

WPP

Interim results for 2005  
London

August 2005

# WPP

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# WPP

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Interim results for 2005

# Interim results for 2005

- Reported and constant currency revenues up almost 22%.
- First half like-for-like revenues up 6%.
- July like-for-like revenue up almost 3%.
- Headline PBIT<sup>1</sup> up over 31% to £299.6m from £228.1m, up over 30% in constant currencies.
- Headline operating margin<sup>1</sup> up 0.8 margin points to 12.1% from 11.3%.
- Headline operating margin before short-term and long-term incentive payments up 1.2 margin points to 15.8% from 14.6%.

<sup>1</sup> Headline PBIT/margin: profit before interest, taxation, goodwill and intangibles charges, and amounts written off fixed asset investments

# Interim results for 2005

- Headline PBT<sup>1</sup> up 32% to £254.8m from £193.0m, up almost 31% in constant currencies.
- Diluted headline EPS up almost 28% to 13.8p from 10.8p, up over 26% in constant currencies.
- Interim dividend up 20% to 3.00p per share.
- 12.6 million shares repurchased (of which 10.0m cancelled), or 1.0% of share base, at a cost of £ 75.1m.
- Average net debt for the six months fell over £80m to £1,028m from £1,115m in 2004, at 2005 exchange rates.
- New business billings of £1.91 billion (\$3.53 billion)

<sup>1</sup> Headline PBT: profit before goodwill and intangibles charges, and amounts written off fixed asset investments

# Interim results for 2005

## Unaudited IFRS Income Statement

Six months to 30 June

	2005 £m	2004 £m	Change %	Constant Currency %
Revenue	2,467.5	2,025.6	21.8	21.9
<b>Operating Profit pre-goodwill/ intangibles</b>	<b>285.9</b>	<b>215.9</b>	32.4	31.8
Goodwill/ intangibles charges	(33.3)	(31.0)	(7.4)	(6.8)
Net loss on disposal of fixed assets	-	(2.0)	-	-
<b>Operating Profit</b>	<b>252.6</b>	<b>182.9</b>	38.1	37.5
Income from associates	13.7	12.2	12.3	8.6
<b>PBIT pre investment gains and write-downs</b>	<b>266.3</b>	<b>195.1</b>	36.5	35.6
Finance income	24.8	20.0	24.0	22.3
Finance charges	(69.6)	(55.1)	(26.3)	(27.3)
<b>Profit before tax</b>	<b>221.5</b>	<b>160.0</b>	38.4	36.9
Tax at 28.5% (2004 28.9%)	(72.6)	(55.8)	(30.1)	(28.7)
<b>Profit after tax</b>	<b>148.9</b>	<b>104.2</b>	42.9	41.2
Standard diluted EPS	11.1p	8.0p	38.8	36.9
Headline diluted EPS <sup>1</sup>	13.8p	10.8p	27.8	26.4

<sup>1</sup> Headline diluted EPS: before goodwill and intangibles charges, and fixed asset gains and write-downs

# Interim results for 2005

## Unaudited Headline<sup>1</sup> IFRS Income Statement

	Six months to 30 June		Change %	Constant Currency %
	2005 £m	2004 £m		
Revenue	2,467.5	2,025.6	21.8	21.9
<b>Operating Profit pre-goodwill/ intangibles</b>	<b>285.9</b>	<b>215.9</b>	32.4	31.8
Income from associates	13.7	12.2	12.3	8.6
<b>PBIT pre investment gains and write-downs</b>	<b>299.6</b>	<b>228.1</b>	31.3	30.5
Interest and similar charges	(44.8)	(35.1)	(27.6)	(30.1)
<b>Profit before tax</b>	<b>254.8</b>	<b>193.0</b>	32.0	30.6
Tax at 28.5% (2004 28.9%)	(72.6)	(55.8)	(30.1)	(28.7)
<b>Profit after tax</b>	<b>182.2</b>	<b>137.2</b>	32.8	31.4
<b>Headline diluted EPS</b>	<b>13.8p</b>	<b>10.8p</b>	<b>27.8</b>	<b>26.4</b>
Operating margin pre-goodwill charges	12.1%	11.3%	+0.8 <sup>2</sup>	+0.8 <sup>2</sup>

<sup>1</sup> Figures before goodwill and intangibles charges, and fixed asset gains and write-downs.

<sup>2</sup> Margin points

# Interim results for 2005

## Summary of IFRS & UK GAAP performance

	June 2005 Actual	June 2004 Actual	Change
<u>IFRS Headline</u>			
Margin	12.1%	11.3%	+0.8 <sup>3</sup>
PBIT £m	300	228	+32%
PBT £m	255	193	+32%
Fully diluted EPS (p)	13.8	10.8	+28%

<u>2004 UK GAAP Headline<sup>1</sup></u>			
Margin	13.7%	13.1%	+0.6 <sup>3</sup>
PBIT £m	338	265	+28%
PBT £m	301	230	+31%
Fully diluted EPS (p)	16.7	13.6 <sup>2</sup>	+23%

<sup>1</sup> UK GAAP assumes FRS17 interest deducted in both years and all convertibles anti-dilutive in both years.

<sup>2</sup> Prior reported June 2004 headline fully diluted EPS was 14.1p, principally due to being stated prior to FRS17 pension interest which was 0.5p per share.

<sup>3</sup> Margin points.



# Interim results for 2005

## Revenue by Discipline

	Revenue		% Change		
	2005 £m	2004 £m	Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	1,185.9	936.7	26.6	26.1	6.1
Information, Insight & Consultancy	387.5	336.4	15.2	15.0	6.7
Public Relations & Public Affairs	251.8	221.6	13.6	14.8	6.0
Branding & Identity, Healthcare and Specialist Communications	642.3	530.9	21.0	21.7	5.3
<b>Total</b>	<b>2,467.5</b>	<b>2,025.6</b>	<b>21.8</b>	<b>21.9</b>	<b>6.0</b>

# Interim results for 2005

## Revenue by Region

	Revenue		% Change		
	2005 £m	2004 £m	Reported	Constant Currency	Like-for- like
North America	973.4	809.8	20.2	23.0	5.9
UK	389.0	343.4	13.3	13.3	2.7
Continental Europe	662.3	524.3	26.3	23.5	4.0
Asia Pacific, Latin America, Africa & Middle East	442.8	348.1	27.2	25.4	12.6
<b>Total</b>	<b>2,467.5</b>	<b>2,025.6</b>	<b>21.8</b>	<b>21.9</b>	<b>6.0</b>

# Interim results for 2005

## Headline<sup>1</sup> PBIT and Margin by Discipline

	Headline <sup>1</sup> PBIT		Headline <sup>1</sup> margin	
	2005	2004	2005	2004
	£m	£m	%	%
Advertising, Media Investment Management	158.6	119.9	13.4	12.8
Information, Insight & Consultancy	36.1	22.5	9.3	6.7
Public Relations & Public Affairs	35.0	29.4	13.9	13.3
Branding & Identity, Healthcare and Specialist Communications	69.9	56.3	10.9	10.6
<b>Total</b>	<b>299.6</b>	<b>228.1</b>	<b>12.1</b>	<b>11.3</b>

<sup>1</sup> Headline PBIT/ margin: profit before interest, taxation, goodwill and intangibles charges, and amounts written off fixed asset investments

# Interim results for 2005

## Headline<sup>1</sup> PBIT and Margin by Region

	Headline <sup>1</sup> PBIT		Headline <sup>1</sup> margin	
	2005	2004	2005	2004
	£m	£m	%	%
North America	151.9	123.3	15.6	15.2
UK	31.3	26.4	8.0	7.7
Continental Europe	68.9	45.5	10.4	8.7
Asia Pacific, Latin America, Africa & Middle East	47.5	32.9	10.7	9.5
<b>Total</b>	<b>299.6</b>	<b>228.1</b>	<b>12.1</b>	<b>11.3</b>

<sup>1</sup> Headline PBIT/ margin: profit before interest, taxation, goodwill and intangibles charges, and amounts written off fixed asset investments

# Interim results for 2005

## Revenue Growth by Country

Revenue Growth <sup>1</sup>	Countries
>20%	Australia, Brazil, Canada, China, Denmark, Germany, Hong Kong, Mexico, Sweden, Taiwan, USA
15-20%	India, Italy, Singapore, Spain
10-15%	France, Japan, Netherlands, UK
5-10%	-
0-5%	Belgium

<sup>1</sup>Constant currency

# Interim results for 2005

## Revenue Growth by Category

Revenue Growth <sup>1</sup>	Categories
>20%	Computer, Electrical, Financial Services, Personal Care & Drugs
15-20%	Drinks
10-15%	Food, Telecommunications
5-10%	Automotive, Retail
0-5%	Oil

<sup>1</sup>Constant currency

# Interim results for 2005

## Effects of Strength of Sterling

- Currency had negligible impact in the first half, as the US \$ stabilised against the euro and sterling.
- Impact of currency reduced revenue by 0.1%, from 21.9% constant currency to 21.8% on a reportable basis.
- Headline PBT<sup>1</sup> of £255m would have been £258m had Sterling remained at H1 2004 levels.

