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WPP

2005 PRELIMINARY RESULTS IN ACCORDANCE WITH IFRS

Billings up over 36% to $48.6 billion (£26.7 billion)
Revenue up 25% to $9.8 billion (£5.4 billion)
Like-for-like revenue up 5.5%
Operating margin up 1.0 margin points to 14.0%
Headline profits before tax up over 36% to $1,216.8 million (£669.0 million)
Profits before tax up over 36% to $1,018.9 million (£592.0 million) crossing $1 billion for the first time
Diluted headline earnings per share up 29% at 65.5¢ (36.0p)
Final dividend up 20% to 11.53¢ (6.34p) per share

- Billings up over 36% to $48.6 billion (£26.7 billion).
- Revenue up 25% to $9.775 billion (£5.374 billion).
- Like-for-like revenue up 5.5%.
- Headline operating profits before interest and tax up almost 35% to $1,372.9 million (£754.8 million) from $1,018.9 million (£560.2 million).
- Operating margin up 1.0 margin points to 14.0% from 13.0%.
- Headline profits before tax up over 36% to $1,216.8 million (£669.0 million) from $890.5 million (£489.6 million).
- Profit before tax up over 36% to $1,076.8 million (£592.0 million) from $790.1 million (£434.4 million).
- Diluted headline earnings per share up 29% to 65.5¢ (36.0p) from 50.7¢ (27.9p).
- Reported diluted earnings per share up almost 27% to 54.0¢ (29.7p) from 42.6¢ (23.4p).
- Final dividend up 20% to 11.53¢ (6.34p) per share making a total for the year of 16.99¢ (9.34p) up 20% over 2004.
- Headline operating margin targets revised upwards to 14.5% from 14.2% in 2006 and to 15.0% from 14.7% in 2007.
- Average net debt up $222 million (£129 million) to $2,083 million (£1,212 million) from $1,861 million (£1,083 million), despite the gross cash payment for Grey of $720 million (£376 million).
- Estimated net new billings of over $5.2 billion (£2.8 billion).

The Group's preliminary results have been prepared under International Financial Reporting Standards ("IFRS") which were adopted with effect from 1 January 2004, with the exception of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 32 'Financial Instruments: Disclosure and Presentation'. As a result of continued amendments to IAS 39 the Group decided not to implement this standard for statutory reporting from 1 January 2004. As a result the Group has taken advantage of the option in IFRS 1 'First-time adoption of International Reporting Standards' to implement IAS 39, together with IAS 32, from 1 January 2005 without restating its 2004 income statement and balance sheet. References to 2004 UK GAAP relate to UK Generally Accepted Accounting Principles extant in respect of 2004 – the basis of preparation of the Group's consolidated financial statements for the year ended 31 December 2004, as previously reported, prior to the implementation of IFRS.

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 Group plc ("WPP") announces the unaudited preliminary results for the year ended 31 December 2005, the Group's twentieth year. These record results reflect the continued steady strength of the world economy positively impacting almost all disciplines and geographies, and, in addition, include the results of Grey Global Group ("Grey") with effect from 7 March 2005, which has performed particularly well and made a strong contribution to the Group's results.

Billings were up over 36% at $48.517 billion (£26.674 billion).

Reportable revenue was up 25% to $9.775 billion (£5.374 billion). Revenue including 100% of associates is estimated to total over $11.8 billion (£6.5 billion). On a constant currency basis, revenue was up almost 23% and gross profit up almost 24%. Like-for-like revenues, excluding the impact of acquisitions and on a constant currency basis, were up 5.5%. Like-for-like revenues were up 6% in the first half of 2005 and up 5% in the second half, continuing the strong organic growth of almost 6% in the second half of 2004.

Reported operating costs including direct costs (but excluding goodwill impairment, amortisation of acquired intangibles and profits on disposal of fixed asset investments), rose by over 23% and by over 21% in constant currency. Like-for-like total operating and direct costs rose over 4%. Reported staff costs, excluding incentives (which includes the cost of share-based compensation), were up over 26%. Incentive payments (including the cost of share-based compensation) totalled $414.0 million (£227.6 million) ($344.7 million (£189.5 million) in 2004), an increase of over 20%, which represents 24.0% (26.3% in 2004) of operating profit before bonuses, taxes and income from associates. Before these incentive payments, operating margins increased by 0.9 margin points to 18.3% from 17.4%. On a reported basis, the Group's staff cost to gross margin ratio was flat with last year at 62.1%.

