

WPP

Interim results for 2004

London & New York

August 2004

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Conclusions

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Interim results for 2004

Interim results for 2004

- Reported revenues up 6.0%. On a constant currency basis, revenues up over 13%, mainly due to the weakness of the US\$.
- First half like-for-like revenues up well over 2%. Excluding Cordiant, revenue growth was over 4%.
- July like-for-like revenue up over 6%, mirroring a strong June.
- Headline PBIT* up over 13% from £234.1m to £264.7m, up over 21% in constant currencies.
- Headline operating margin* up 0.8 margin points to 13.1% from 12.3%.

* Headline PBIT/ margin: Profit before interest, taxation, goodwill amortisation and impairment , and amounts written off fixed asset investments

Interim results for 2004

- Headline PBT* up almost 16% to £234.7m from £202.9m, up almost 25% in constant currencies.
- Diluted headline EPS up over 10% to 14.1p from 12.8p, up almost 21% in constant currencies.
- Interim dividend up 20% to 2.50p per share.
- 12.175 million shares repurchased for cancellation at a cost of £67.6m and acquisition payments, including earnout payments and loan note redemptions of £144m.
- New business billings of £1.534 billion (\$2.761 billion). Ranked No.1 for net new business gains in the Lehman Brothers, William Blair & Company, Bear Stearns and AdAge surveys for the first six months of 2004.

* Headline PBT: Profit before goodwill amortisation and impairment, amounts written off fixed asset investments, and FRS 17 interest

Interim results for 2004

Unaudited Reported Income Statement

Six months to June

	2004	2003	Change	Constant
	£m	£m	%	Currency
				%
Revenue	2,025.6	1,910.8	6.0	13.3
Operating Profit before Goodwill and Impairment	243.9	218.3	11.7	20.5
Goodwill and Impairment charges – subsidiaries	(49.3)	(43.5)	-13.3	-13.3
Operating Profit	194.6	174.8	11.3	22.5
Income from associates	20.8	15.8	31.6	34.5
Goodwill and Impairment charges – associates	(1.7)	-		
PBIT before fixed asset investment write-offs	213.7	190.6	12.1	22.6
Amounts written off fixed asset investments	(2.0)	-		
Interest and similar charges	(35.4)	(37.0)	4.3	-1.1
Profit before tax	176.3	153.6	14.8	26.5
Tax at 25.8% of Headline PBT (2003 25.5%)	(60.6)	(51.7)	-17.2	-19.6
Profit after tax	115.7	101.9	13.5	30.4

Interim results for 2004

Unaudited Headline¹ Income Statement

	Six months to 30 June		Change %	Constant Currency %
	2004 £m	2003 £m		
Revenue	2,025.6	1,910.8	6.0	13.3
Operating Profit pre-goodwill & impairment	243.9	218.3	11.7	20.5
Income from associates	20.8	15.8		
Headline PBIT	264.7	234.1	13.1	21.5
Interest and similar charges	(30.0)	(31.2)		
Headline Profit before tax	234.7	202.9	15.7	24.8
Tax at 25.8% of Headline PBT (2003 25.5%)	(60.6)	(51.7)		
Headline Profit after tax	174.1	151.2	15.1	26.7
Headline diluted EPS	14.1p	12.8p	10.2	20.7
Headline margin	13.1%	12.3%	0.8*	

¹ Figures stated before goodwill amortisation and impairment, amounts written off fixed asset investments, and FRS 17 interest

* Margin points

Interim results for 2004

Revenue by Discipline

	Revenue		% Change	% Change, Constant currency
	2004 £m	2003 £m		
Advertising, Media Investment Management	936.7	875.6	7.0	14.7
Information, Insight and Consultancy	336.4	334.0	0.7	6.1
Public Relations & Public Affairs	221.6	224.1	-1.1	7.3
Branding & Identity, Healthcare & Specialist Communications	530.9	477.1	11.3	18.6
Total	2,025.6	1,910.8	6.0	13.3

Interim results for 2004

Revenue by Region

	Revenue			
	2004	2003	% Change	% Change,
	£m	£m		constant
				currency
North America	809.8	819.3	-1.2	11.2
UK	343.4	306.5	12.0	12.0
Continental Europe	524.3	496.8	5.5	8.5
Asia Pacific, Latin America, Africa & Middle East	348.1	288.2	20.8	28.9
Total	2,025.6	1,910.8	6.0	13.3

Interim results for 2004

Headline¹ PBIT and Margin by Discipline

	Headline ¹ PBIT		Headline ¹ margin	
	2004	2003	2004	2003
	£m	£m	%	%
Advertising, Media Investment Management	138.3	125.3	14.8	14.3
Information, Insight & Consultancy	27.9	23.8	8.3	7.1
Public Relations & Public Affairs	33.4	29.1	15.1	13.0
Branding & Identity, Healthcare & Specialist Communications	65.1	55.9	12.3	11.7
Total	264.7	234.1	13.1	12.3