<sup>1</sup> Profit stated before goodwill and intangibles charges, amounts written off fixed asset investments, and FRS 17 interest

# Interim results for 2005

## Major New Business Wins

**WINS**

Agency	Account	Office	Billings (\$m)
MediaCom	VW	USA	500
mec	Cingular	USA	200
mec	Novartis <sup>1</sup>	Global	200
MediaCom	Time Warner	France	135
GroupM	Shell	Global	120
Ogilvy	Lenovo	Global	100
Maxus	Church & Dwight	USA	80
JWT	Texas Instruments	USA	79
MindShare	Danone	Italy	75
Brand Buzz (Y&R Advertising)	LG	USA	70
mec	RCS Media	Italy	50
Joshua (Grey Direct)	Swatch	Global	45
Ogilvy	Revlon	USA	40
GroupM	China Telecom	China	37
Ogilvy Healthworld/ OgilvyOne	Wyeth	USA	36
mec	Netflix	USA	30
MindShare	Kellogg	Canada	26
MediaCom	Muller	UK	26
Maxus	GSK	Asia Pacific	25

*(All billings figures are based on trade press estimates, where available)*



# Interim results for 2005

## Major New Business Losses

	Agency	Account	Office	Billings (\$m)
<b>LOSSES</b>	Y&R	Sony	USA	125
	MediaCom	Novartis <sup>1</sup>	Global	100
	Y&R	Jaguar	Global	100
	MindShare/ mec	Mattel	USA	80
	Ogilvy	AEFA	USA	55
	mec	Cencosud	Chile	40
	MindShare	Western Union	USA	30

*(All billings figures are based on trade press estimates, where available)*

# Interim results for 2005

Net new business wins in the first six months of 2005<sup>1</sup>

US \$ millions	Creative	Media	Total
Advertising	937	2,065	3,002
Other Businesses	528	-	528
Total	1,465	2,065	3,530

<sup>1</sup> Estimated billings

# Interim results for 2005

## Major New Business Wins/ Losses Since 1 July

	Agency	Account	Office	Billings (\$m)
<b>WINS</b>	Mediacom/ mec	Ikea	Global	175
	Y&R	Hilton Hotels	USA	45
	Ogilvy	Nectar	UK	34
	Grey	Manpower	Global	30
<b>LOSSES</b>	mec	Richemont	Europe	30

*(All billings figures are based on trade press estimates, where available)*

# Interim results for 2005

## Cash Flow

	2005 £m	2004 £m
Operating profit (pre-goodwill & impairment)	286	216
Non cash compensation	30	23
Depreciation	51	48
Net interest paid & similar charges	(36)	(38)
Tax paid	(57)	(48)
<b>Net cash generation</b>	<b>274</b>	<b>201</b>



# Interim results for 2005

## Net Debt (including A/R) – 30th June 2005

	2005 £m	2004 £m	% Variance
YTD average net debt on constant currency basis	(1,028)	(1,115)	8%
Net debt at 30 June	(1,242)	(1,015)	(22%)
Net interest <sup>1</sup>	(45)	(35)	(29%)

<sup>1</sup> The £45m charge for 2005 includes an additional £7m due to accounting for convertibles under IFRS.

# Interim results for 2005

## Ordinary Shares – Diluted

No. of Shares (million)	June 2005 Actual	Dec 2004 Actual	Dec 2003 Actual
Average Basic	1,193	1,136	1,115
WPP Options and LEAP	25	26	30
Grey Options	3	-	-
Convertibles: Y&R \$288m <sup>1</sup>	repaid	16	anti-dilutive
WPP £450m <sup>2</sup>	anti-dilutive	42	anti-dilutive
Grey \$150m <sup>3</sup>	anti-dilutive	-	-
<b>Fully Diluted Shares</b>	<b>1,221</b>	<b>1,220</b>	<b>1,145</b>

### Income Adjustment Attributable to Convertibles (per annum):

- 1 £2.8m
- 2 £9.4m
- 3 £1.3m (9m shares)

# WPP

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International Accounting Standards



# IFRS Overview

- WPP's first IFRS results are its interim results for the six months ended 30 June 2005.
- WPP's first Annual Report under IFRS will be for the year ending 31 December 2005. Full 2004 IFRS non statutory accounts will be included in the forthcoming prospectus in connection with the reconstruction.
- Changes in accounting policy relating to:
  - Share-based payments
  - Equity income reclassification
  - Holiday pay accrual (timing difference only)
  - Goodwill and intangibles
  - Taxation
  - Balance sheet
  - Dividends
  - Financial instruments (adopted from 1 January 2005)

# Summary Headline Income Statement

## June 2005

				% Change	
	IFRS	Change	UK GAAP <sup>1</sup>	Total	Excluding Holiday Pay
	£m	£m	£m	%	%
Revenue	2,468	-	2,468	-	-
Headline Operating Profit	286	28	314	9.8	4.3
Headline PBIT	300	38	338	12.7	7.3
Headline PBIT margin	12.1%	-	13.7%	<sup>2</sup> 1.6	<sup>2</sup> 1.0
Headline PBT	255	46	301	18.0	11.5
Headline Diluted EPS	13.8p	2.9p	16.7p	2.9p	2.0p

<sup>1</sup> Under 2004 UK GAAP

<sup>2</sup> Margin points

# Headline Profit Reconciliation

June 2005

£m	Operating Profit	PBIT	PBT
<b>Headline (IFRS)</b>	<b>286</b>	<b>300</b>	<b>255</b>
Share-based compensation	14	14	14
Income from associates - tax	-	10	10
Additional interest on convertible debt	-	-	7
Rounding	(1)	(1)	-
Total excluding holiday pay	13	23	31
Holiday pay accrual <sup>1</sup>	15	15	15
<b>Headline (2004 UK GAAP)</b>	<b>314</b>	<b>338</b>	<b>301</b>

<sup>1</sup> Timing only

# Summary Headline Income Statement

## June 2004

				% Change	
	IFRS	Change	UK GAAP <sup>1</sup>	Total	Excluding Holiday Pay
	£m	£m	£m	%	%
Revenue	2,025	-	2,025	-	-
Headline Operating Profit	216	28	244	13.0	5.6
Headline PBIT	228	37	265	16.2	9.1
Headline PBIT margin	11.3%	-	13.1%	<sup>2</sup> 1.8	<sup>2</sup> 1.1
Headline PBT <sup>3</sup>	193	37	230	19.2	10.6
Headline Diluted EPS	10.8p	2.8p	<sup>3</sup> 13.6p	2.8p	1.9p

<sup>1</sup> Under 2004 UK GAAP

<sup>2</sup> Margin points

<sup>3</sup> Restated to include interest charged on defined benefit pension schemes of £5m.