Part of the Group's strategy is to continue to increase variable staff costs as a proportion of total staff costs and revenue, as this provides flexibility to deal with volatility in revenues. In the 1990's, variable staff costs as a proportion of total staff costs increased, reaching a peak of 12.1% in 2000. The impact of the recession in 2001 and 2002 was to reduce this ratio to 9.2% and variable staff costs as a proportion of revenue to 5.3% (calculated under 2004 UK GAAP). In 2004, following the significant improvement in pre-bonus operating profit and incentives, variable staff costs as a proportion of staff costs increased further. There was a slight deterioration in 2005, with the ratio declining by 0.4 percentage points, to 12.8% (under IFRS – which includes 1.0 percentage points attributable to share-based compensation).

The number of people in the Group averaged 70,936 against 57,788 in 2004, an increase of 22.8%. On a like-for-like basis, average headcount was up to 70,936 from 67,439, an

increase of 5.2%. At the end of 2005, staff numbers were 74,631 compared with 71,624 at the end of 2004 on a like-for-like basis, an increase of 4.2%.

Net interest payable and similar charges was $172.2 million (£94.7 million) up from $128.4 million (£70.6 million) last year, an increase of $43.8 million (£24.1 million), largely reflecting additional charges under IFRS of $41.3 million (£22.7 million), relating to the treatment of convertible bonds and revaluation of financial instruments (2004 - nil). The remaining increase of $2.5 million (£1.4 million) reflects higher interest rates, offset by the impact of improved liquidity as a result of a reduction in working capital.

Headline operating profit or profit pre-goodwill impairment, amortisation of acquired intangibles, interest, tax and investment gains and write-downs was up almost 35% to $1,372.9 million (£754.8 million) from $1,018.9 million (£560.2 million) and up over 31% in constant currencies. Reported profit before interest and tax was up 36% to $1,249.0 million (£686.7 million) from $918.5 million (£505.0 million) and up over 32% in constant currencies. Headline profit before tax or profit pre-goodwill impairment, amortisation of acquired intangibles, investment gains and write-downs, revaluation of financial instruments and tax was up over 36% to $1,216.8 million (£669.0 million) from $890.5 million (£489.6 million) and up over 32% in constant currencies. Reported headline operating margin (including income from associates) increased a full margin point to a record 14.0% from 13.0%, ahead of the revised target set in August 2005 of 13.7%. Our target at the beginning of 2005 was 13.2%. The margin achieved in 2005 is equivalent to an operating margin of 15.0% under 2004 UK GAAP, which surpasses the previous record operating margin of 14.5% in 2000.

Reported profit before tax rose by 36.3% to $1,076.8 million (£592.0 million), well over $1 billion, for the first time and up almost 32% in constant currencies. Diluted earnings per share rose by almost 27% to 54.0¢ (29.7p) and up over 22% in constant currencies.

The Group's tax rate on headline profits was 29%, an increase of 1.4 percentage points over 2004, reflecting the continuing positive impact of the Group's tax planning initiatives, more than offset by the impact of Grey, which had a tax rate on acquisition in excess of 45%.

Diluted headline earnings per share were up 29% at 65.5¢ (36.0p). In constant currency, earnings per share on the same basis were up over 25%.

The Board recommends an increase of 20% in the final dividend to 11.53¢ (6.34p) per share, making a total of 16.99¢ (9.34p) per share for 2005, a 20% increase over 2004. The record date for this dividend is 2 June 2006, payable on 3 July 2006. The dividend for 2005 is over four times covered by headline earnings.

Further details of WPP's financial performance are provided in Appendix I.

Reconciliation to 2004 UK GAAP

The preliminary results for 2005 have been set out under IFRS. Note 19 of Appendix I reconciles IFRS to 2004 UK GAAP.

The principal reasons for the differences in headline operating profits, operating margins, headline profits before tax and diluted headline earnings per share are twofold. Firstly, share-based payments, of $58.9 million (£32.4 million), largely reflecting the cost of options on a fully-retrospective basis, with an impact on operating margins of 0.6 margin points. Secondly, accounting for associates, which reflects the deduction of tax from income from associates, previously included in taxation, amounting to $36.6 million (£20.1 million) and impacting operating margins by 0.4 margin points.

Review of operations

The Group's financial performance in the year more than mirrored the continuing steady strength in economic conditions across the globe, with even the weakest region, Western Continental Europe, picking up in the second half.