¹Headline PBIT/ margin: Profit before interest, taxation, goodwill amortisation and impairment, and amounts written off fixed asset investments

Interim results for 2004

Headline¹ PBIT and Margin by Region

	Headline ¹ PBIT		Headline ¹ margin	
	2004	2003	2004	2003
	£m	£m	%	%
North America	134.0	127.8	16.5	15.6
UK	31.2	31.4	9.1	10.2
Continental Europe	57.0	49.2	10.9	9.9
Asia Pacific, Latin America, Africa & Middle East	42.5	25.7	12.2	8.9
Total	264.7	234.1	13.1	12.3

¹Headline PBIT/ margin: Profit before interest, taxation, goodwill amortisation and impairment, and amounts written off fixed asset investments

Interim results for 2004

Revenue Growth by Country

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

* Constant currency

Interim results for 2004

Revenue Growth by Category

Revenue Growth* Categories

> 20%	Financial Services, Oil
15 – 20%	Telecommunications
10 - 15%	Drinks, Food, Personal Care & Drugs
5 - 10%	Automotive, Electrical, Retail
< 5%	Computer

* Constant currency

Effects of Strength of Sterling

Impact on results

- Sterling strengthened against most currencies, most significantly against the US \$.
- Impact of strength of Sterling reduced revenue by over 7%, from 13.3% constant currency to 6.0% on a reportable basis.
- Headline PBT¹ of £235m would have been £252m had Sterling remained at H1 2003 levels.

¹ Figures stated before goodwill amortisation and impairment, amounts written off fixed asset investments, and FRS 17 interest

Interim results for 2004

Cash Flow

	2004	2003
	£m	£m
Operating profit (pre-goodwill & impairment)	244	218
Depreciation	48	53
Interest paid & similar charges	(50)	(48)
Tax paid	(48)	(43)
Net cash generation	194	180