# Headline Profit Reconciliation

June 2004

£m	Operating Profit	PBIT	PBT
<b>Headline (IFRS)</b>	<b>216</b>	<b>228</b>	<b>193</b>
Share-based compensation	13	13	13
Income from associates - tax	-	9	9
Additional interest on convertible debt	-	-	-
Total excluding holiday pay	13	22	22
Holiday pay accrual <sup>1</sup>	15	15	15
<b>Headline (2004 UK GAAP)</b>	<b>244</b>	<b>265</b>	<b>230</b>

<sup>1</sup> Timing only

# Headline Margin Reconciliation

	Jun 2005		Jun 2004	
	<u>£m</u>	<u>Margin</u>	<u>£m</u>	<u>Margin</u>
<b>Revenue</b>	<b>2,468</b>		<b>2,025</b>	
<b>Headline PBIT (IFRS)</b>	300	12.1%	228	11.3%
Holiday pay accrual <sup>2</sup>	15	0.7%	15	0.7%
<b>Headline PBIT (IFRS) ex. holiday pay</b>	<b>315</b>	<b>12.8%</b>	<b>243</b>	<b>12.0%</b>
Share-based payments	13	0.5%	13	0.6%
Income from associates	10	0.4%	9	0.5%
<b>Total adjustments ex. holiday pay</b>	<b>23</b>	<b>0.9%</b>	<b>22</b>	<b>1.1%</b>
<b>Headline PBIT (UK GAAP)<sup>1</sup></b>	<b>338</b>	<b>13.7%</b>	<b>265</b>	<b>13.1%</b>

<sup>1</sup> Under 2004 UK GAAP

<sup>2</sup> Timing only

# IFRS Impact

June 2005

- Holiday pay accounting charge is timing only with limited full year impact (margin effect and earnings effect will reverse by year end).
- IFRS headline EPS of 13.8p would be 14.7p excluding holiday pay.
- IFRS changes (excluding holiday pay timing) lowers PBIT by 7%, PBT by 11% and EPS by 12%.
- Margin improvement is 0.8 margin points under IFRS and 0.6 margin points under 2004 UK GAAP, ahead of expectations under both sets of accounting rules.
- Future margin targets will be based on full year IFRS accounting.

# WPP

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Key Priorities, Objectives and Strategy



# Key Priorities, Objectives and Strategy

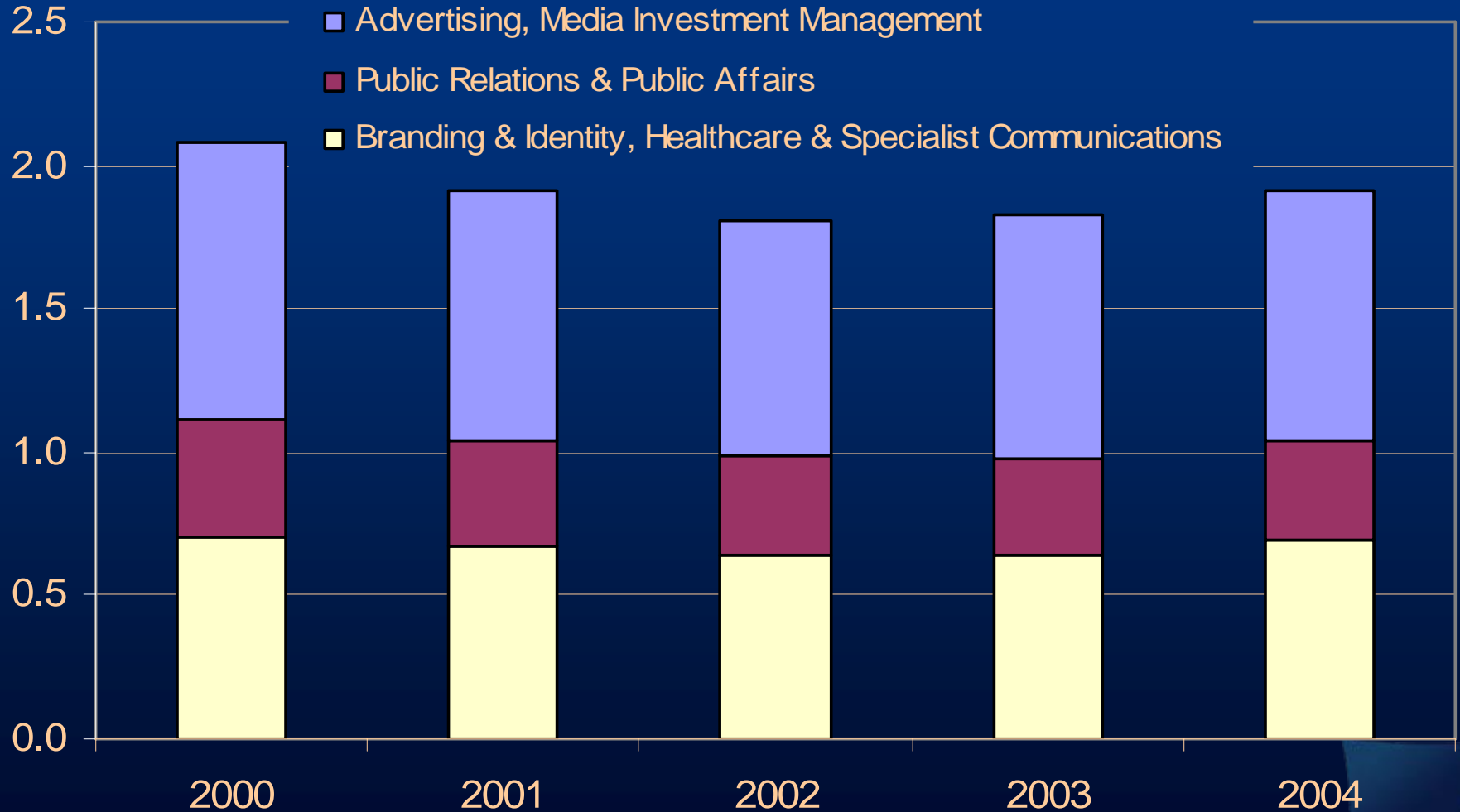
## Strategic Priorities

- Short term: successfully integrate Y&R Advertising and Grey Worldwide into the group
- Medium term: continue to focus on like-for-like top line growth and enhancing creative capabilities
- Long term: develop our businesses in the faster growing geographic regions and functional areas

