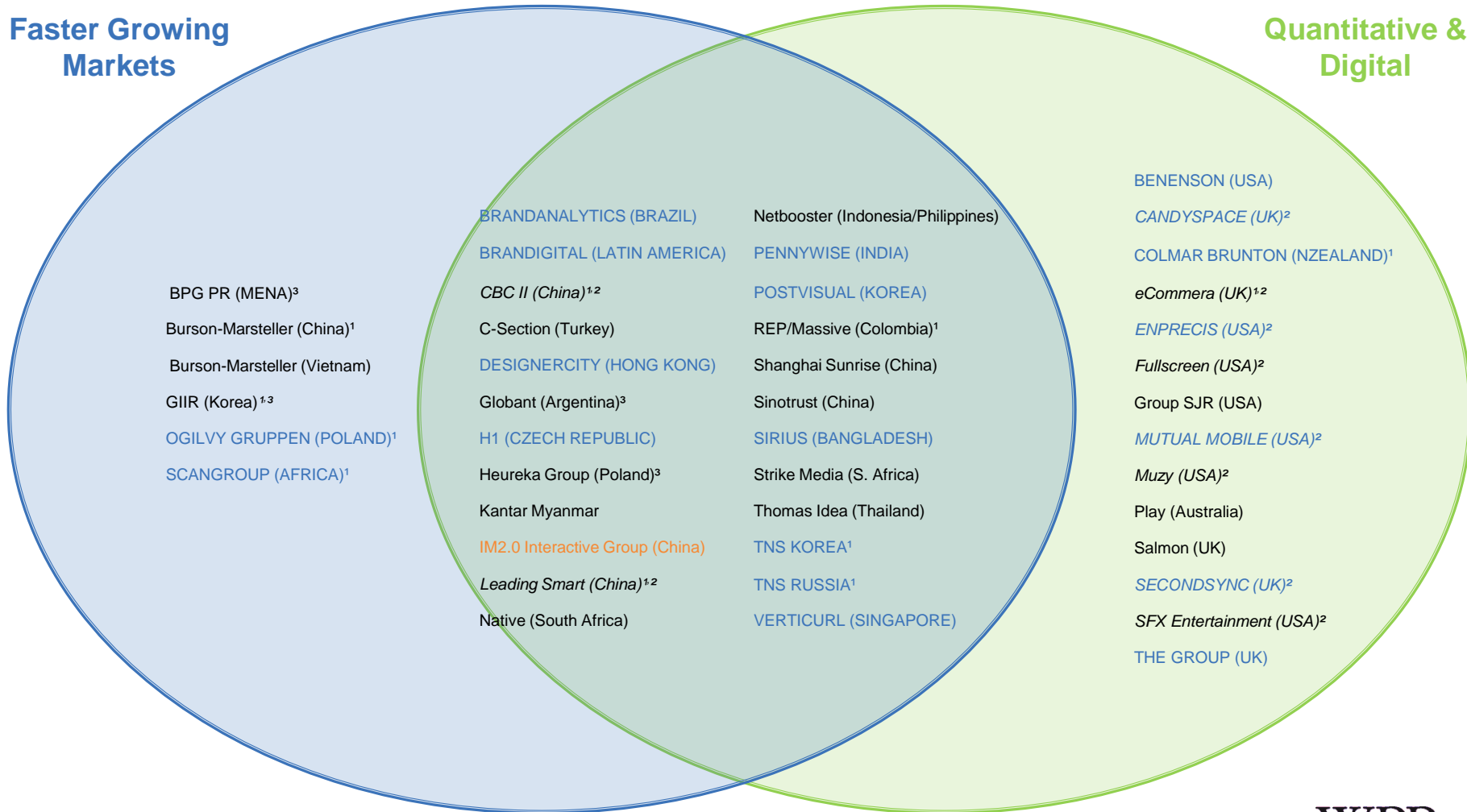


Third Quarter 2013

Acquisitions and Investments – Year to Date

Faster Growing Markets

Quantitative & Digital



¹ Step-ups in investments, associates and subsidiaries' equity
² Investment
³ Associate

⁴ Acquisition since 1 October
 CAPITALS ARE Q3 ACQUISITIONS

Third Quarter 2013

Other Acquisitions – Year to Date

Advertising

john st. (Canada)

