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WPP

2009 PRELIMINARY RESULTS

Billings up almost 3% to £37.9 billion
Revenue up over 16% to £8.7 billion
Constant currency revenue up almost 5%
Like-for-like revenue down over 8%
Headline EBITDA down almost 4% to almost £1.25 billion
Headline operating margin 11.7% in line with target
Headline operating profit before interest and tax down 9% to over £1.0 billion
Headline profit before tax down 16% to £812 million
Diluted headline earnings per share down 20% at 44.4p
Second interim dividend same as 2008 at 10.28p per share

- Billings up 2.7% to £37.919 billion.
- Reported revenue up 16.1% to £8.684 billion, up 4.9% in constant currency.
- Like-for-like revenue down 8.1%, like-for-like gross margin down 7.9%.
- Headline EBITDA down 3.7% to £1.243 billion from £1.291 billion.
- Headline operating profit before interest and tax down 9.0% to £1.017 billion from £1.118 billion.
- Headline operating margin of 11.7% for the full year, reflecting recovery to 15.4% in the second half, the same as the second half pro-forma margin for 2008.
- Headline profit before tax down 16.1% to £812 million from £968 million.
- Profit before tax down 11.3% to £663 million from £747 million.
- Diluted headline earnings per share down 20.0% to 44.4p from 55.5p.
- Reported diluted earnings per share down 6.1% to 35.3p from 37.6p.
- Second interim dividend flat at 10.28p per share making a total for the year of 15.47p, the same as 2008. The payment date for the second interim dividend will be 1 April 2010.
- Net new billings of £3.127 billion ($4.847 billion) in 2009, with very strong net billings inflow in first two months of 2010 of almost $2 billion.
- 2010 budgets reflect increased operating margin target of 12.7%.

In this press release not all of the figures and ratios used are readily available from the unaudited preliminary results included in Appendix I. Where required, details of how these have been arrived at are shown in the Appendix.

Summary of results

The Board of WPP plc ("WPP") announces the unaudited preliminary results for the year ended 31 December 2009, the Group's twenty-fourth year and which include the results of Taylor Nelson Sofres plc, ("TNS") for a full year for the first time. Although 2009 was a brutal year overall the Group adjusted its cost base, after a difficult first six months, to falling like-for-like revenues, achieving the same pro-forma operating margins in the second half of 2009, as in the same half of 2008. Headline operating profits were £675 million in the second half of 2009 versus £342 million in the first half, with £665 million in the second half of 2008.

Billings were up 2.7% at £37.919 billion or $59.4 billion.

Reportable revenue was up 16.1% to £8.684 billion. Revenue, including 100% of associates, is £10.449 billion. On a constant currency basis, revenue was up 4.9%, primarily reflecting the weakness of the pound sterling against the US dollar and Euro. As a number of our competitors report in US dollars and inter-currency comparisons are difficult to make, Appendix 2 shows WPP's preliminary results in reportable US dollars. This shows that US dollar reportable revenues were flat at $13.6 billion, which compares with the $11.7 billion of our closest competitor.

Like-for-like revenues, excluding the impact of acquisitions and on a constant currency basis, were down 8.1%, reflecting "less worse" trends in the second half and final quarter of the year. Gross margin was down even less at 7.9%. We seem to have moved from staring into the abyss post the Lehman Brothers crisis, to a "less worse" phase in the second half of 2009 and a stabilisation phase towards the end of 2009 and the beginning of 2010.

Reported operating costs together with direct costs (but excluding goodwill impairment, amortisation of acquired intangibles and profits on disposal of fixed asset investments), rose by 20.5% and by 8.6% in constant currency. Like-for-like total operating and direct costs fell 5.7%. Reported staff costs, excluding incentives were up 19.4%. Incentive payments totalled £177.9 million (£213.8 million in 2008), down 16.8%, which represent 15.7% (16.6% in 2008) of headline operating profit before bonuses and income from associates. Cash-based incentives totalled £122.9 million or 12.1% of headline operating profit as defined above, against £151.4 million or 13.5% in 2008. The balance of £55.0 million in 2009 represents share-based incentives granted in previous years. Before these incentive payments, operating margins fell by 4.0 margin points to 13.8%. On a reported basis, the Group's staff cost to revenue ratio increased to 58.9% compared with 58.2% in 2008. Before severance costs, operating margins fell by 2.7 margin points to 13.2 %.