2005, the softest year of the quadrennial 2005-2008 cycle, was surprisingly strong. With no special political or sporting events to speak of, 2005 reflected the steady growth seen throughout the world, with three geographical speeds – fastest in Asia Pacific, Latin America, Africa, the Middle East and Eastern Europe; a steady speed in the United States; and slower speed in Western Europe.

2005 also marked continued client focus on top-line growth, as corporate profitability, margins and liquidity continued to improve significantly. Corporate profitability remains at historically high levels on both sides of the Atlantic. This resulted in unprecedented levels of new business activity, which have continued into 2006.

Network television price inflation and declining audiences, fragmentation of traditional media and rapid development of new technologies continued to drive experimentation by our clients in new media and non-traditional alternatives. 1998 was really the first year when WPP's marketing services activities represented over 50% of Group revenue. In 2004 these activities represented almost 54% of Group revenue. In 2005, they represented 52%, as media investment management was again the fastest growing part of our business, following major success in winning media planning and buying consolidations, and the first time inclusion of Grey Worldwide and MediaCom. In addition, in 2005, our narrowly defined internet-related revenue was almost $500 million or over 5% of our worldwide reported revenue. This is in line with 4 - 5% for on-line media's share of total advertising spend in the United States and approximately 4% share worldwide. The new media continue to build their share of client spending.

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 2005 as well as proportions of operating profits:

Region	Revenue as a% of Total Group	Revenue growth% +/(-) 05/04	Operating profit as a % of Total Group	Like-for-Like Revenue growth % +/(-) 05/04
North America	39.0	25.9	46.1	5.8
United Kingdom	15.3	10.9	11.4	1.9
Continental Europe	26.6	23.0	23.7	2.9
Asia Pacific, Latin America, Africa & the Middle East	19.1	27.4	18.8	11.9
Total Group	100.0	22.9	100.0	5.5

On a constant currency basis all regions showed double digit revenue growth, with the Group at almost 23%. Like-for-like growth was 5.5%.

The United States continues to grow, with like-for-like growth of almost 6%, up slightly on the first half. Latin America remains the fastest growing region, as it was in 2004. Asia Pacific remains strong across the region, with China and India leading the way, with like-for-like growth rates of 23% and almost 15%, an acceleration of the growth seen in the first half. Western Continental Europe, although relatively more difficult, improved slightly in the second half. The United Kingdom was softer in the latter part of the year, reflecting weakness in the economy. As seen in the first half, rates of growth in Europe continue to be two-paced, with Western Continental Europe remaining softer and Central and Eastern Europe, Russia and the CIS countries, in particular, more buoyant.

Estimated net new billings of $5.2 billion (£2.8 billion) were won last year, reflecting in part strong media investment management new business.

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 2005 (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 % +/(-) 05/04	Operating profit as a % of Total Group	Like-for-Like Revenue growth % +/(-) 05/04
Advertising, Media Investment Management	48.4	28.6	53.1	4.3
Information, Insight & Consultancy	15.1	7.3	11.0	6.4
Public Relations & Public Affairs	10.0	18.7	10.0	7.5
Branding & Identity, Healthcare & Specialist Communications	26.5	24.7	25.9	6.4
Total Group	100.0	22.9	100.0	5.5

Media investment management continues to show the strongest growth of all our communications services sectors, along with direct, internet and interactive and healthcare communications. Direct, internet and interactive related activities now account for over 15% of the Group's revenues, which are running at the rate of over $10 billion per annum. Brand advertising, particularly in the new faster growing markets, along with information, insight & consultancy and branding & identity, healthcare and specialist communications, show consistent growth. Public relations and public affairs also continues to show significant improvement over last year, following a strong year in 2004. Media investment management and information, insight & consultancy combined, grew by almost 10% in the year.

Advertising and Media Investment Management

In constant currencies, advertising and media investment management revenue grew by almost 29%. Like-for-like revenue growth was well over 4%. The combined operating margin of this sector was over 15%.

In 2005, Ogilvy & Mather Worldwide generated estimated net new billings of $161 million (£87 million), JWT $216 million (£117 million), Y&R Advertising $280 million (£152 million) and Grey Worldwide $735 million (£398 million).

Also in 2005, MindShare, Mediaedge:cia and MediaCom generated estimated net new billings of $2.9 billion (£1.6 billion).

Information, Insight and Consultancy

On a constant currency basis information, insight and consultancy revenues grew over 7%, with like-for-like revenues up over 6%. Overall margins improved by 1.1 margin points to over 10%.