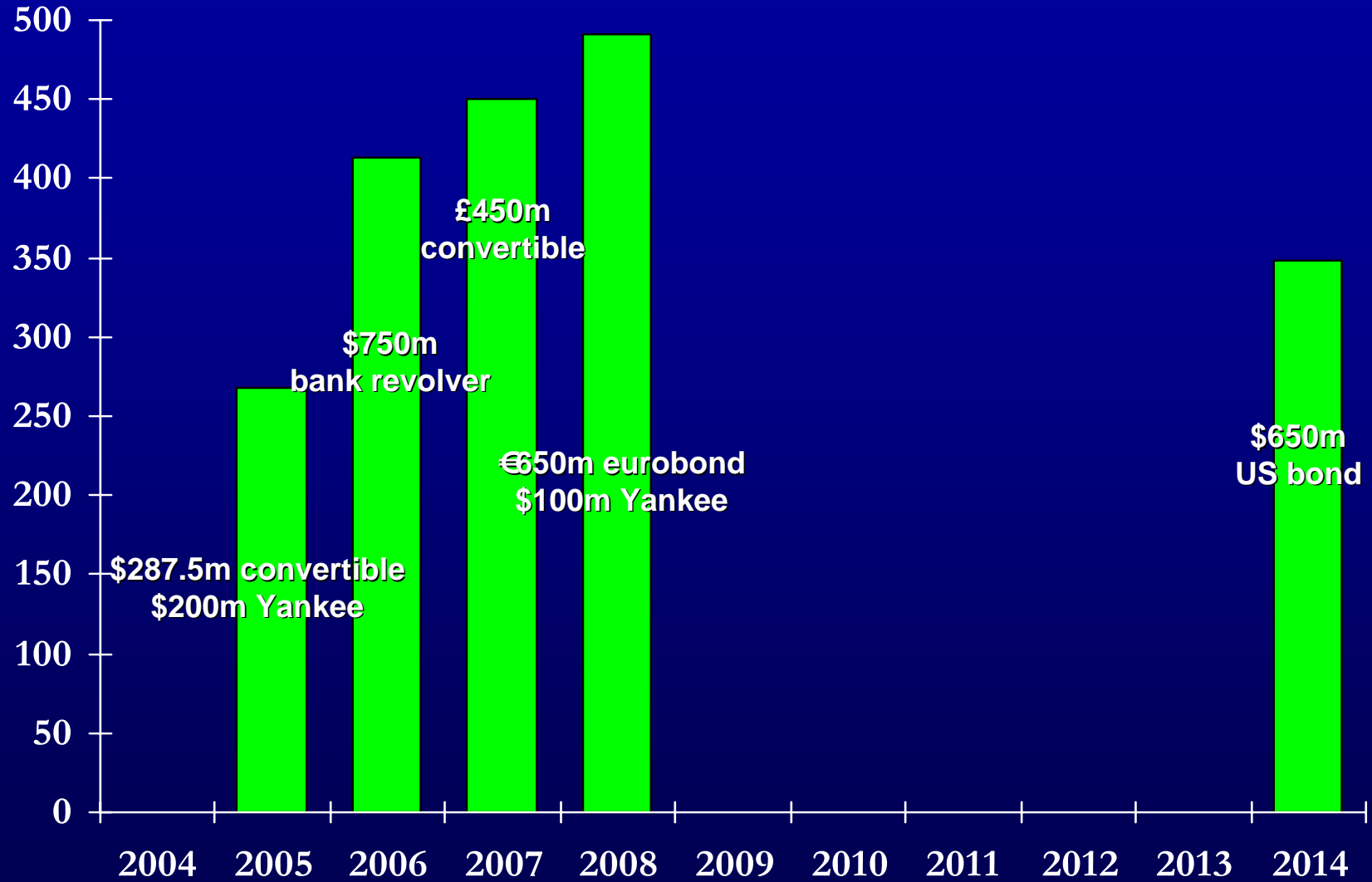
Interim results for 2004

Uses of Cash Flow

	2004 £m	2003 £m
Net cash generation	194	180
Capital expenditure	(32)	(33)
Acquisition payments:		
– Net initial payments – Cordiant	-	(177)
– Other	(64)	(95)
– Earnout payments	(66)	(45)
– Loan note redemptions	(14)	(7)
	(144)	(324)
Share repurchases	(71)	(23)
Other	21	17
Cash outflow	(32)	(183)
Share placement (net of expenses)	-	99
Net cash outflow before NWC changes	(32)	(84)

Debt Maturity

£M's



Interim Results for 2004

Major New Business Wins/Losses

	Agency	Account	Office	Billings (\$m)
WINS	Team HSBC	HSBC	Worldwide	600
	Y&R Brands	Microsoft	Worldwide	300
	Y&R Advertising	Toys R Us	USA	125
	Berlin Cameron/Red Cell	Safeway	USA	95
	Y&R Advertising	MTN	South Africa	80
	OgilvyOne	Allstate	USA	50
	Berlin Cameron/Red Cell	Coca-Cola	USA	50
	JWT	Eli Lilly	USA	50
	JWT	Nestle	USA	46
	JWT	Jenny Craig	USA	45
LOSSES	Y&R Advertising	Callaway Golf	USA	40
	Ogilvy	Coca-Cola	Mexico	40
	Y&R Advertising	Burger King	Worldwide	250
	Ogilvy	Bristol Myers Squibb	USA	70
	MindShare	Wal Mart	Mexico	40

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

Interim results for 2004

Net new business wins in the first six months of 2004*

US\$ Millions	Creative	Media	Total
Advertising, Media	658	1,664	2,322
Investment Management			
Other Businesses	439	-	439
<hr/>			
Total	1,097	1,664	2,761

* Billings

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Strategy

Recent Trends

- Strong consumer and government spending under threat
- Business-to business recession and potential expansion
- Low inflation, limited price flexibility, low volume increases
- Zero-coupon financing and discounting
- Increasing retail concentration
- Procurement pressure and account consolidation
- Increasing media ownership concentration
- Increasing oil and commodity prices and potential inflation

BUT.....

Recent Opportunities

- Margins, profits and liquidity improving
- Three years of cost cutting with some up-tick in merger and acquisition activity, although some hesitancy
- 2004 quadrennial factors
 - US Presidential Election
 - Olympic Games
 - European Football Championships
 - US political spending
- Increased outsourcing opportunities