Part of the Group's strategy is to continue to ensure that variable staff costs are a significant proportion of total staff costs and revenue, as this provides flexibility to deal with volatility in revenues and recessions or slow-downs. In 2007, the ratio of variable staff costs to total staff costs fell marginally by 0.3 percentage points to 12.7% and in 2008 to 11.4%. As a proportion of revenue, variable staff costs were 7.4% in 2007 and 6.6% in 2008. In 2009, the ratio of variable staff costs to total staff costs fell to 9.7% and as a proportion of revenue were 5.7%.

On a like-for-like basis the average number of people in the Group, excluding associates, was 105,318 against 112,930 in 2008, a decrease of 6.7%. On the same basis, the total number of people in the Group, excluding associates, at 31 December 2009 was 98,759 compared with 112,663 at the end of 2008, a decrease of 13,904 or 12.3%. As the above figures show, further action to reduce headcount continued to be taken during the second half of 2009, with the year end headcount of 98,759, 7.4% lower than at 30 June and 6.3% lower than 31 July.

Headline earnings before interest, tax, depreciation and amortisation ("Headline EBITDA") fell only 3.7% to £1.243 billion and fell 12.0% in constant currencies.

Headline operating profit or profit pre-goodwill impairment, amortisation of acquired intangibles, interest, tax and investment gains and write-downs fell 9.0% to £1.017 billion from £1.118 billion and fell 16.7% in constant currencies. Headline operating margin was 11.7% for the year and 15.4% in the second half of 2009, equal to the margin achieved in the second half of 2008, including TNS and in line with the target set at the time of the Group's 2009 half-year results announcement. Reported profit before interest and tax fell 11.2% to £819 million from £922 million.

Net finance costs (excluding the revaluation of financial instruments) were £205.0 million up from £149.8 million last year, reflecting higher average net debt as a result of the full year impact of the acquisition of TNS, partly offset by lower interest rates.

Reported profit before tax fell 11.3% to £663 million, reflecting a lower charge for goodwill impairment and investment write-downs, more than offset by higher amortisation of intangibles following the acquisition of TNS.

The Group's tax rate on headline profit before tax was 23.8%, a reduction of 1.5 percentage points from 2008, as a result of continuing tax planning initiatives.

Diluted headline earnings per share fell 20.0% to 44.4p. In constant currency, earnings per share on the same basis were down 28.5%. Diluted reported earnings per share fell only 6.1% to 35.3p, mainly because prudently, "re-measurement gains" on financial instruments have not been included in headline earnings per share. In addition, prudently no severance or integration expenses have been excluded in arriving at the same headline number. This is not competitive practice.

The Board recommends a second interim dividend of 10.28p per share**,** the same as the second interim dividend for 2008, which together with the first interim dividend of 5.19p per share, makes a total of 15.47p per share for 2009, the same as 2008. The dividend paid in respect of 2009 is 2.9 times covered by headline earnings. Payment of the second interim dividend of 10.28p per ordinary share, will be made on 1 April 2010 to holders of ordinary shares in the Company on 19 March 2010.

More detailed information relating to the Company's Dividend Access Plan is provided in note 8 of Appendix 1. The Appendix also provides further details of WPP's financial performance.

<u>Review of operations – a game of two halves</u>

2009 was a very difficult year and a tale or game of two halves. Like-for-like revenues, although relatively stable in the final quarter of 2008 post the Lehman crisis, fell by almost 6% in the first quarter of 2009 and the rate of decline accelerated to almost 11% in the second quarter. The Group was relatively slow to react to this in the first half, with headcount only falling by 2.8% on average and 5.8% point-to-point, although more rapid cost reduction, in response to these accelerating revenue declines, might have damaged the franchise.

However, as like-for-like revenue declines started to become "less worse" at -9% in quarter 3 and -7% in quarter 4, the headcount average fell by 9% and by 12% respectively and point-to-point by 7.4% between 30 June and 31 December. As a result, operating margins in the second half were the same as pro-forma margins in the second half of 2008. We have clearly moved from a period of staring into the abyss to "less worse" and now to stabilisation, if not growth, as yet.