# Key Priorities, Objectives and Strategy

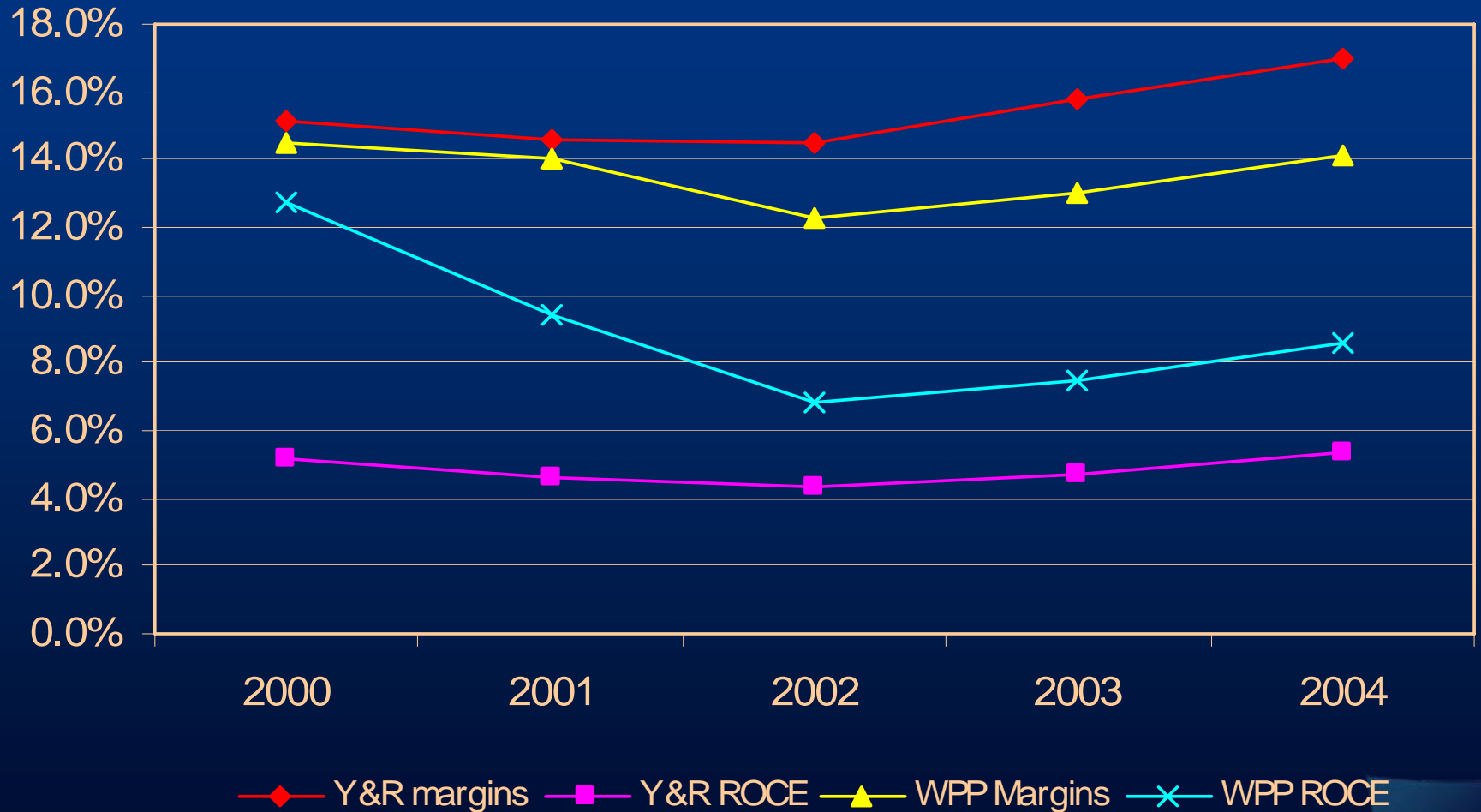
## Y&R revenue performance 2000-2004

2005 Constant US\$' billions



# Key Priorities, Objectives and Strategy

## WPP/ Y&R Margins<sup>1</sup> & Returns on Capital Employed



<sup>1</sup> Margins are on a UK GAAP basis

# Key Priorities, Objectives and Strategy

## Short-term factors

- US fiscal deficit, trade deficit, interest rate policies and commodity price inflation
- Outsourcing pressures check labour cost increases
- Pressure on the consumer and lack of strong corporate capital spending
- Lack of strength in Western Europe, Asia Pacific and Latin America resilience
- Consolidation
  - Clients
  - Media owners
  - Agencies
  - Retail power
- Lack of pricing power
- Trade promotion, distribution and channel management

# Key Priorities, Objectives and Strategy

## Short-term factors

- Move from commission to fees, procurement and outsourcing
- “Super agencies”
- Network pricing, media fragmentation and pressure on traditional media
- PVRs, VOIP, mobile and “search”

# Key Priorities, Objectives and Strategy

## Long-term factors

- Globalisation / Americanisation / BRICs
- Overcapacity, shortage of human capital
- The Web
- Internal communications
- Retail concentration

# Key Priorities, Objectives and Strategy

## 2005 - 2007 Financial Model

### 2005 Previous and Revised Outlook (2004 UK GAAP)

- Industry growth of 2-3%
- Former WPP headline operating margin improves from 14.1% to 14.8%
- Grey headline operating margin targeted at 10.5% post synergies of \$20m
- Combined headline operating margin target of a minimum of 14.3% for 2005
- Revised combined headline operating margin target of 14.8% for 2005 (13.7% under IFRS)

# Key Priorities, Objectives and Strategy

## 2005 - 2007 Financial Model

### 2006 Previous and Revised Outlook (2004 UK GAAP)

- Former WPP headline operating margin improves from 14.8% to 15.3%
- Grey headline operating margin improves from 10.5% to 11.5%
- Combined headline operating margin target of a minimum of 14.8%
- Revised combined headline operating margin target of 15.3% (14.2% under IFRS)

### 2007 Outlook (2004 UK GAAP)

- Combined headline operating margin target of 15.8% (14.7% under IFRS)



# Key Priorities, Objectives and Strategy

## Full Year Margin<sup>1</sup> Prospects

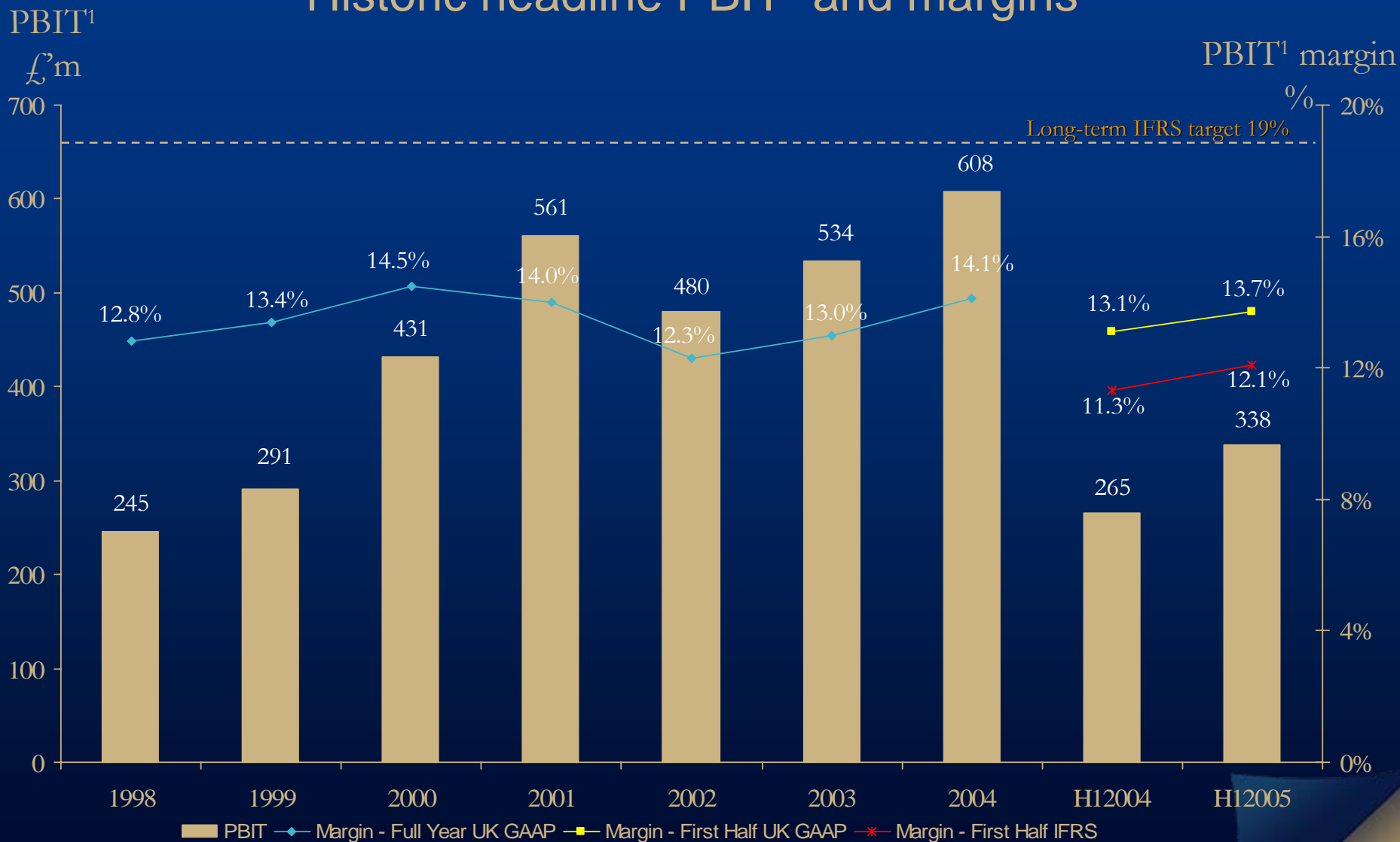
	Old Forecast		New Forecast	
	UK		UK	
	<u>IFRS</u>	<u>GAAP<sup>2</sup></u>	<u>IFRS</u>	<u>GAAP<sup>2</sup></u>
2004	13.0%	14.1%	13.0%	14.1%
2005	13.2%	14.3%	13.7%	14.8%
2006	13.7%	14.8%	14.2%	15.3%
2007	-	-	14.7%	15.8%
Long term target	-	20%	19%	20%