Key Strategic Priorities

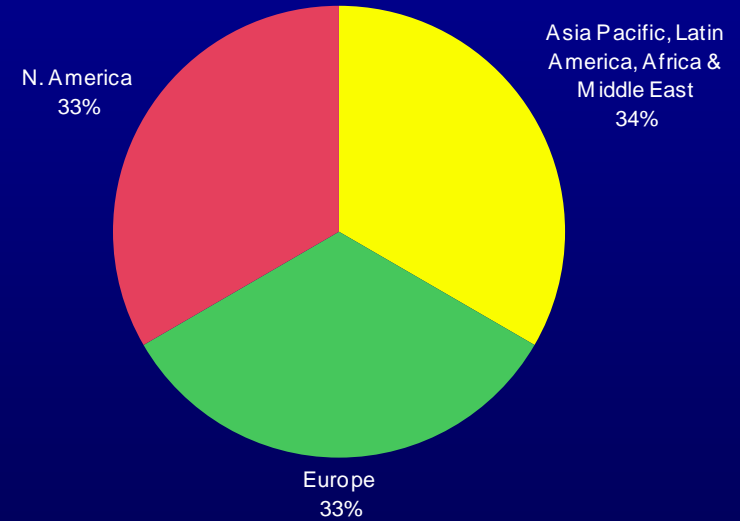
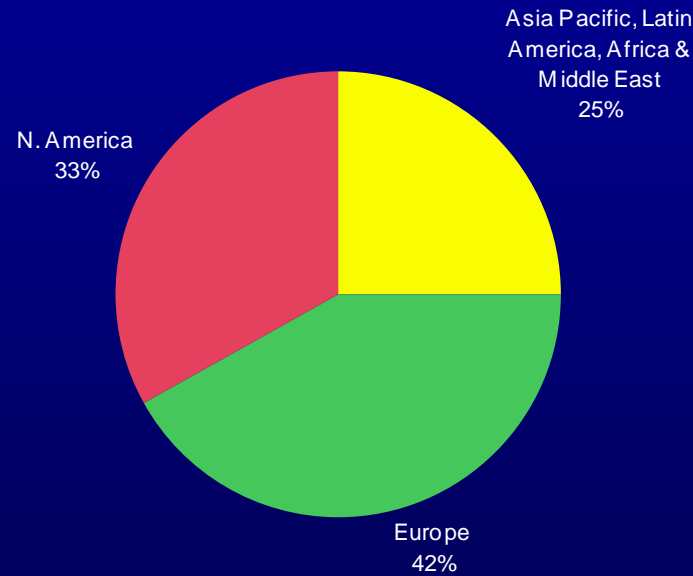
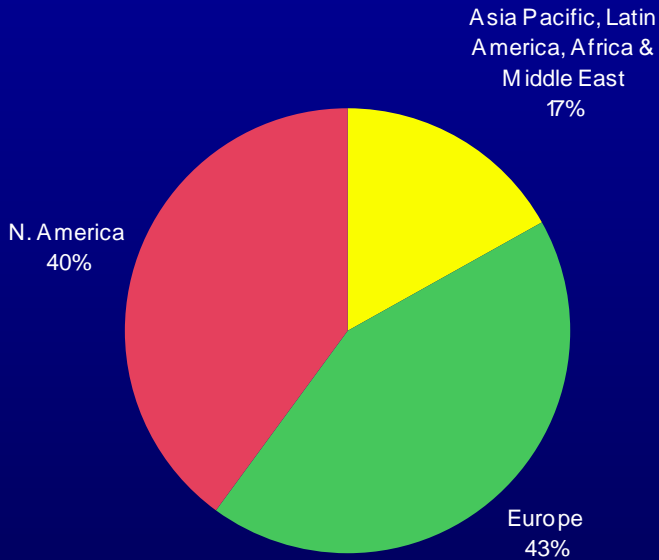
- Short-term; continue the momentum
- Medium-term; continue to successfully integrate Y&R Advertising and Cordiant
- Long-term; develop our businesses in the faster growing geographic regions and functional areas

Strategy, Structure and Competitive Position

WPP Today

WPP Today Incl. Associates

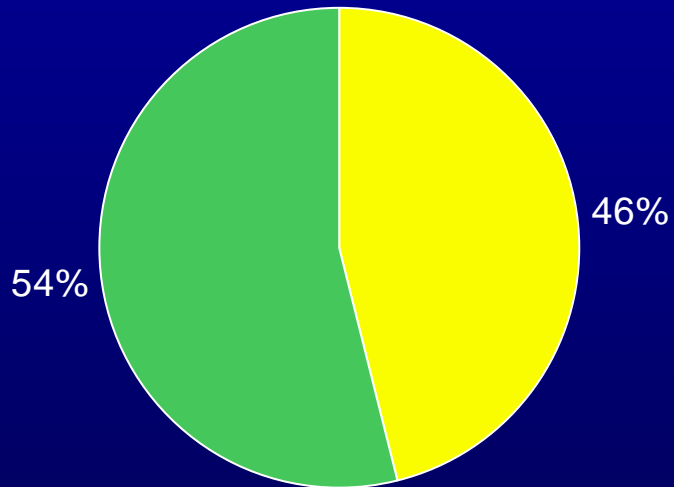
WPP Tomorrow incl. associates



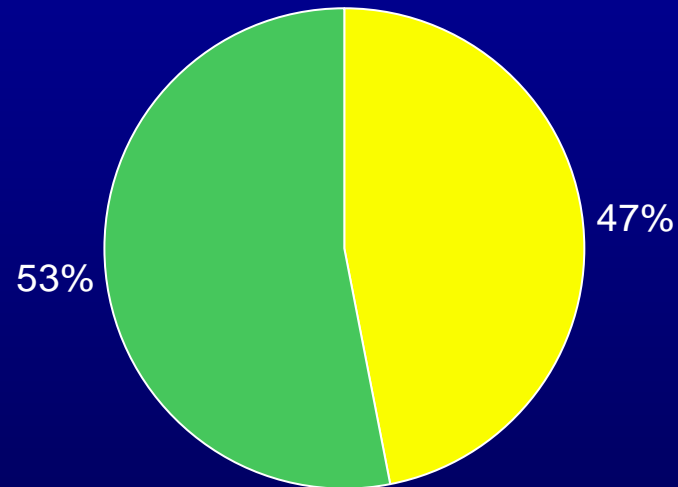
Strategic Priorities

Revenue by discipline (%)