Despite the overall slow-down in the industry growth rate, three engines of relative growth remain: new markets, new media and consumer insight. Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, iconically represented by the BRICs and the Next 11 markets (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam), continued to grow faster and now represent almost 27% of the Group's approximately $13-14 billion pro-forma revenue. As did new media and the application of technology in the form of internet, PC, mobile, video content, search and social networks, which also account for almost 27% of Group revenues. And finally, as did consumer insight, which now accounts for over 26% of Group revenues.

Revenue and operating profit by region

The pattern of revenue growth differed regionally. The table below gives details of revenue and revenue growth (on a constant currency basis including the impact of acquisitions) by region for 2009, as well as proportions of operating profits:

Region	Revenue as a % of Total Group	Revenue growth % +/(-) 09/08	Headline operating profit as a % of Total Group	Like-for-Like Revenue growth [1] % +/(-) 09/08
North America	35.4	-0.7	40.2	-8.1
United Kingdom	12.1	7.8	13.1	-6.0
Western Continental Europe	25.8	12.8	17.9	-10.2
Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe	26.7	4.3	28.8	-6.8
Total Group	100.0	4.9	100.0	-8.1

[1] Like-for-like growth excludes the impact of currency movements and acquisitions

As shown above, on a constant currency basis, the Group grew at 4.9%, with like-for-like revenue down 8.1%. Geographically, the impact of the recession was least felt in the United Kingdom and Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe. It was most keenly felt in North America and Western Continental Europe, particularly in the first six months. There was relative improvement in the United States in the third quarter which continued into the final quarter of the year, with like-for-like revenues down 6.1%. Although the United Kingdom showed some softening in the third quarter compared with the second quarter, there was a marked improvement in the final quarter, with like-for-like revenues falling less at -4.6%. The relative improvement in Western Continental Europe and Asia Pacific in the third quarter continued, with both regions showing significantly "less worse" growth in the final quarter. The Middle East continued to be challenging in the second half, while Latin America had a relatively strong year overall.

Net new billings of £3.127 billion ($4.847 billion) were won last year, reflecting a consistently high level of wins throughout the year. The Group was ranked second in two of the three major industry new business surveys in 2009. Net business wins (even excluding important "saves") have been extremely strong in the first two months of 2010, totalling approximately $2 billion already, according to trade sources.

Revenue and operating profit by communications services sector and brand

The pattern of revenue growth also varied by communications services sector and brand. The table below gives details of revenue and revenue growth by communications services sector for 2009 (on a constant currency basis including the impact of acquisitions) as well as proportions of operating profits:

Communications services	Revenue as a % of Total Group	Revenue growth % +/(-) 09/08	Headline operating profit as a % of Total Group	Like-for-Like Revenue growth[1] % +/(-) 09/08
Advertising, Media Investment Management	38.6	-8.6	45.9	-8.5
Consumer Insight	26.4[2]	62.9	19.3	-9.5[3]
Public Relations & Public Affairs	9.2	-6.5	12.2	-7.4
Branding & Identity, Healthcare & Specialist Communications	25.8	-4.5	22.6	-6.2
Total Group	100.0	4.9	100.0	-8.1[4]

[1] Like-for-like growth excludes the impact of currency movements and acquisitions
[2] Consumer insight gross margin as a percentage of Group gross margin is 21.1%
[3] Gross margin -7.7%
[4] Gross margin -7.9%

By communications services sector, as seen in the first half of 2009, branding & identity, healthcare and specialist communications (including direct, digital and interactive) was least affected by the recession, with the improvement in the Group's healthcare businesses, seen in the second quarter, continuing in the second half, with like-for-like growth in the final quarter of the year. The pressure continued on the Group's advertising and media investment management businesses, with clients continuing to seek greater and greater effectiveness and efficiencies, in markets where there is little inflation and, as a result, little pricing power and an over-supply of old and new media inventory. The pressure seen by media investment management in quarter two, continued into the third quarter, but eased significantly in the final quarter. Public relations and public affairs also experienced a substantially "less worse" position in quarter four, with like-for-like revenues down less than 5%. Consumer insight, saw sequential quarterly improvement in the second half, with a marked improvement in the final quarter as clients appeared to return to more stable spending patterns. November and December showed the lowest consumer insight monthly revenue declines of 2009.