<sup>1</sup> Headline operating margin excludes goodwill and intangibles charges, and write offs of fixed asset investments

<sup>2</sup> On a 2004 UK GAAP basis

# Key Priorities, Objectives and Strategy

## Historic headline PBIT<sup>1</sup> and margins

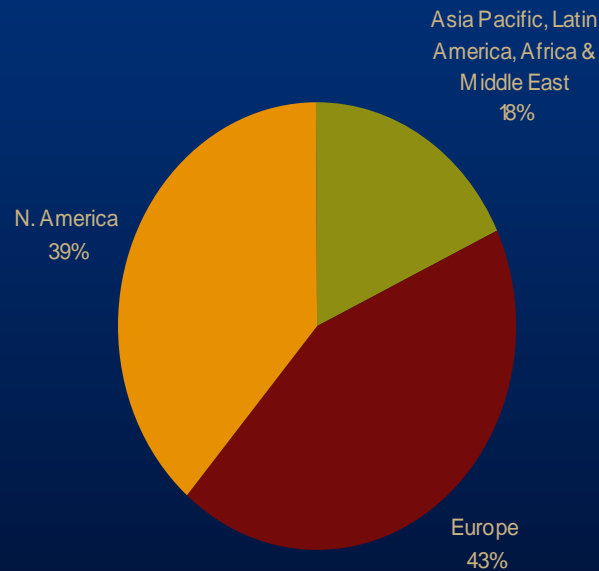


42 1. Headline PBIT excludes goodwill and intangibles charges, and write offs of fixed asset investments, and is on a 2004 UK GAAP basis for consistency.

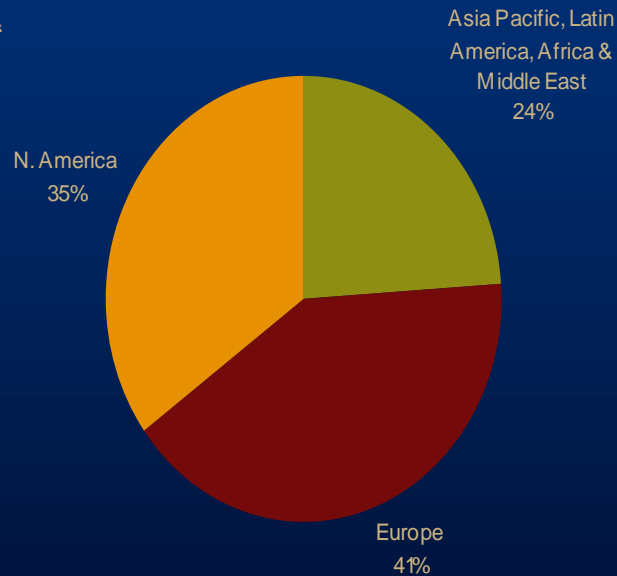
# Key Priorities, Objectives and Strategy

## Faster Growing Markets To Be One Third of Total Group

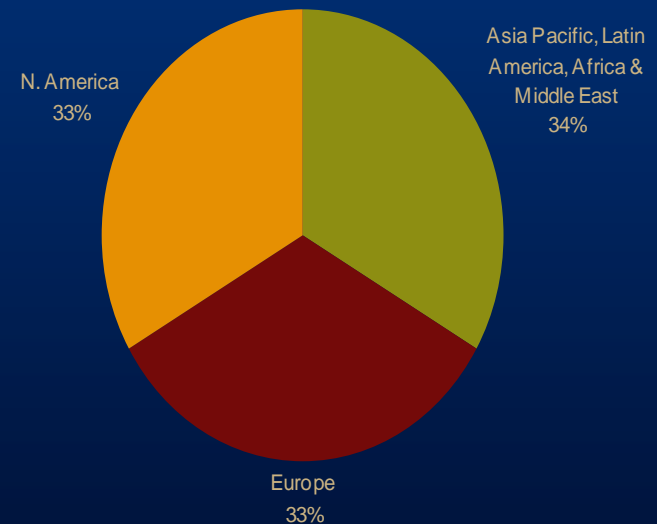
WPP Today



WPP Today Incl. Associates



WPP Tomorrow incl. Associates



# Key Priorities, Objectives and Strategy

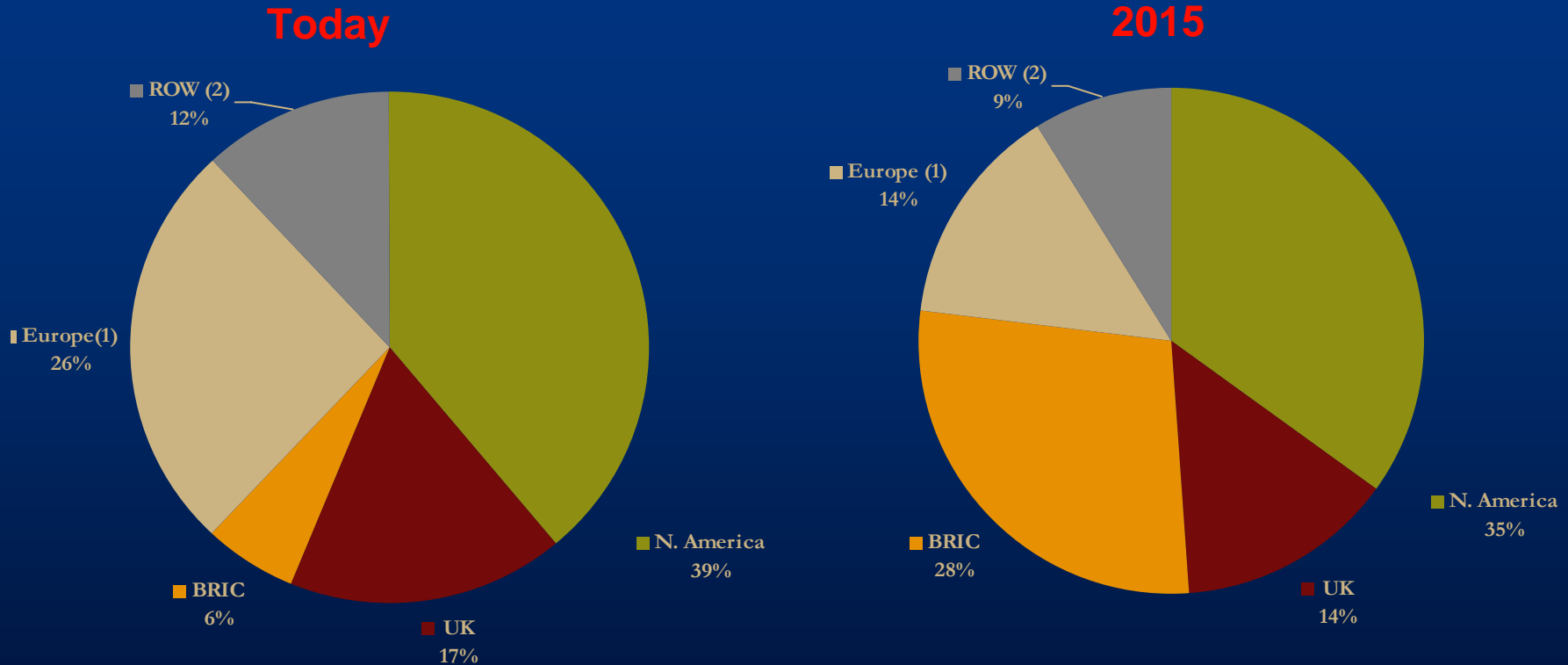
## BRICs Assumptions

- Brazil, Russia, India and Greater China (BRIC) account for approximately 6% of WPP revenue today
- According to Goldman Sachs research, “Dreaming with BRICs”<sup>1</sup>, these countries will grow at a 10.4% CAGR through 2015
- According to Zenith, ad spending as a % of GDP for BRIC was 0.5% in 2001 compared to mature markets where it is 1.5% to 2%
- If GDP grows in line with Goldman Sachs estimates, and advertising spending as a proportion of GDP equals that of mature markets, BRICs alone would represent approximately 25% of WPP revenue by 2015