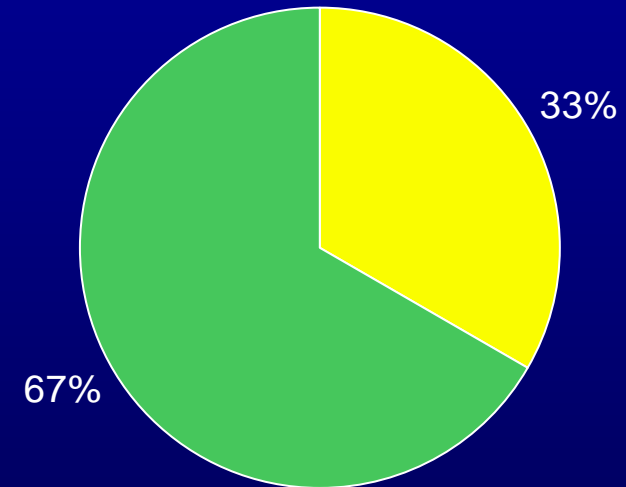
Today



Today including associates



Tomorrow

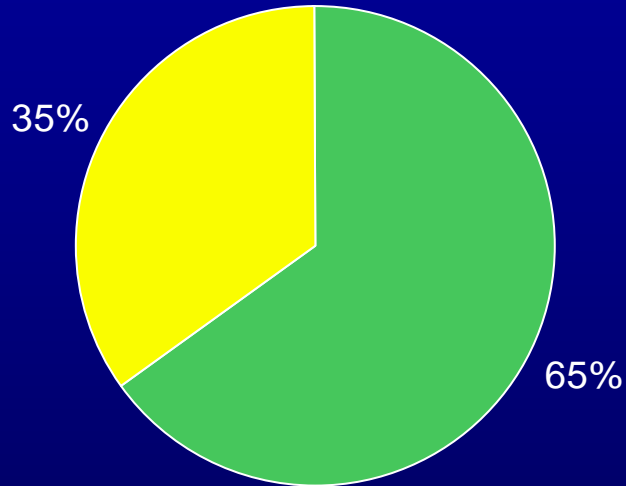


■ Advertising & Media Investment Management ■ Marketing Services

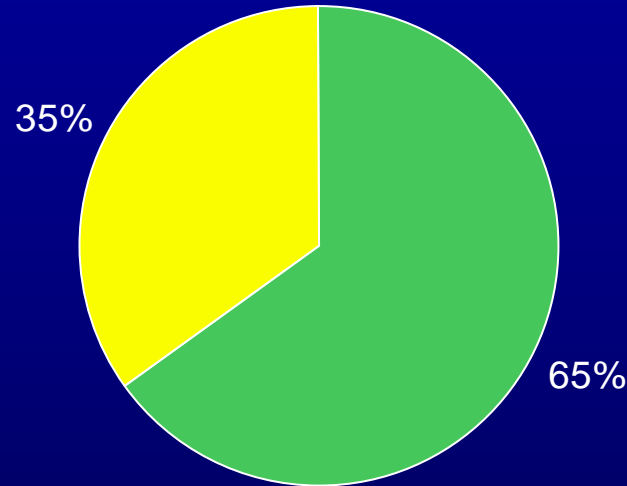
WPP Today

Quantitative Aids To Decision Making (%)