Strong performances were recorded by Millward Brown (Greenfield Consulting Group, MaPs and Dynamic Logic in the United States, France, Germany, Spain, Poland, Centrum in the Netherlands, Hong Kong, Taiwan, Singapore, Firefly in Thailand, the Philippines, Mexico, Brazil and Colombia); BMRB International in the United Kingdom, KMR Group, Research International (in the United States, France, the Netherlands, Spain, SIFO in Sweden and Norway, South Africa, Brazil, Hong Kong, Indonesia and Australia); Center Partners and Ziment in the United States, IMRB in India, Lightspeed Research in the United States and Asia, Da Vinci in the United States, Added Value/icon in the United Kingdom, Italy, Spain, Japan and India.

Public Relations and Public Affairs

Public relations and public affairs continued its recovery with constant currency growth of almost 19% and like-for-like growth of well over 7%. Particularly strong were Cohn & Wolfe, Ogilvy Public Relations Worldwide, Hill & Knowlton, Penn Schoen & Berland in the United States and Buchanan in the United Kingdom.

Operating margins continued to improve and are now at 14%, an improvement of over 0.8 margin points.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications revenues rose by over almost 25%. Like-for-like revenues rose by over 6%. Operating margins were up 1.2 margin points. The Group's healthcare and direct, internet and interactive businesses showed particularly strong revenue growth.

Several companies performed particularly well:

- in branding and identity – Landor Associates in Cincinnati in the United States, the United Kingdom, Germany, Dubai, Mexico, Japan, Hong Kong and Australia; Enterprise IG in the United Kingdom, Germany, France and Dubai; Fitch in Phoenix and Seattle in the United States, the United Kingdom, Peclers in France and Qatar.
- in healthcare – Sudler & Hennessey in the United States including HealthAnswers Education, Market Force Communications and Toronto in

Canada, the United Kingdom, Germany and Australia; in Grey Healthcare Group in the United States, the United Kingdom, France and Germany; in Ogilvy Healthworld in Medical Education in the United States and Germany.

- in promotion and direct marketing – OgilvyOne (in New York, Minneapolis, San Francisco and Eicoff in the United States, Canada, the United Kingdom, Italy and Brazil); 141 Worldwide (in Chicago and Boomerang in the United States, the United Kingdom, Brazil, Mexico, China and Korea); Wunderman (in RTC, Chicago and San Francisco in the United States, the United Kingdom, the Automotive Group in the United Kingdom, France, Germany, Italy, Greece, Argentina, Mexico, China, Thailand, Singapore and Australia)

- specialist marketing resources – VML and Pace in the United States and EWA, Metro, BDGworkfutures and Premiere Sponsorship Marketing in the United Kingdom.

Manufacturing

Revenues and profits at the Group's manufacturing division were down in 2005.

Balance sheet and cash flow

An unaudited summary of the Group's consolidated balance sheet as at 31 December 2005 is attached in Appendix I. As at 31 December 2005, the Group's net debt increased by $428 million (£249 million) to $1,382 million (£804 million) compared with $954 million (£555 million) at 31 December 2004 (which incorporates the IAS 39 adjustment as at 1 January 2005).

Net debt averaged $2,083 million (£1,212 million) in 2005, up $222 million (£129 million) against $1,861 million (£1,083 million) in 2004 (up $227 million (£132 million) at 2005 exchange rates). These net debt figures compare with a current equity market capitalisation of approximately $14 billion (£8 billion), giving a total enterprise value of approximately $15 billion (£9 billion).

Cash flow strengthened as a result of improved working capital management and cash flow from operations. In 2005, operating profit before goodwill impairment, amortisation of acquired intangible assets and charges for non-cash based incentive plans was $1,444 million (£794 million), capital expenditure $311 million (£171 million), depreciation $222 million (£122 million), tax paid $247 million (£136 million), interest and similar charges paid $109 million (£60 million) and other net cash inflows of $29 million (£16 million). Free cash flow available for debt repayment, acquisitions, share buybacks and dividends was therefore $1,028 million (£565 million). This free cash flow was partially absorbed by $924 million (£508 million) in net acquisition payments and investments, share repurchases and cancellations of $276 million (£152 million) and dividends of $182 million (£100 million). This resulted in a net outflow of $355 million (£195 million). The objective introduced in 2003 of covering outgoings by free cash flow was achieved, excluding the net cash element of the acquisition of Grey. A summarised unaudited consolidated cash flow statement is included in Appendix I.