Advertising and Media Investment Management

In constant currencies, advertising and media investment management revenues fell by 8.6%, with like-for-like revenues down almost the same at -8.5%. Although cost actions were taken by the year end, the impact of revenue declines resulted in the combined annual operating margin of this sector falling by just over 3.0 margin points.

In 2009, Ogilvy & Mather Worldwide, JWT, Y&R Advertising, Grey and United generated net new billings of £783 million ($1.214 billion).

In the same year, GroupM, the Group's media investment management company, which includes Mindshare, Mediaedge:cia, MediaCom and Maxus generated net new billings of £1.843 billion ($2.857 billion).

Consumer Insight

On a constant currency basis, consumer insight revenues grew almost 63%, largely as a result of the acquisition of TNS in October 2008, with like-for-like revenues down 9.5%. Gross margin fell less at -7.7% on a like-for-like basis. Overall reported margins fell by 2.6 margin points to 8.5%. This performance reflected planned integration costs in relation to the merger of Kantar and TNS and the impact of the recession.

Good performances were recorded by Millward Brown - East Africa and Impact in Africa, Argentina, Australia, ACSR in China, Firefly in Thailand, India and Indonesia; TNS/RI – TNS Sorensen in the United States, TNS Belgium, Portugal, Russia, Poland, Israel, South Africa, Kenya, New Zealand and India; Lightspeed Research in the United Kingdom and the Netherlands; Ziment – Ziment in the United States and All Global in the United Kingdom; TNS Worldpanel – in Argentina, Mexico and the Andina region, Malaysia, the Philippines, Taiwan, Thailand and Vietnam; Added Value in the United States, the United Kingdom and South Africa; Center Partners in the United States; Kantar Retail – Retail Forward in the United States.

Public Relations and Public Affairs

Public relations and public affairs improved in the second half, with like-for-like revenues down 6.7% compared with -8.2% in the first half and particularly in the United States and the United Kingdom. The final quarter showed a more marked improvement with revenue down less than 5%, which was the least worst quarterly decline of the year. All of the Group's businesses in this sector improved in the final quarter, particularly Burson-Marsteller, Hill & Knowlton and the Group's specialist public relations businesses. Operating margins fell by 1.2 margin points and remained strong, as action was taken to reduce costs, with average headcount down significantly.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications (including direct, digital and interactive) also improved in the second half, with like-for-like revenues down 5.6% compared with -6.9% in the first half and even better at -5.3% in quarter four. As mentioned above, the Group's healthcare businesses showed positive growth in the final quarter of almost 2%, with the United Kingdom up over 10% and the United States up over 3%. The Group's direct, digital and interactive businesses also performed better in the final quarter in North America, the United Kingdom, Western Continental Europe and the Middle East & Africa. The United States showed positive revenue growth of over 1% in quarter four. Overall operating margins for the sector were down by 2.3 margin points to 10.2%.

Several companies performed well:

- in branding and identity – Landor in Switzerland and Australia; The Brand Union in the United Kingdom, France and Ray + Keshavan in India; Fitch in Malaysia; Addison and The Partners in the United Kingdom.

- in healthcare – Sudler & Hennessey – New York and Health Answers in the United States, the United Kingdom, Italy and Germany; ghg – New York and Vogel Farina in the United States, Darwin Grey and Westaway Gillis in the United Kingdom and ghg France; CommonHealth in the United States.