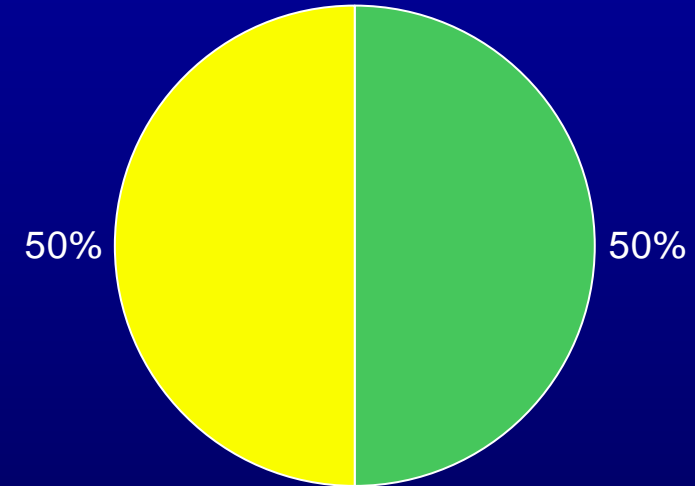
Today



Today including associates



Tomorrow



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

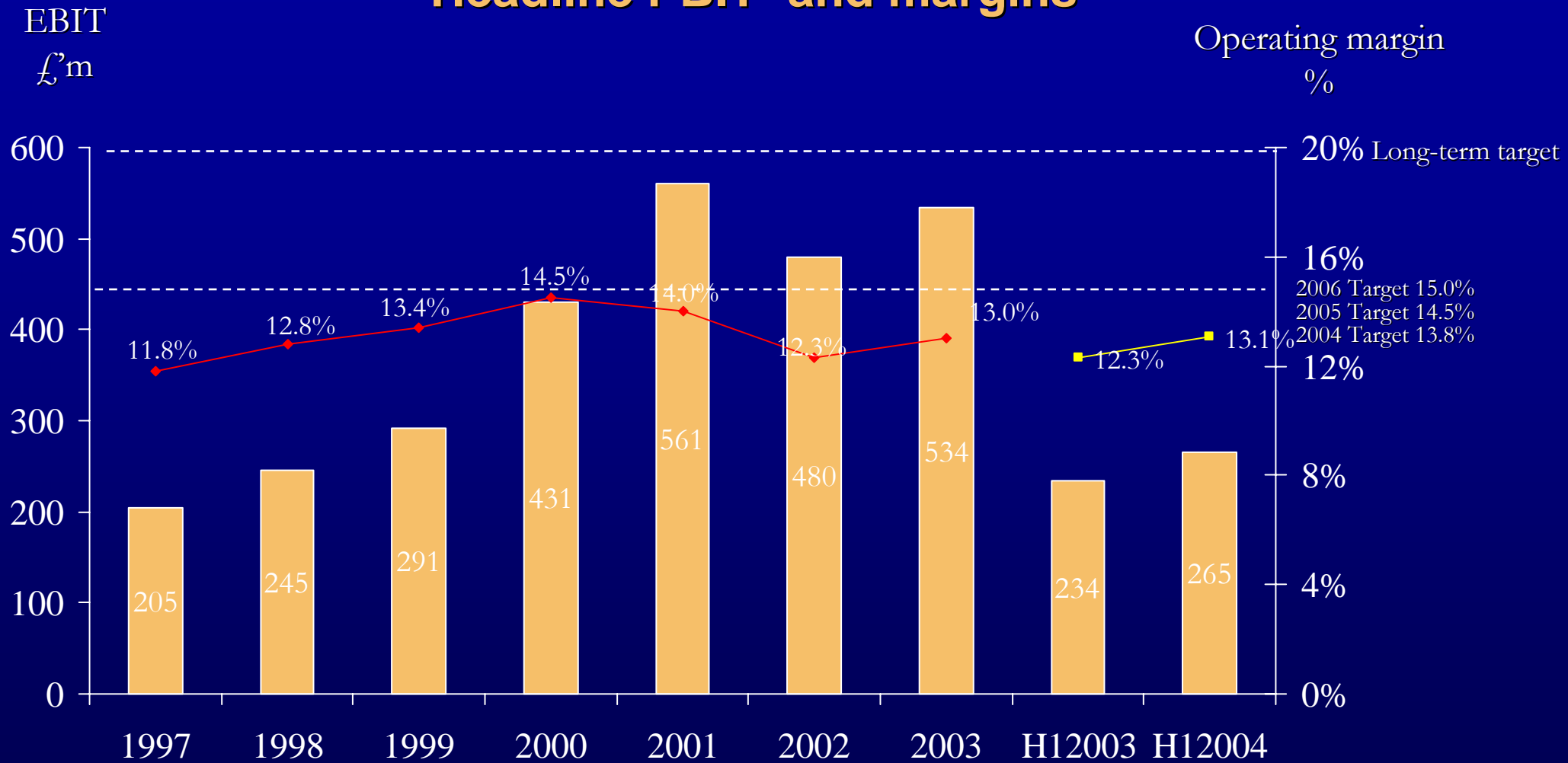
Strategy

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