Public Relations & Public Affairs

AxiCom (Europe)¹



¹ Step-ups in investments, associates and subsidiaries' equity

Third Quarter 2013

Uses of Free Cash Flow

Category	Target	Sept YTD 2013	Sept YTD 2012	FY 2012
Acquisitions ¹	£300-£400m	£186m ²	£487m ²	£500m ²
Share purchases	1%-2%	1.0%	0.7%	1.3%
Dividend increase	n/a	20%	18%	16%
Dividend pay-out ratio (2 years)	45%	n/a	n/a	39%

¹ Includes investments and step-ups in subsidiaries equity

² Net of disposal proceeds and net of acquired cash

Third Quarter 2013

Summary

- Acceleration in Q3 like-for-like growth to 5.0%, with growth in all regions and sectors except public relations and public affairs.
- What was lost on the “faster growth market swings” was more than offset by growth on the “mature market roundabouts”.
- Data investment management strengthened to 3.6% like-for-like revenue growth and 4.2% on gross margin.
- Decline in public relations and public affairs reduced with forecast like-for-like growth in Q4 2013.
- Operating profits and operating margins for first nine months in line with budget and target and ahead of last year.



Third Quarter 2013

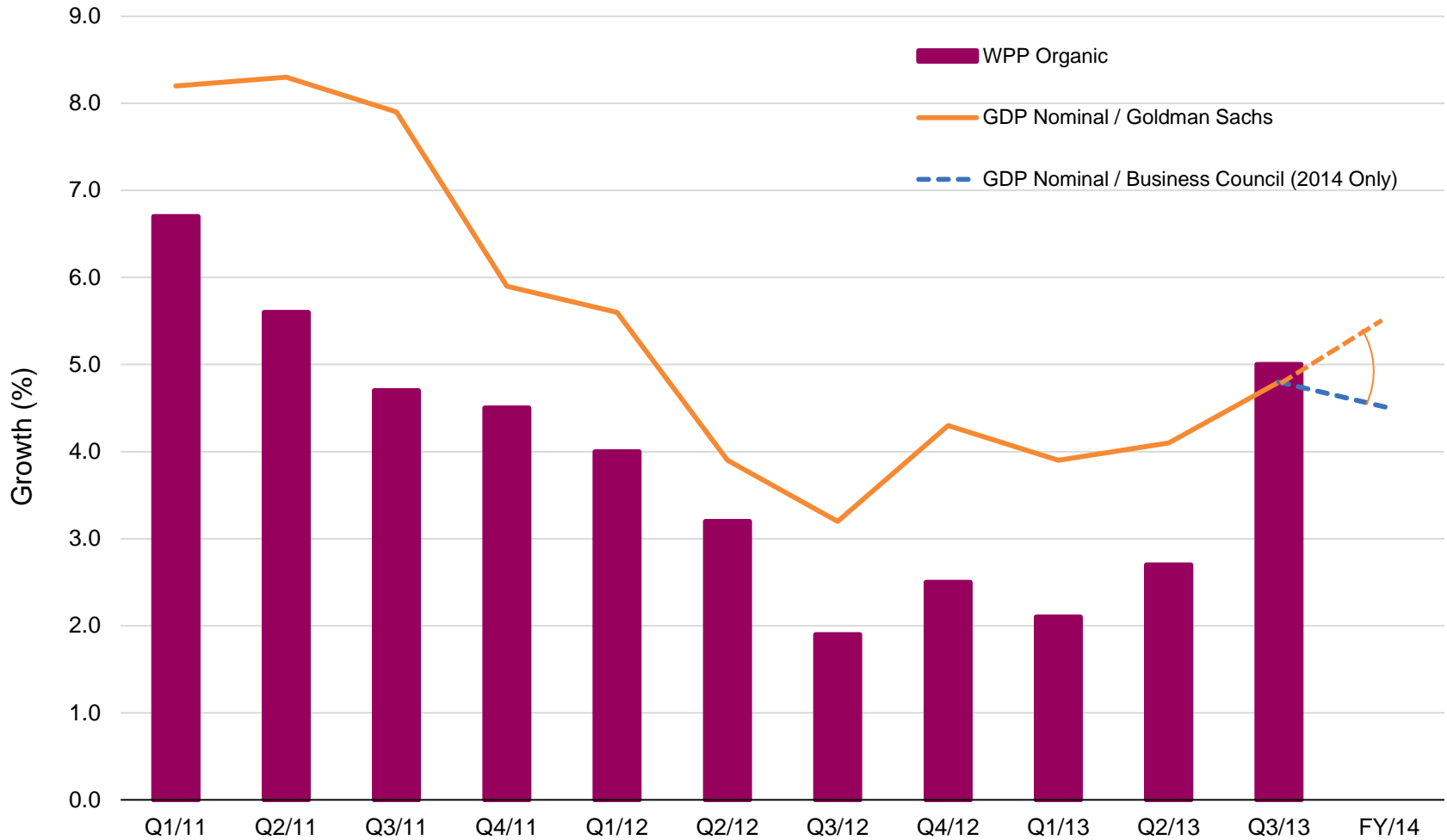
Outlook

- Q3 revised forecasts indicate growth above 3% with second half US recovery and overall growth in Europe, with faster growth markets continuing their strong contribution to growth.