- in promotion and direct marketing – OgilvyOne - in New York, the United Kingdom, Czech Republic, Redworks in Slovakia, OgilvyOne in Argentina, Brazil, Chile, Mexico, Hong Kong, Korea, the Philippines, Neo@Ogilvy in France, Spain, Mexico, China, Japan, Ogilvy Activation in Denmark, Germany, the Czech Republic, Russia, China, Hong Kong, Indonesia, Japan and Malaysia; Wunderman - in Seattle, Blast Radius and Fortelligent in the United States, Blast Radius in Canada, Wunderman in Belgium, Emerge in Denmark, Kassius in France, Wunderman in France, the Netherlands, the Czech Republic, Russia, Aqua Online in South Africa, Wunderman in South Africa, Action Line in Argentina, Wunderman and Action Line in Brazil, Mexico, China, Korea and AGENDA in Taiwan; G2 - in France, Promotions Italia, Redes de Campo and Boole in Spain, G2 in Brazil, Chile, G2 Sales Promotion in Australia, G2 in Beijing, Korea, Malaysia and Vietnam.

- in specialist communications – Bridge, The Food Group and MJM in the United States, The Farm and Mando in the United Kingdom.

- in digital – 24/7 Real Media, BLUE and Deliver.

<u>Manufacturing</u>

Revenues and profits at the Group's manufacturing division were down in 2009.

<u>Balance sheet and cash flow</u>

The unaudited preliminary Group consolidated balance sheet as at 31 December 2009 is attached in Appendix I. Net debt averaged £3.448 billion in 2009, up exactly £1.0 billion from £2.448 billion in 2008 (at 2009 exchange rates). These figures reflect the net acquisition cost and debt acquired of TNS of £1.3 billion and other smaller acquisitions and earnout payments. As at 31 December 2009 however, the Group's net debt decreased by £428 million to £2.640 billion compared with £3.068 billion at 31 December 2008, reflecting improved cash flows. These net debt figures compare with a current equity market capitalisation of approximately £7.8 billion, giving a total enterprise value of approximately £10.4 billion, about 8 times headline EBITDA.

In 2009, operating profit before goodwill impairment, amortisation of acquired intangible assets and charges for non-cash based incentive plans was £1,014 million, capital expenditure £253 million, depreciation £226 million, tax paid £217 million, interest and similar charges paid £148 million and other net cash outflows of £4 million. Free cash flow available for debt repayment, acquisitions, share buybacks and dividends was therefore £618 million. This free cash flow was absorbed by £145 million in net acquisition payments and investments (£63 million on initial acquisition payments net of disposal proceeds and £82 million of earnout payments), share repurchases and cancellations of £9 million and dividends of £190 million. This resulted in a net inflow of £274 million. An unaudited consolidated cash flow statement is included in Appendix I.

In the first seven weeks of 2010, up until 19 February, the last date for which information is available prior to this announcement, net debt averaged £2.675 billion down £295 million versus £2.970 billion for the same period last year at 2010 exchange rates, again reflecting strong cash flows.

Your Board continues to review ways of deploying its EBITDA (of almost £1.25 billion or over $1.9 billion in 2009) and substantial free cash flow (of over £600 million or approximately $1.0 billion) to enhance share owner value, by examining the alternatives of capital investment, mergers and acquisitions, share re-purchases and increased dividends. The cost of the acquisition of TNS was funded principally by debt and at the time of the transaction it was announced, that for the following two years, acquisitions would be limited up to £100 million per annum, the Group's share buy-back programme would be targeted up to 1% per annum and dividend growth at up to 15% per annum, using surplus cash generated to reduce debt. As noted above, the Group spent £63 million on initial acquisition payments and £9 million on share repurchases, well within the targets set, with net debt at the year end down over $600 million and in the first two months of 2010 by approximately $450 million. In 2009, 2.4 million ordinary shares, equivalent to 0.2% of the share capital, were purchased at an average price of £3.92 per share and total cost of £9.5 million. All of these shares were purchased in the market and held in treasury.

Following the acquisition of TNS in October 2008, the Custom business of TNS has been combined with Research International and its other operations merged with several of the Kantar businesses to form Kantar Media, Kantar Worldpanel, Kantar Retail and Kantar Health. The integration has gone well so far and, although not complete, our increased estimates of synergy benefits are being met and in fact being added to. As a result of actions taken since acquisition, as at 31 December 2009, gross synergies (annualised synergy benefits before costs of achieving these benefits) exceeded £40 million. The Group is on track to achieve the revised merger benefits target of an annualised £60 million or more in 2011, as opposed to the original commitment of £52 million.