Historical financial record

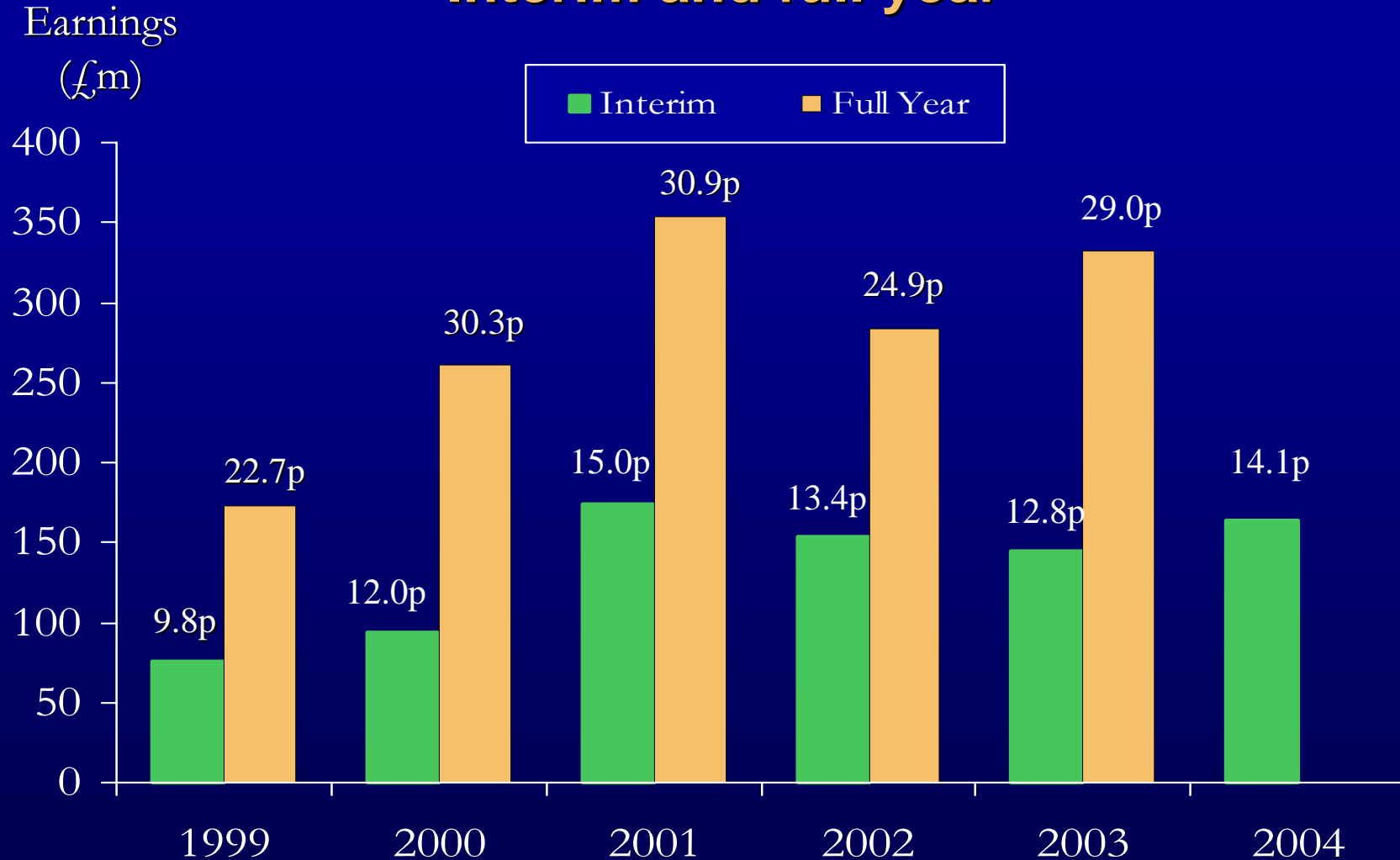
Headline PBIT¹ and margins



1. 2001-2004 Headline PBIT excludes goodwill amortisation and impairment, and write offs of fixed asset investments