- Continued growth in data investment management and return to like-for-like growth for public relations and public affairs in Q4.
- Strong growth from advertising and media investment management and branding and identity and other specialist communications driven by direct, digital and interactive, as well as healthcare.
- Controlled headcount growth and Q4 revenue outlook support our target 0.5 margin point improvement.
- Strong cash flow and redemption of £450m convertible bond reducing net debt.



Third Quarter 2013

Organic Growth and GDP



Third Quarter 2013

Conclusion

- The Group is well placed as we close the year and begin preparations for 2014:
 - variable costs in the 6% to 7% range
 - headcount held at close to 2012 level through the year
 - good new business momentum
 - strong cash flow and improving balance sheet ratios
- There are good opportunities to achieve EPS growth of 10% - 15% from the combination of organic revenue growth, margin improvement and the application of our substantial cash flow for acquisitions, share repurchases and debt reduction.
- Global GDP forecasts for 2014 indicate a stronger year for our industry than 2013 and the Group is well placed to benefit from industry trends.
- We remain focused on achieving our 2013 targets and well placed to deliver a stronger 2014.



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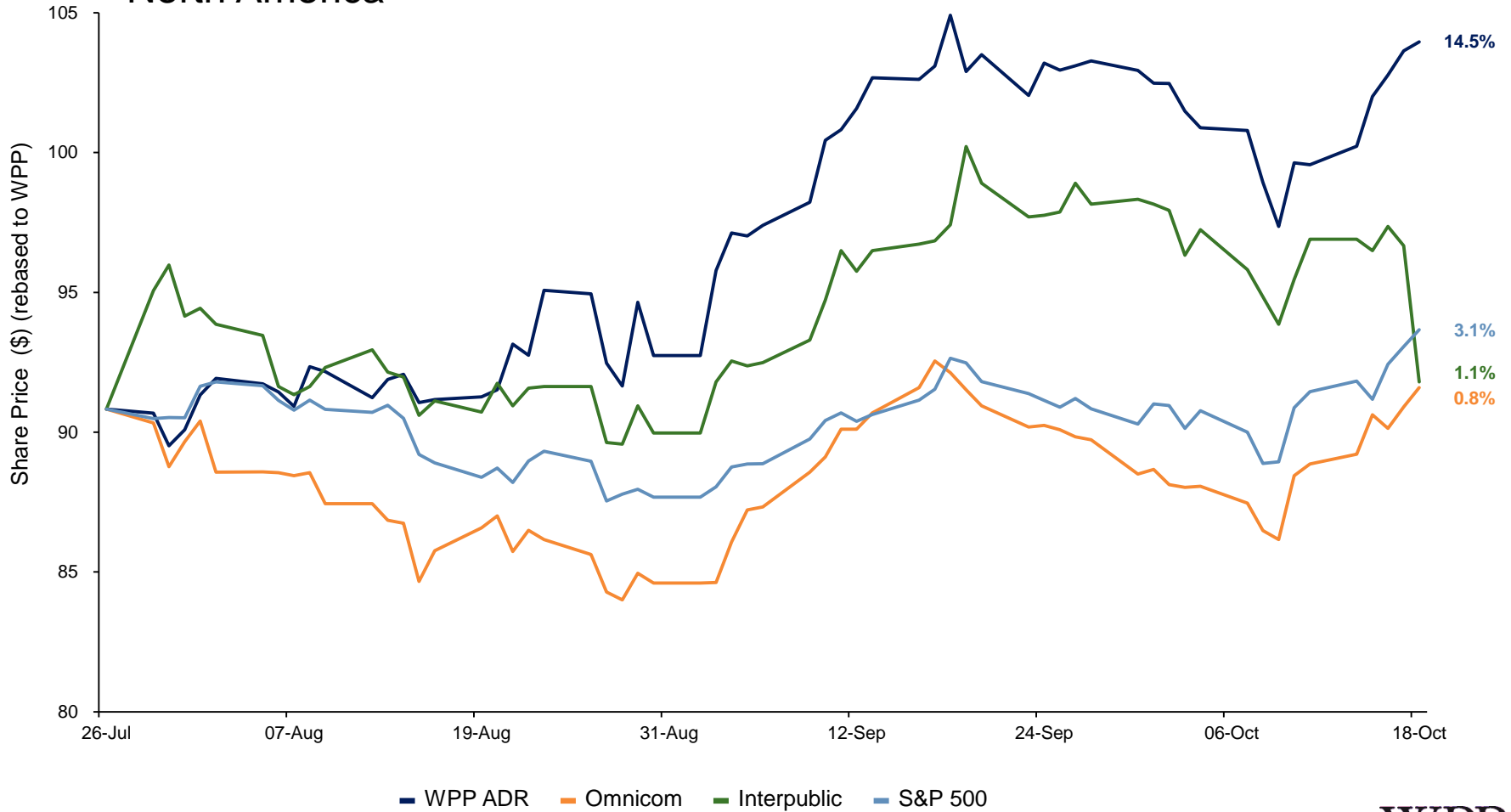
Trading Statement for the Third Quarter 2013