In 2009, the Group continued to make small-sized acquisitions or investments in high growth geographical or functional areas. During 2009, acquisitions and increased equity stakes have been focused on advertising and media investment management in Italy, Portugal, Israel, South Africa and Australia; on consumer insight in the United States, the United Kingdom, Russia, China, the Philippines and Singapore; on public relations and public affairs in Poland and Vietnam; on direct, digital and interactive in the United States, the United Kingdom, France and Hong Kong and on healthcare in France and China.

Developments in 2009 and 2010

Including associates, the Group had over 138,000 full-time people in almost 2,400 offices in 107 countries at the year end. It services 354 of the Fortune Global 500 companies, 28 of the Dow Jones 30, 60 of the Nasdaq 100, 33 of the Fortune e-50, and 698 national or multi-national clients in three or more disciplines. 443 clients are served in four disciplines and these clients account for over 56% of Group revenues. The Group also works with over 327 clients in six or more countries.

These statistics reflect the increasing opportunities for developing client relationships between activities nationally, internationally and by function. The Group estimates that over 35% of new assignments in the year were generated through the joint development of opportunities by two or more Group companies. New integration mechanisms, sensitive to global and local opportunities, including WPP global client leaders for our top 30 clients and country managers, continue to be developed. There is an increasing number of major client creative and integration opportunities at a Group level. The Group continues to be extremely successful in most, if not all, of the integrated marketing competitions that clients are increasingly initiating. These opportunities range from the creation of teams across the Group to the integration of various operating units and to the creation of individually tailored agencies to meet clients' needs. The Group's integration record continues to lead its competitors by a considerable distance.

Future prospects

2010 should be a more stable year (famous last words!). There are several mini-quadrennial events that will help – the Winter Olympic Games in Vancouver, the Asian Games in Guangzhou, the FIFA World Cup in South Africa, the World Expo in Shanghai and last, but not least, the mid-term Congressional elections in the United States, which should, on the basis of past experience, add approximately 1 percentage point to industry growth rates.

Our budgets for 2010 indicate flat like-for-like revenue growth, with a mildly weaker first-half and stronger second-half. The second quarter shows like-for-like top line growth - a budgeted return to growth for the first time in 6 quarters, although the second quarter of 2009 is the weakest comparator. GroupM forecasts that global advertising spending (which impacts approximately 39% of the Group's revenues) will rise by 0.8% in 2010 versus a 6.6% fall in 2009. GroupM also forecasts that marketing spending, broadly the other 61% of WPP, will fall by 2% in 2010 against an 8% fall in 2009. On these forecasts, flat revenues would mean increased market share.

Geographically, there are relatively brighter spots budgeted in Asia Pacific, Latin America and the Middle East and Africa, reflecting the continued relative strength of the BRIC and Next 11 markets. Central and Eastern Europe, as a whole, remains relatively flat, with Russia recovering as the oil price rises. At $60-70 per barrel, the Russian economy works. Western Continental Europe is budgeted to be relatively weak, with France, Germany and Spain still challenging. The United Kingdom is budgeted flat, with the United States showing a little growth. Latin America remains the healthiest region.

All sectors, except advertising and media investment management are budgeted to grow at a modest rate in 2010. Advertising remains challenged by clients' continued demands for efficiency, particularly in mature markets. Media investment management is budgeted to recover in 2010, with growth reinforced by very significant new business wins so far this year.

Operating margins for 2010 are targeted to rise 1 margin point to 12.7%. Operating margin targets have, therefore, been set initially at 12.7% for 2010 and 13.2% for 2011.

Like-for-like revenues were almost the same in January 2010, against January 2009, an encouraging return to stability, a trend first indicated in November 2009, when revenues showed a marked "less worse" comparison. Although this return to stability seems widespread both geographically and functionally, there is no marked growth as yet, even against weak comparatives.

Worries continue about how and when governments and central banks will withdraw the considerable fiscal and monetary post-Lehman stimulus, as well as the likely impact. These already approximate to $12 trillion or approximately 20% of worldwide GDP of $64 trillion. Withdrawal of the automotive “Cash for Clunkers” stimulus in North America, reduced demand for cars and trucks in the United States from an annualised level of 14 million units to 10 million units. This should serve as a warning.