<sup>1</sup> Wilson, Dominic and Purushothaman, Roopa. 1 October 2003. “Dreaming with BRICs: The Path to 2050.” *Goldman Sachs Global Economics Paper No: 99*: page 9

# Key Priorities, Objectives and Strategy

## BRIC markets will drive substantial revenue growth



<sup>1</sup> Europe excludes Russia

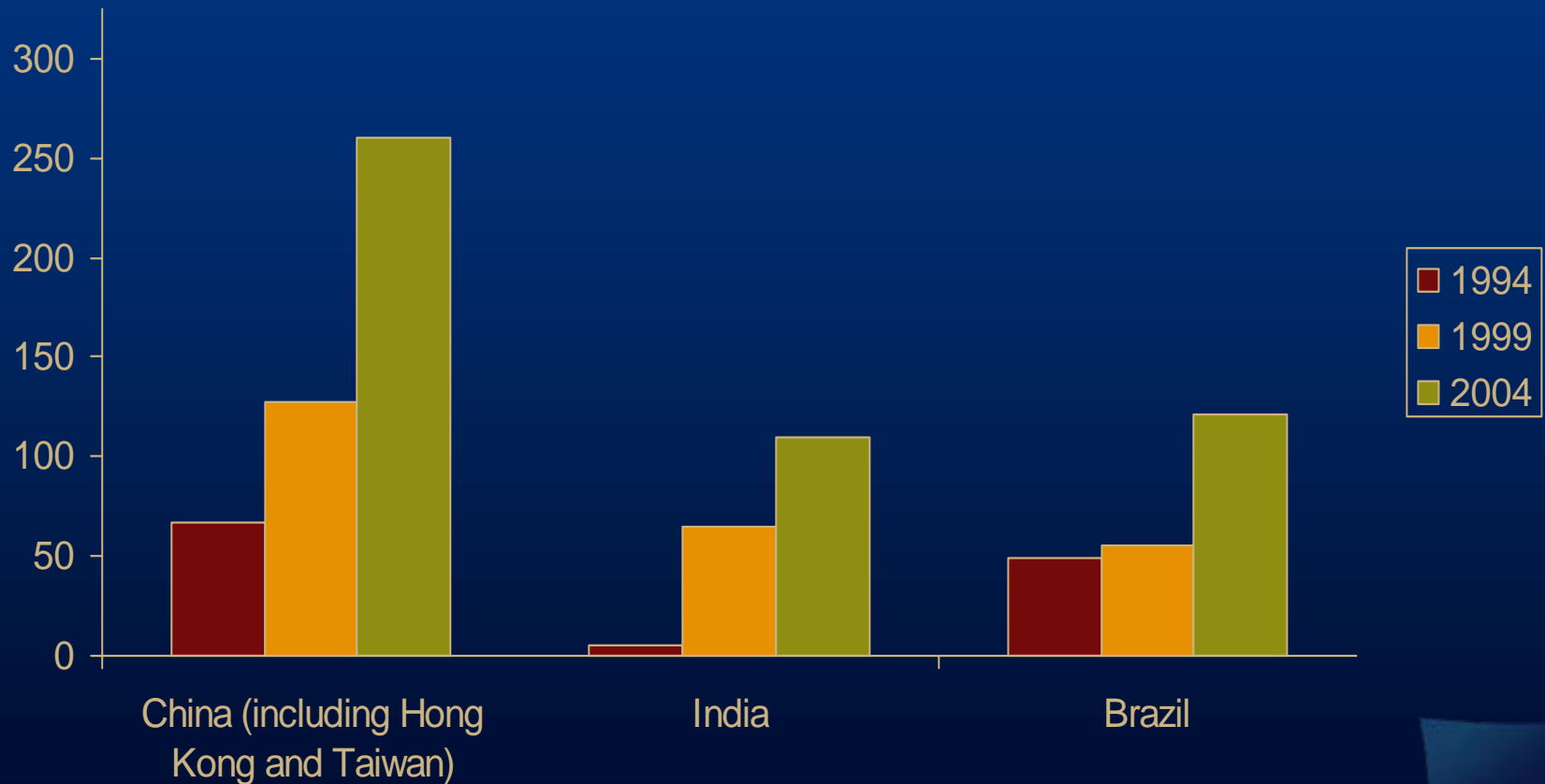
<sup>2</sup> Asia Pacific, Latin America, Africa & Middle East excluding Brazil, India and Greater China

Assumes Brazil, Russia, India and China GDP growth of 10.4% CAGR according to Goldman Sachs Research and Ad spend as % of GDP equals that of mature markets through 2015. Illustrative purposes only intended to isolate the effect of BRIC GDP growing faster than rest of world

# Key Priorities, Objectives and Strategy

## WPP's performance strong in BRIC markets

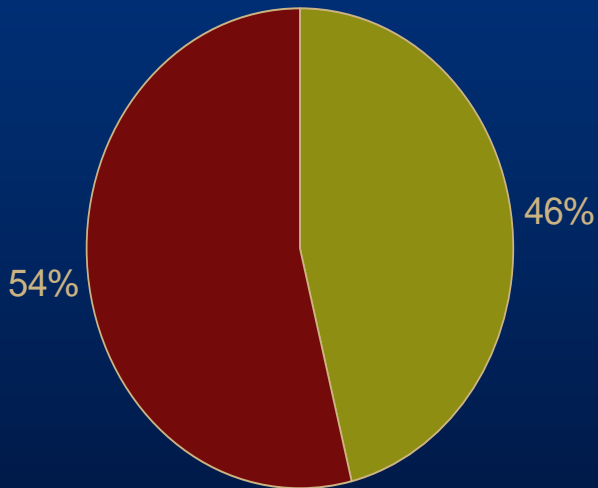
Revenue \$'m in Select BRIC markets



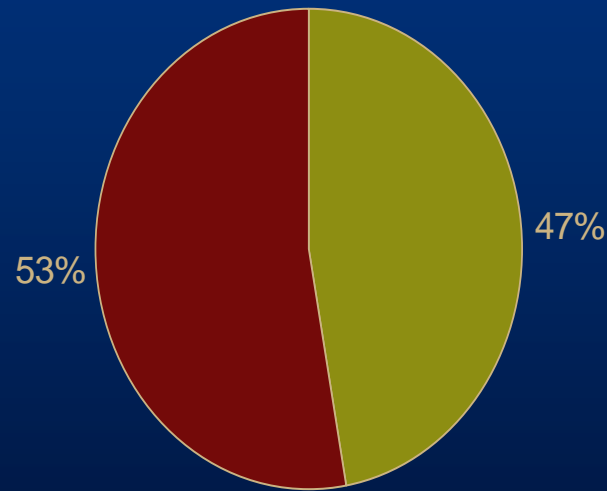
# Key Priorities, Objectives and Strategy