October 2013



Share Price Performance Since POG Announcement

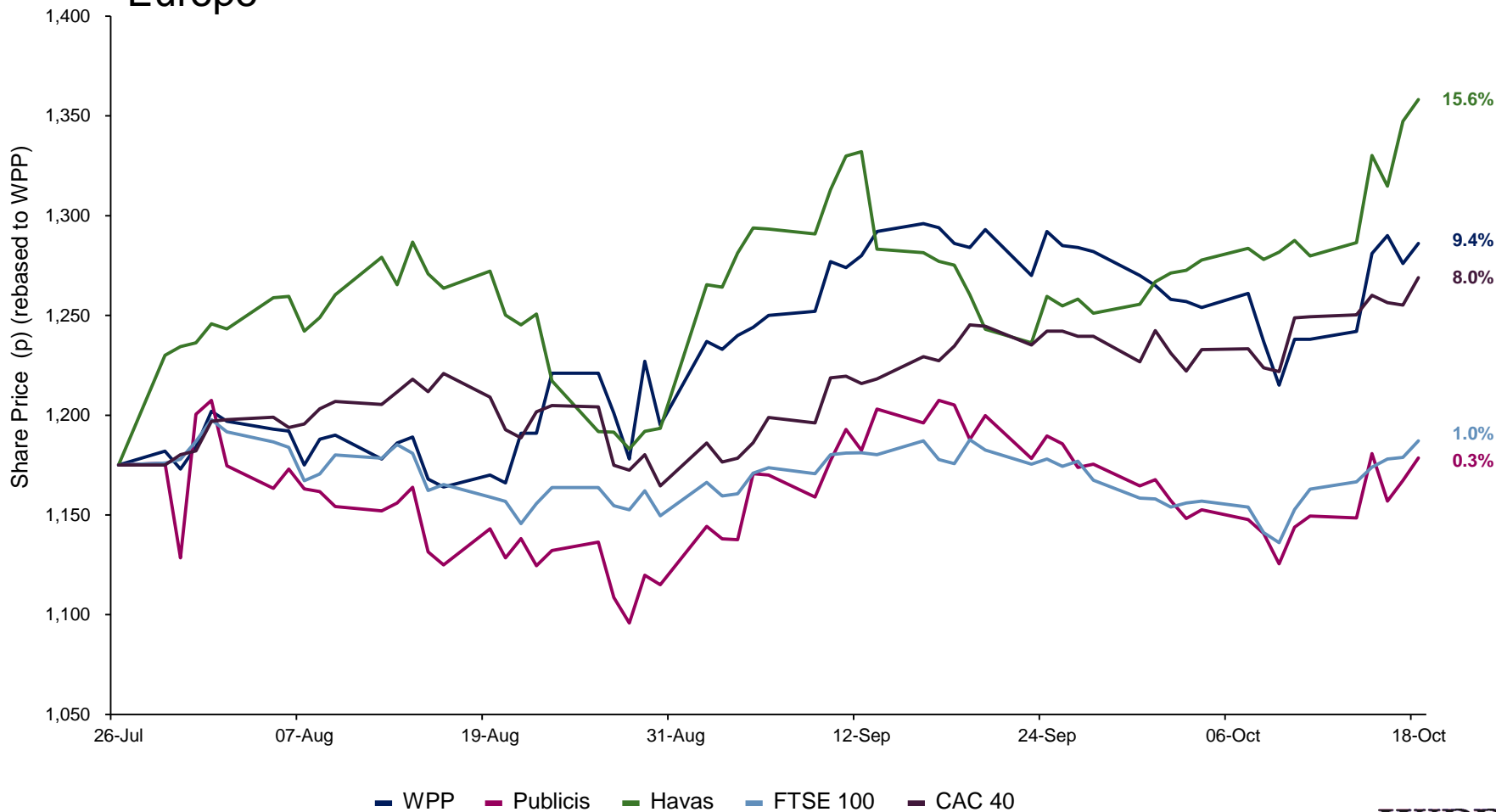
North America



Source: Bloomberg as at 18 October 2013

Share Price Performance Since POG Announcement