In the first six weeks of 2006, up until 10 February, the last date for which information is available prior to this announcement, net debt averaged $1,466 million (£853 million) up $339 million (£197 million) versus $1,127 million (£656 million) for the same period last year at 2006 exchange rates.

Your Board continues to examine ways of deploying its substantial cash flow of almost £600 million or over $1 billion per annum to enhance share owner value. As necessary capital expenditure is expected to remain equal to or less than the depreciation charge in the long-term, the Company has concentrated on examining potential acquisitions and on returning excess capital to share owners in the form of dividends or share buy-backs.

In 2005, in addition to the completion of the acquisition of Grey, the Group continued to make small to medium-sized acquisitions or investments in high growth geographical or functional areas. The net initial cost of all acquisitions was $688 million (£378 million) in cash, in advertising and media investment management in the United States, the United Kingdom, Denmark, the Netherlands, Spain, Russia, Israel, Argentina, Hong Kong and Australia; in information, insight & consultancy in the United States, the United Kingdom, Poland, China, Hong Kong, Korea and New Zealand; in public relations & public affairs in the United States, Denmark, Bahrain, Argentina, China and Australia; in healthcare in the United States, the Netherlands and Switzerland and in direct, internet & interactive in the United States.

Last year, 25.4 million ordinary shares (of which 21.3 million were cancelled) or 2% of the share capital were repurchased at a total cost of $276 million (£152 million) and average price of $10.90 (£5.99) per share.

As noted above, your Board has decided to increase the final dividend by 20% to 11.53¢ (6.34p) per share, taking the full year dividend to 16.99¢ (9.34p) per share which is over four times covered, at the headline earnings level. In addition, as the return on capital criteria for investing in cash acquisitions have been raised, particularly in the United States, the Company will continue to commit to repurchasing up to 2% of its share base in the open market at an approximate cost of $273 million (£150 million), when market conditions are appropriate. Such annual rolling share repurchases are believed to have a more significant impact in improving share owner value than sporadic buy-backs.

As outlined in the Group's 2005 interim results announcement, the Group proposed a change to its corporate structure which was approved at an Extraordinary General Meeting on 26 September 2005. This has resulted in a significant increase in the Group's distributable reserves.

Developments in 2005 and 2006

There has been considerable press coverage in the last few weeks in relation to the Group’s operations in Italy. In January 2006, the contract of the Group’s Italian country manager was terminated and an investigation initiated into certain aspects of the Group’s operations there. Legal action against the former country manager has commenced. It is not expected that this will have a significant effect on the Group’s financial results.

Including associates, the Group had over 92,000 full-time people in over 2,000 offices in 106 countries at the year end. It services over 300 of the Fortune Global 500 companies, over one-half of Nasdaq 100, over 30 of the Fortune e-50, and approximately 333 national or multi-national clients in three or more disciplines. More than 230 clients are served in four disciplines and these clients account for over 50% of Group revenues. The Group also works with over 200 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 well 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 and country managers, continue to be developed. There is an increasing number of major client creative and integration opportunities at a Group level.

Future prospects

The world economy continued to grow in 2005, after the recovery in 2003 and 2004, driven by the United States, Asia Pacific, Latin America, the Middle East, Russia and the CIS countries. As a result, your Company has performed at record levels. Whilst like-for-like revenues have grown beyond market expectations, like-for-like average headcount has grown less.

Following this productivity improvement, the Group's margins at both the pre- and post-incentive levels have improved significantly. In addition, given improved levels of operating profit and margin, incentive pools and variable staff costs are now at record levels. This will improve operational gearing and flexibility in 2006 and beyond.

The task of improving property utilisation continues to be a priority with a portfolio of approximately 18 million square feet worldwide. In December 2002, establishment cost as a percentage of revenue was 8.4%, with a goal of reducing this ratio to 7.0% in the medium term. At the end of 2004 the establishment cost to revenue ratio reduced to 7.6% and by December 2005 this ratio improved further to 7.2%, driven by better utilisation and higher revenues. There should be further opportunities to improve utilisation in the future, as the 3.2 million square feet of property within Grey is integrated into the portfolio.

As usual, the budgets for 2006 have been prepared on a prudent basis, largely excluding new business, particularly in advertising and media investment management. They predict improvements in like-for-like revenues in the range of 4%, with balanced growth in the first and second half of the year. They also indicate marketing services revenues growing faster than advertising and media investment management. We only have actual data for January in 2006, and this shows revenue well above last year, with like-for-like revenues up 5.5%. Estimated net new business billings so far in 2006 were very strong with over $0.6 billion of net wins according to trade publications.