## Marketing Services To Be Two Thirds of Total Group

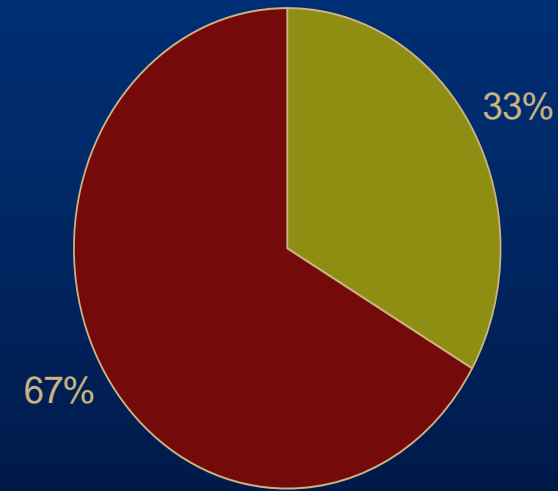
Today



Today including associates



Tomorrow



■ Advertising & Media Investment Management     ■ Marketing Services

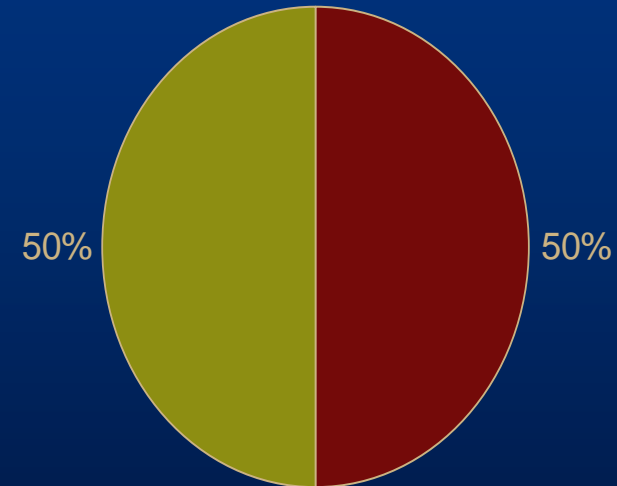
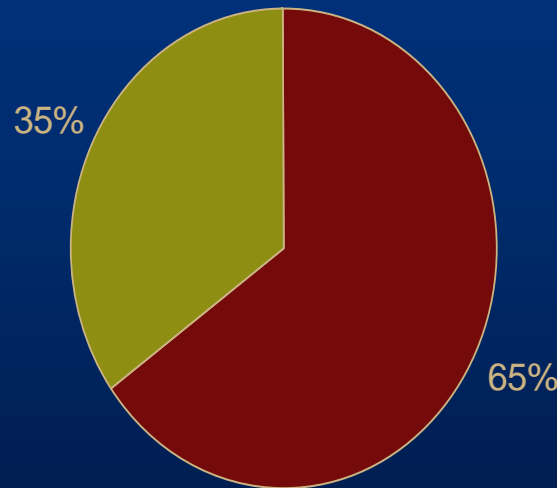
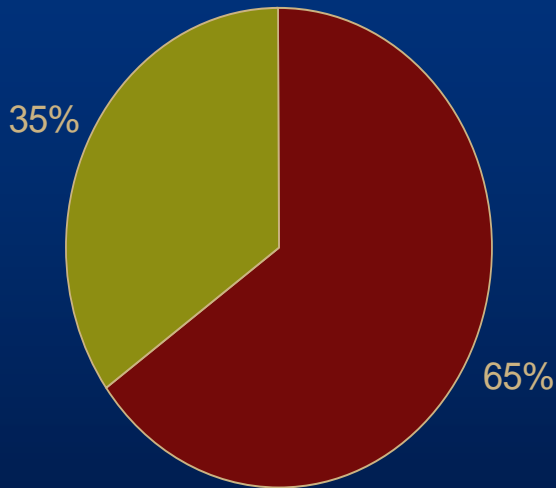
# Key Priorities, Objectives and Strategy

## Quantitative Disciplines To Be One Half of Total Group

Today

Today including associates

Tomorrow



- Information, Insight & Consultancy and Direct, Internet & Interactive
- Advertising, Media Investment Management & Other Marketing Services



# Key Priorities, Objectives and Strategy

We continue to focus on our key objectives

- Improving operating margins
- Increasing flexibility in the cost base
- Using free cash flow to enhance share owner value, and improving return on capital employed
- Developing the role of the parent company
- Emphasising revenue growth more as margins improve
- Improving the creative capabilities and reputation of all our businesses

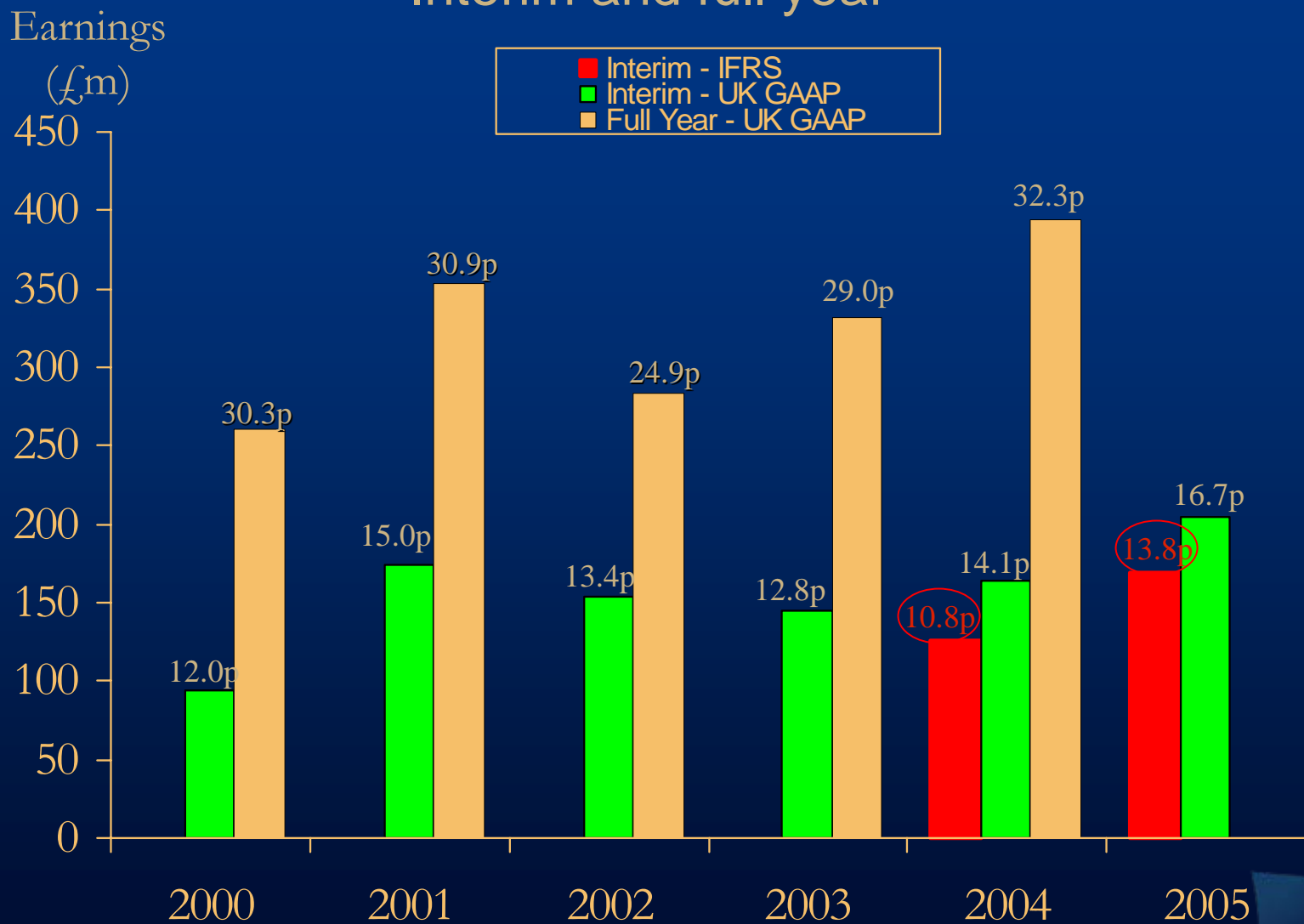
# Key Priorities, Objectives and Strategy

## Financial Model

- Organic revenue growth 0-5%
- Margin growth in line with objectives
- Operating profit improvement
- Incremental profit growth from acquisitions of up to 5%
- Overall growth in EPS