Europe



Source: Bloomberg as at 18 October 2013

Year-to-Date Share Price Performance

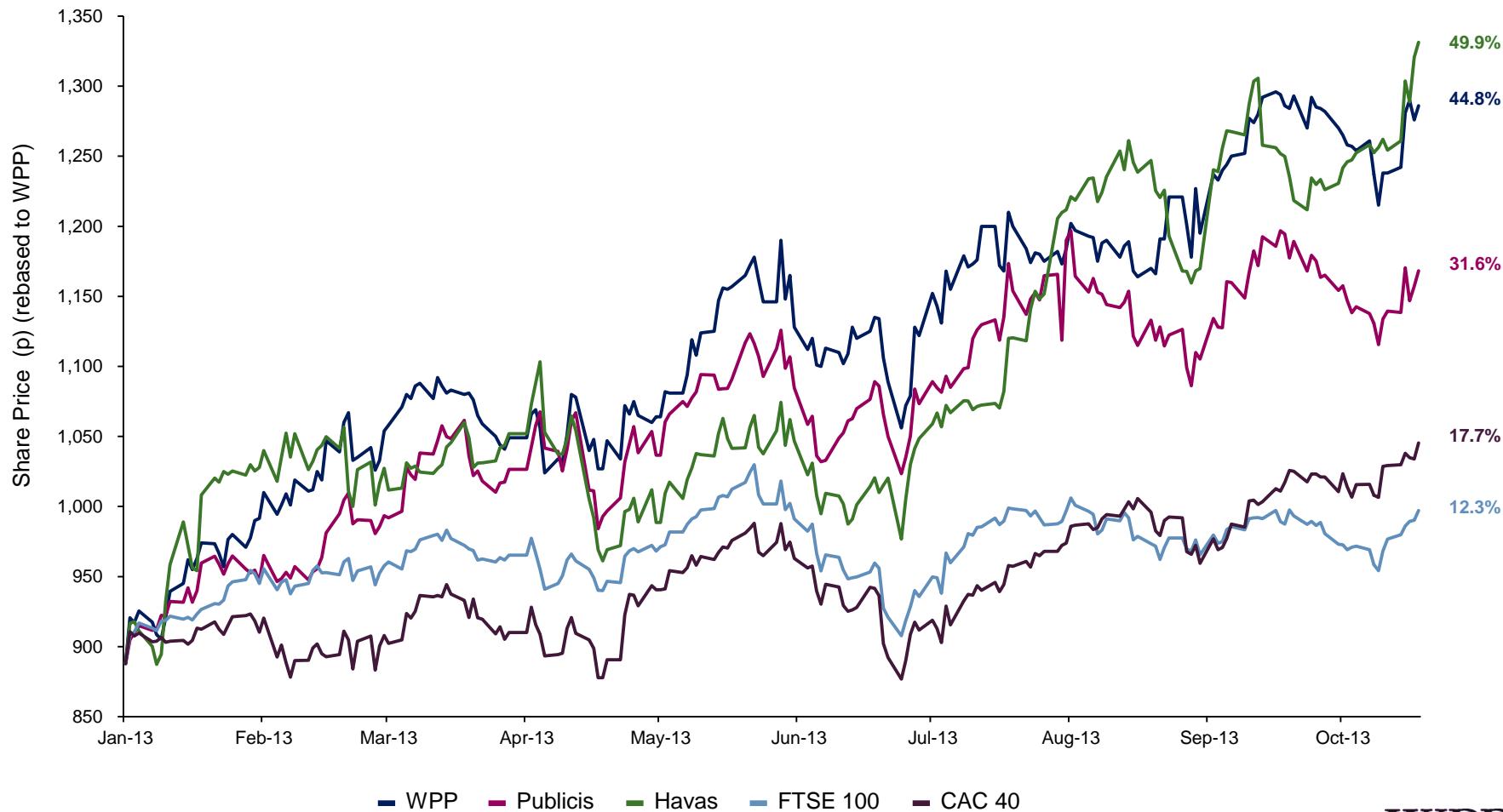
North America



Source: Bloomberg as at 18 October 2013