Worldwide economic conditions seem set to continue to show steady growth in 2006, although concerns remain over the Middle East, oil and commodity prices and the twin deficits of the United States economy. This year's prospects, therefore, look okay, with worldwide advertising and marketing services spending set to rise by at least 4% with your company expected to grow at 4-5% and therefore increasing share. Although growth in the world economy continues to be led by Asia Pacific, Latin America, Africa and the Middle East, Russia and the CIS countries, even Western Continental Europe may continue the improvement seen in the second half of 2005, although the United Kingdom looks soft.

2006 should benefit from the mini-quadrennial impact of the mid-term United States Congressional elections, the FIFA World Cup and the Torino Winter Olympics.

2007 should also benefit from the build-up to the United States Presidential Elections and the Beijing Olympics in 2008, which, as a maxi-quadrennial year, should be a very strong one, buoyed by those events plus heavy United States political advertising and the European Football Championships.

In the short-term, growth in advertising and marketing services expenditure may remain in low to medium single digit territory, given the low inflationary environment, concentrating distribution and consequent lack of pricing power. In this climate, procurement pressure continues (but not in new media) and the significant proportion of fee remuneration dampens revenue growth on cyclical upturns (and moderates on downturns). However, there continues to be significant opportunities in the area of outsourcing clients' marketing activities, consolidating client budgets and capitalising on competitive weaknesses. In addition, spending amongst the packaged goods, pharmaceutical, oil and energy,

government (the government continues to be one of the largest advertisers in the UK market) and price-value retail sectors, which remained relatively resilient in the recession of 2001 and 2002, have been buttressed by increased activity in previously recession-affected sectors like technology, financial services, media and entertainment and telecommunications.

In the long-term, the outlook appears very 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 continued strength of the United States economy and the need to influence distribution, underpin the need for our clients to continue to differentiate their products and services both tangibly and intangibly. Moreover, the growth of the BRICs (Brazil, Russia, India and China) economies, will add significant opportunities in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe. Advertising and marketing services expenditure as a proportion of gross national products should resume its growth and bust through the cyclical high established in 2000.

Given these short-term and long-term trends, your Company has three strategic priorities. In the short-term, having weathered the recession, to capitalise on the 2004 and 2005 up-turn; in the medium-term, to continue to successfully integrate acquired companies; and finally, in the long-term, to continue to develop its businesses in the faster-growing geographical areas of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe and in the faster-growing functional areas of marketing services, particularly direct, internet, interactive and market research.

Incentive plans for 2006 will again focus more on operating profit growth than historically, in order to stimulate top-line growth, although objectives will continue to include operating margin improvement, improvement in staff costs to revenue ratios and qualitative Group objectives, including co-ordination, talent management and succession planning.

In these circumstances, there is no reason to believe that the Group cannot achieve the revised targets now being set with the announcement of these results, to achieve margins of 14.5% in 2006 and 15.0% in 2007. Budgets for 2006 include this operating margin target. Neither is there any reason why operating margins could not be improved beyond this level by continued focus on revenue growth and careful husbandry of costs. Our ultimate objective continues to be to achieve a 19% margin over a period of time and to improve the return on capital employed.

Increasingly, WPP is concentrating on its mission of the “management of the imagination”, and ensuring it is a big company with the heart and mind of a small one. To aid the achievement of this objective and to develop the benefits of membership in the Group for both clients and our people, the parent company continues to develop its activities in the areas of human resources, property, procurement, information technology and practice development. Ten practice areas which span all our brands have been developed initially in media investment management, healthcare, privatisation, new technologies, new faster growing markets, internal communications, retail, entertainment and media, financial services and hi-tech and telecommunications.

And finally…a reminder.

Those who hold shares in WPP quite rightly see it as a single entity, and rate it according to its overall achievements. And it is those achievements that this announcement features. It has been a very good year.

But of course, what those aggregate numbers fail to reveal is the extraordinary number and range and diversity of quite separate achievements that go to make up that impressive company total.

By applying their brains, their talent and their experience to the service of their clients, all of our 74,000 talented people have contributed to these record results.

It is those individual skills that our clients value, and pay for. Project by project, as WPP company people helped make their clients more successful, so, project by project, they added inexorably to the final figures presented here.

So it is entirely right that we should end this release by acknowledging the true source of our success and offering our wholehearted gratitude to all those many who made it happen.

2005 was a record year. 2006, WPP's 21st year, should be an even better one.

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