# Earnings<sup>1</sup> and EPS<sup>1</sup> 2000 – 2005

## Interim and full year



<sup>1</sup> Diluted Earnings and Diluted Headline EPS

# Key Priorities, Objectives and Strategy

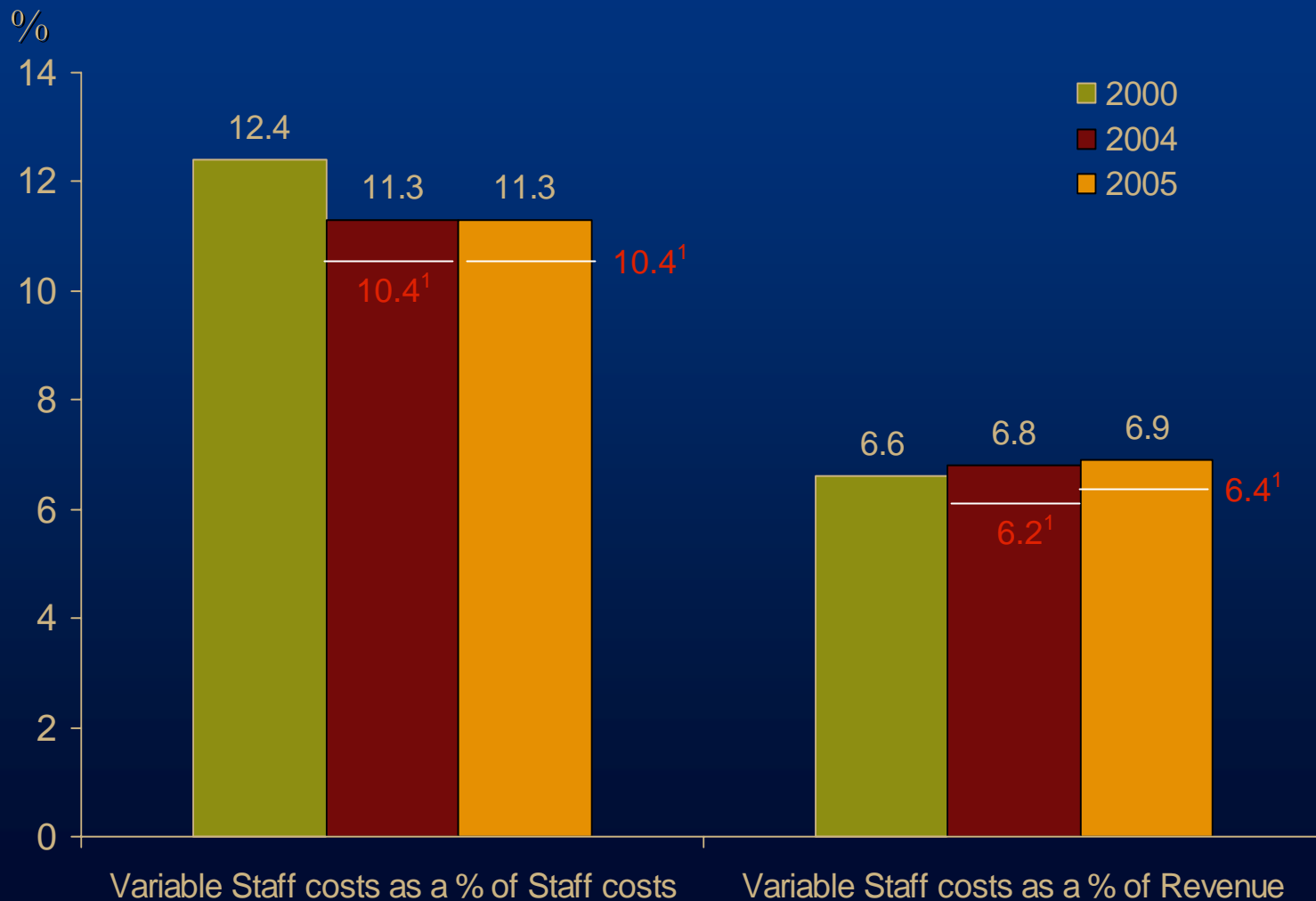
## Increasing flexibility in the cost base

- We continue to focus on a more flexible cost structure in three key areas:
  - Staff c. 50% of revenue
  - Property c. 10% of revenue
  - Bought in services c. 30% of revenue
- Increased flexibility in all areas important to combat economic slowdown

# Key Priorities, Objectives and Strategy

Increasing flexibility in the cost base

Change in variable costs



# Key Priorities, Objectives and Strategy

## Using Free Cashflow to Enhance Share Owner Value

### Dividends and Share Repurchases

- 2005 interim dividend raised by 20% to 3.00p per share
- Share repurchases and buy-backs

	<u>Shares</u>	<u>Amount</u>	<u>% of Share Base</u>
1997	7.2m	£31.2m	1.0%
1998	15.6m	£54.6m	2.1%
1999	3.3m	£17.9m	0.4%
2000	10.3m	£94.1m	1.3%
2001	15.4m	£103.3m	1.4%
2002	12.8m	£75.9m	1.1%
2003	6.3m	£23.1m	0.5%
2004	16.2m	£88.6m	1.4%
2005 H1	12.6m	£75.1m	1.0%

- The Company will continue to commit to repurchasing up to 2% of its share base in the open market at an approximate cost of £150m, when market conditions are appropriate

# Key Priorities, Objectives and Strategy

## Using Free Cash Flow to Enhance Share Owner Value

### Acquisitions

- Grey consolidated from 7 March 2005
- Continued focus on small and mid-sized strategic acquisitions - a number completed during the first half
- Major focus continues to be on information, insight and consultancy and the faster growing sectors within branding & identity, healthcare and specialist communications
- Acquisitions in advertising used to address specific client or local agency needs
- Continue to find opportunities particularly outside the USA

# Key Priorities, Objectives and Strategy

## Use of Free Cash Flow on Acquisitions in 2005

### **Advertising and Media Investment Management**

Grey Worldwide (Global)  
MediaCom (Global)  
Santo Argentina (Argentina)  
Tarantula (UK)  
WT Denmark<sup>1</sup>  
Snr Rushmore (Spain)  
Propaganda (Russia)  
Full Six Iberia (Spain & Portugal)  
BAT Media (Spain)  
Grey Comms BV (Netherlands)<sup>1</sup>

<sup>1</sup> Increased stake

### **Information, Insight & consultancy**

Oracle Market Research  
(Hong Kong)  
MRI (Korea)  
Dynamic Logic (USA)  
Kantar/ ARRP (US)

### **Public Relations & Public Affairs**

GCI (Global)  
ABC (Denmark)  
Chime (UK)<sup>1</sup>



# Key Priorities, Objectives and Strategy

## Use of Free Cash Flow on Acquisitions in 2005

### **Branding & Identity, Healthcare and Specialist Communications**

#### Grey Synchronised Partners

(Grey Direct, Grey Interactive and Grey Sales Promotions)

CMD (USA)

NZP (Netherlands)

Dr Schlegel (Switzerland)

K&L (USA)

Tarantula (UK)

Fortelligent (USA)

Spring (Singapore)

# Key Priorities, Objectives and Strategy

## Developing the Role of the Parent Company

### Key areas for Group co-operation

- Media planning, buying and research
- Healthcare
- New technologies
- Emerging Markets
- Privatisation
- Internal communications
- Retailing
- Hi-tech
- Financial Services
- Entertainment and media

# Key Priorities, Objectives and Strategy

## Emphasise Revenue Growth More as Margins Improve

- Continue to focus on delivering above average revenue growth by:
  - Expanding networks to take advantage of faster growing geographical markets
  - Re-enforcing competitive advantage in segments where growth is expected to remain higher, e.g. Market Research, Direct, Internet, Interactive, Hi-tech, Retail, Healthcare, etc.
  - Taking advantage of consolidation trends to gain market share

# Key Priorities, Objectives and Strategy

## Improving the Creative Capabilities and Reputation of all our Businesses

- By placing greater emphasis on recruitment
- By recognizing creative success tangibly and intangibly
- By acquiring highly regarded creative businesses
- By placing greater emphasis on awards

# WPP

4

Conclusions

# Conclusions

- The Group continues to be well placed by region and discipline to benefit from key industry trends
- There is scope for further margin improvement, cost flexibility, use of free cashflow to enhance share owner value
- In the long term the Group will be concentrating on positioning its top line in the highest growth functional and geographic sectors and improving the effectiveness of its cost structure
- Continued emphasis on free cashflow after acquisition payments and share repurchases and return on capital.

# WPP

## Interim results for 2005

### London

### August 2005