Year-to-Date Share Price Performance

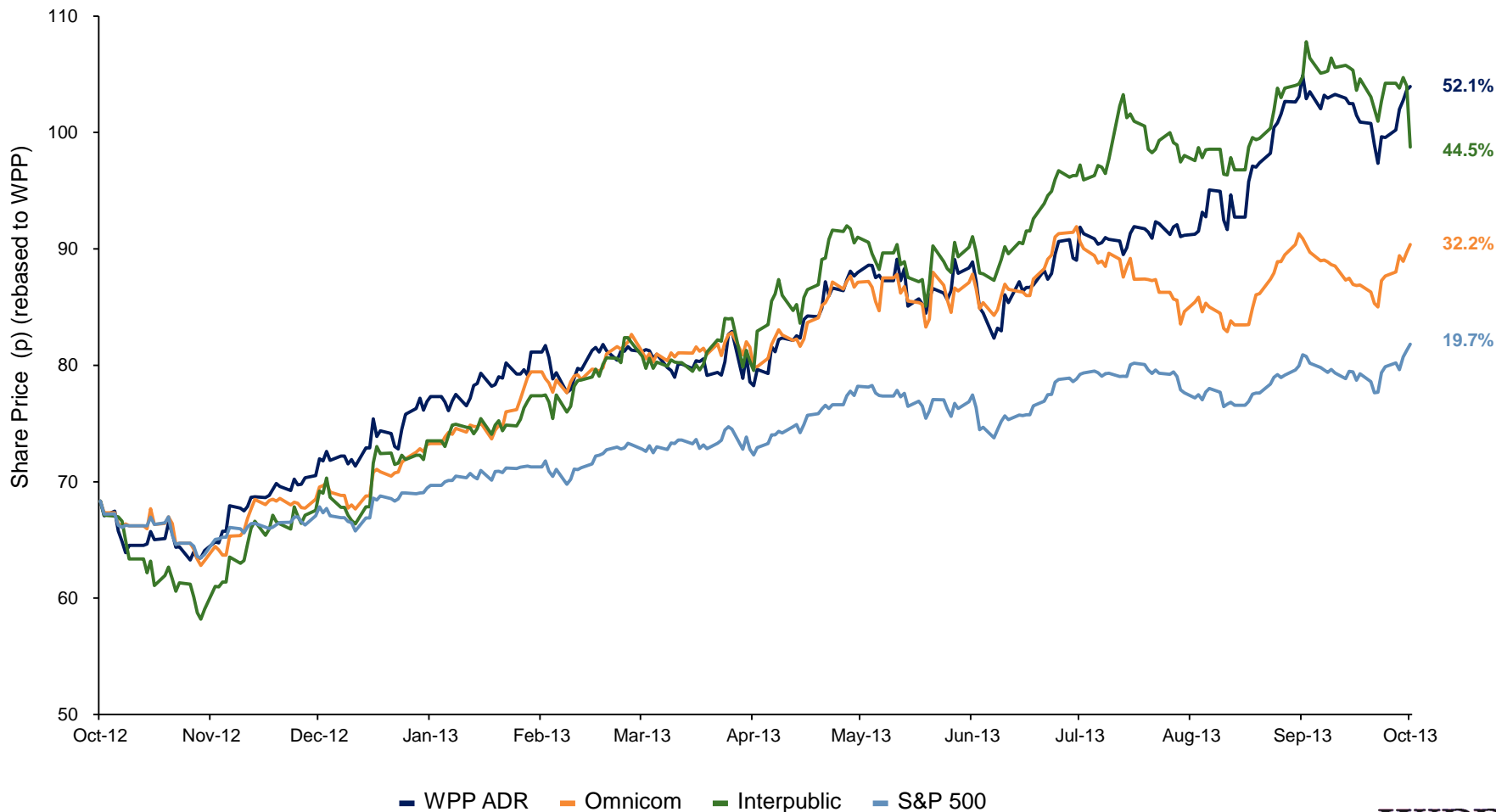
Europe



Source: Bloomberg as at 18 October 2013

Parent Company Performance Comparison

North America – 1 Year TSR



Source: Bloomberg as at 18 October 2013