The more interesting question, probably, is how the West, in particular, will emerge from the current crisis and reduce the colossal government deficit needed to fund the early stage of the recovery. There seem to be two possible routes. First, the more prudent and painful – reduce government spending, increase taxes and unemployment and learn to save again, with the risk of a double-dip. Secondly, inflate our way out of the problem and continue to spend and lend, with significant resultant increases in inflation and long-term interest rates.

Given the politically unpleasant implications of the first route and the proximity of elections, the second course is more likely. As a result, those countries that are capital rich and have saved - like Brazil, China, India, Japan and eventually, with strong oil prices, Russia - will benefit even more. And the Group’s strategic focus on the BRICs and Next 11, on the new media and on consumer insight will benefit accordingly.

In any event, consumers and clients exhibit continued caution – consumers concerned about high levels of unemployment and clients continually conservative in a low growth environment, achieving lowered market profit expectations, by getting there ugly, by cutting costs and focusing on efficiency. Sadly, the fact that you cannot cost-cut your way to prosperity has not been accepted – as yet. Long-term growth depends on brand building and revenue growth. According to a recent Deutsche Bank investment research note on over 30 large European and US consumer staples companies over a period of more than 15 years, those companies that increase advertising and promotion spending, deliver sales growth 30% faster and profit growth 50% faster than their peers.

In the long-term, the outlook for the advertising and marketing services industry appears favourable. Overcapacity of production in most sectors and the shortage of human capital, the developments in new technologies and media, the growth in importance of internal communications, the need to influence distribution and the new focus on corporate responsibility issues such as climate change, underpin the need for our clients to continue to differentiate their products and services both tangibly and intangibly. Moreover, the continuing growth of the BRICs, Next 11 and other faster-growing geographical markets, will add significant opportunities in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe – along with the growth of “new-BRICs” such as Vietnam, Pakistan, Indonesia and Bangladesh. Advertising and marketing services expenditure as a proportion of gross national product should eventually resume its growth, although, in these difficult times we are committed to working with our clients to improve the effectiveness and efficiency of their spending.

Given these short-term and long-term trends, your Company believes it has the correct strategic priorities – new markets, new media and consumer insight.

Incentive plans for 2010 will place increased emphasis on revenue growth and operating margins in conjunction with operating profit growth, although objectives will continue to include improvements in staff costs to revenue ratios and qualitative Group objectives, including co-ordination, talent management and succession planning.

The Group remains committed to its six operating objectives – to continue to raise operating margins to the levels of the best-performing competition; to continue to increase flexibility in the cost structure; to improve total share owner return by maximising the return on investment on the Company's free cash flow; to continue to enhance the value added by the parent company and build unique integrated marketing approaches for clients; to continue to place greater emphasis on revenue growth; and, finally to improve still further the quality of our creative output. On the last objective, pleasing progress was made last year as the Group amassed the second largest points tally at the annual advertising and marketing services festival in Cannes for the second year in a row and narrowed the gap to first place (please see our website, www.wpp.com, for detailed, accurate calculations).

But Maybe There's an Even Better Way...?

2009 was a year when no sensible company took anything – or anyone - for granted. Just because it had worked before, it didn't mean it would work again. Just because a consumer had been a brand loyalist for 9 consecutive years, it didn't mean you should count on his or her custom for a 10th. Everything needed re-examination: not for the sake of making aimless change; much more for the sake of making certain.

Though always uncomfortable, years when all accepted practice is subjected to fierce scrutiny and challenge invariably turn out to be fruitful ones – and 2009 was no exception. The open-mindedness and good-humoured resilience of WPP companies has been exemplary and their response full-blooded. Inventiveness soared. Their clients are by far the best witnesses to this claim – but the results of creative awards, in all disciplines and in all parts of the world, confirm a remarkable advance, over both previous years and our principal competitors.

All too easily, such an admirable response to tough times tends to get de-humanised – it gets disguised in amalgamated figures and broad generalities. So we would like to close this report by reminding all our audiences of a permanent truth of our business. It is a business that is wholly dependent on the intelligence, the talent, the integrity and the determination of each individual member of each of our companies. Never has that been more apparent – or more welcome – than in 2009. We thank and salute them all.

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