Earnings¹ and EPS¹ 1998 - 2004

Interim and full year



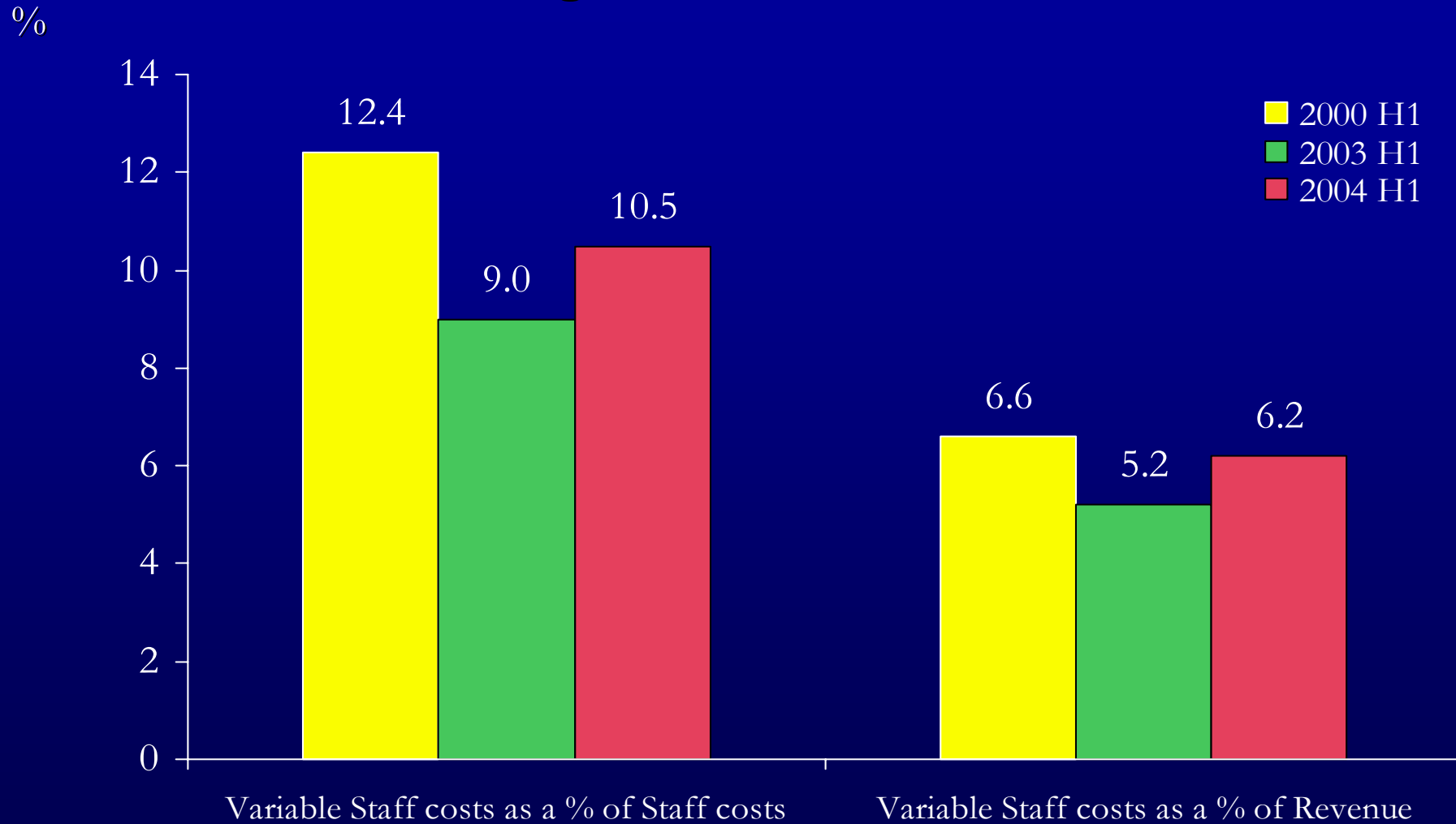
¹ Diluted Earnings and Diluted Headline EPS

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

Increasing flexibility in the cost base

Change in variable costs ¹



Using Free Cashflow to Enhance Share Owner Value

Dividends and share purchases

- 2004 interim dividend raised by 20% to 2.50p per share

	Shares	Amount	% of Share Base
1998	15.6m	£ 54.6m	2.1%
1999	3.3m	£ 17.9m	0.5%
2000	15.4m	£ 94.1m	1.2%
2001	10.3m	£ 103.3m	0.9%
2002	12.8m	£ 75.9m	1.2%
2003	6.3m	£ 23.0m	0.6%
2004 H1	12.8m	£ 71.2m	1.1%

- 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.

Using Free Cashflow to Enhance Share Owner Value

Acquisitions

- Continued focus on strategic acquisitions - a number completed during the first half.
- 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 agency needs.
- Continue to find opportunities particularly outside the USA.

Acquisitions

Advertising and media investment management

Ogilvy

Ablea (South Korea)

Marketing Communications (Canada)

Effort Advertising (China)

Logic (Japan)

Northcote (Chile) ¹

Diamond (South Korea) ¹

O&M India ¹

Red Cell

Stenstrom (Sweden)

J. Walter Thompson

AdForce (Indonesia)

Parintex (Poland) ¹

Operans (Netherlands) ¹

Y&R

Plush (Australia)

mediaedge:cia

Sponsorcom (Germany)

Concept Media (Germany) ¹

¹ Increased stake

Acquisitions

Information and consultancy

Kantar Media Research

AGB (Italy)

Public relations and affairs

Chime Communications (UK) ¹

¹ Increased stake

Acquisitions

Specialist Communications

Branding & Identity

Retail Planning Associates (USA)

Healthcare

NZP (Netherlands)

Other Specialist Communications

The Farm ¹

¹ Increased stake

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

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

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

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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.

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