Parent Company Performance Comparison

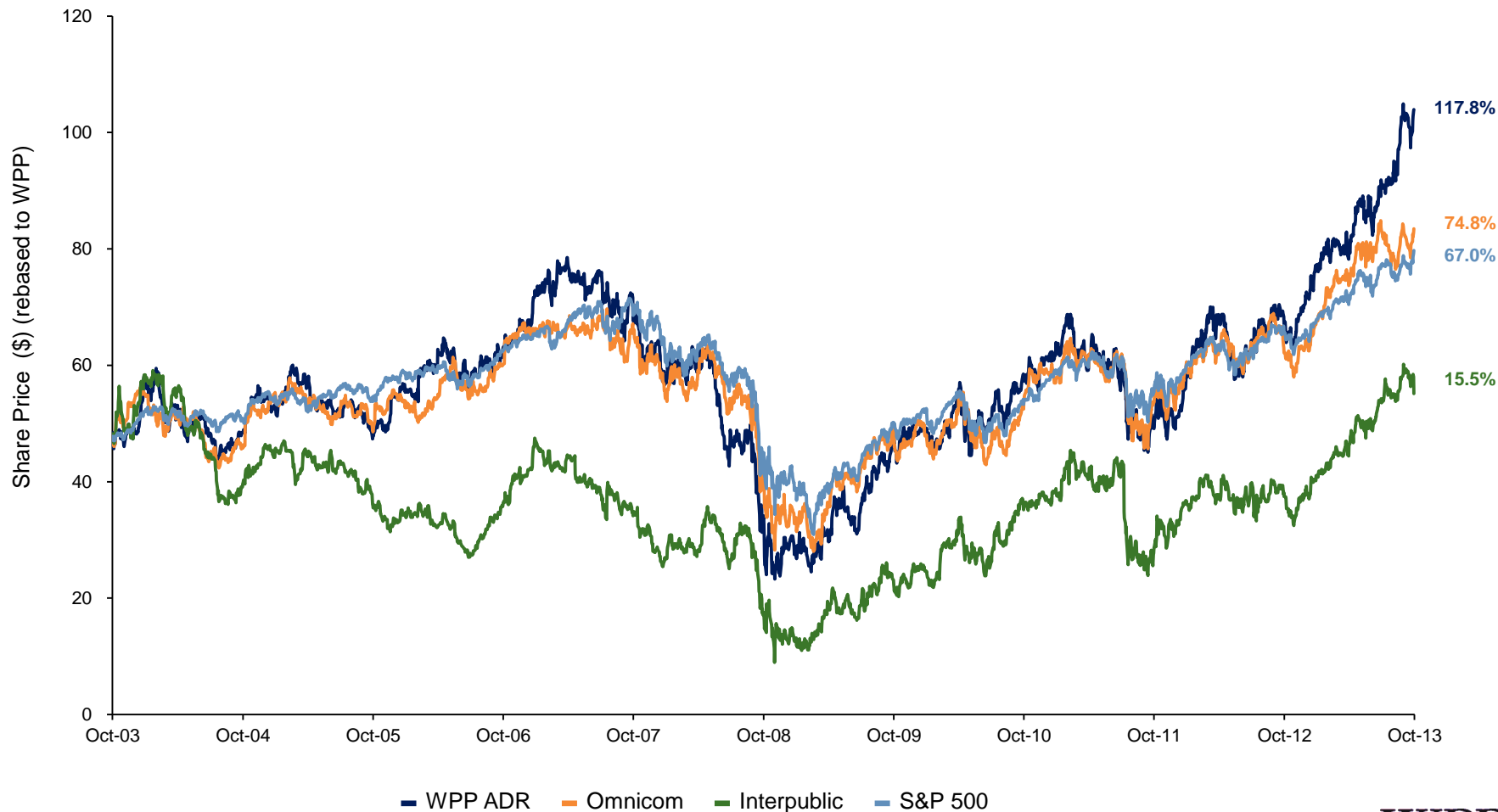
Europe – 1 Year TSR



Source: Bloomberg as at 18 October 2013

Parent Company Performance Comparison

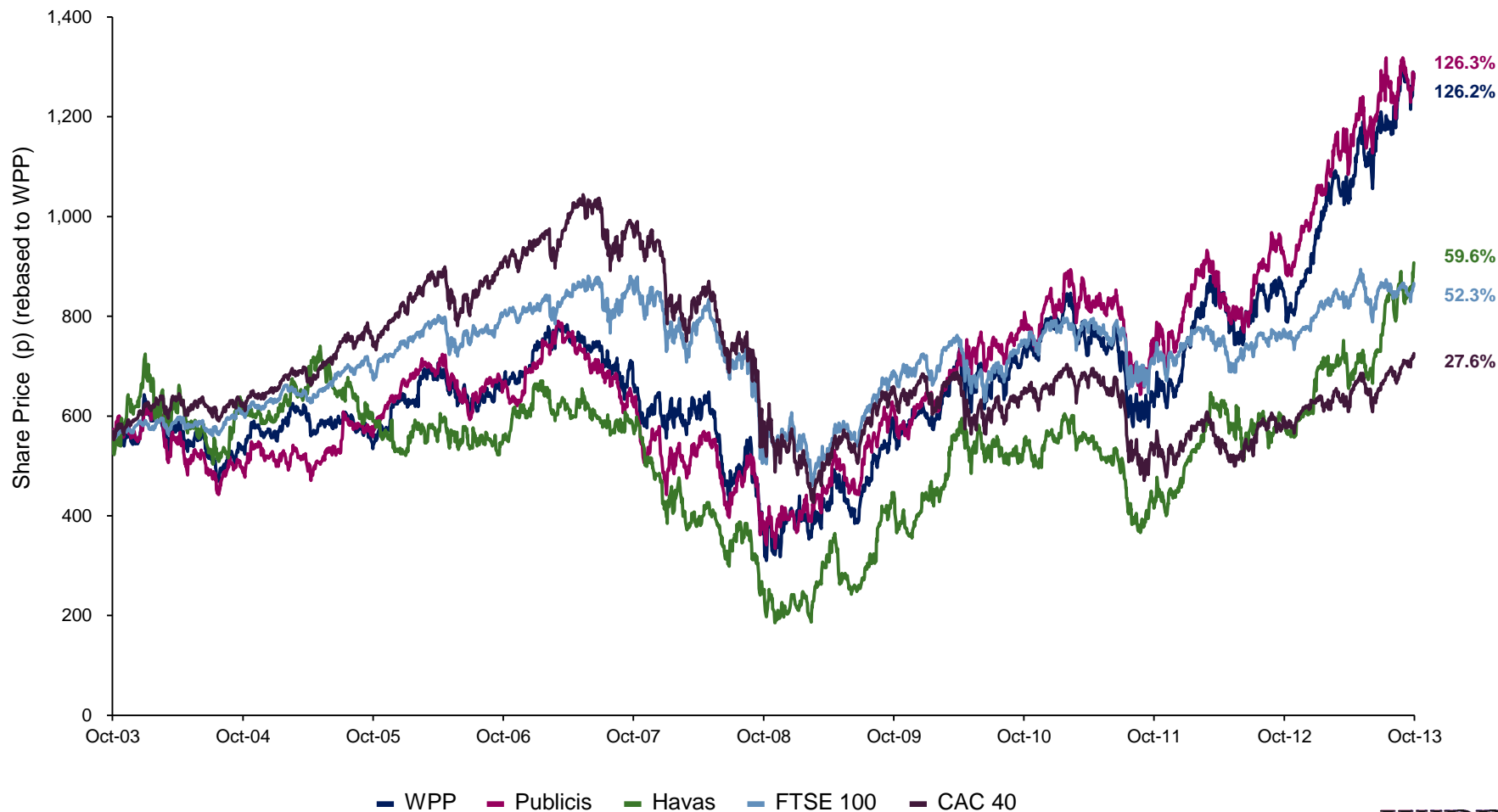
North America – 10 Year TSR



Source: Bloomberg as at 18 October 2013

Parent Company Performance Comparison

Europe – 10 Year TSR



Source: Bloomberg as at 18 October 2013