

WPP

Cash Flow, Working Capital and Property
Supplemental Information

Results for 2002

Cash Flow

	2002	2001
	£m	£m
Operating profit (pre-goodwill & impairment)	450	521
Depreciation	117	110
Interest paid & similar charges	(78)	(56)
Tax paid	(85)	(78)
Net cash generation	404	497

Results for 2002

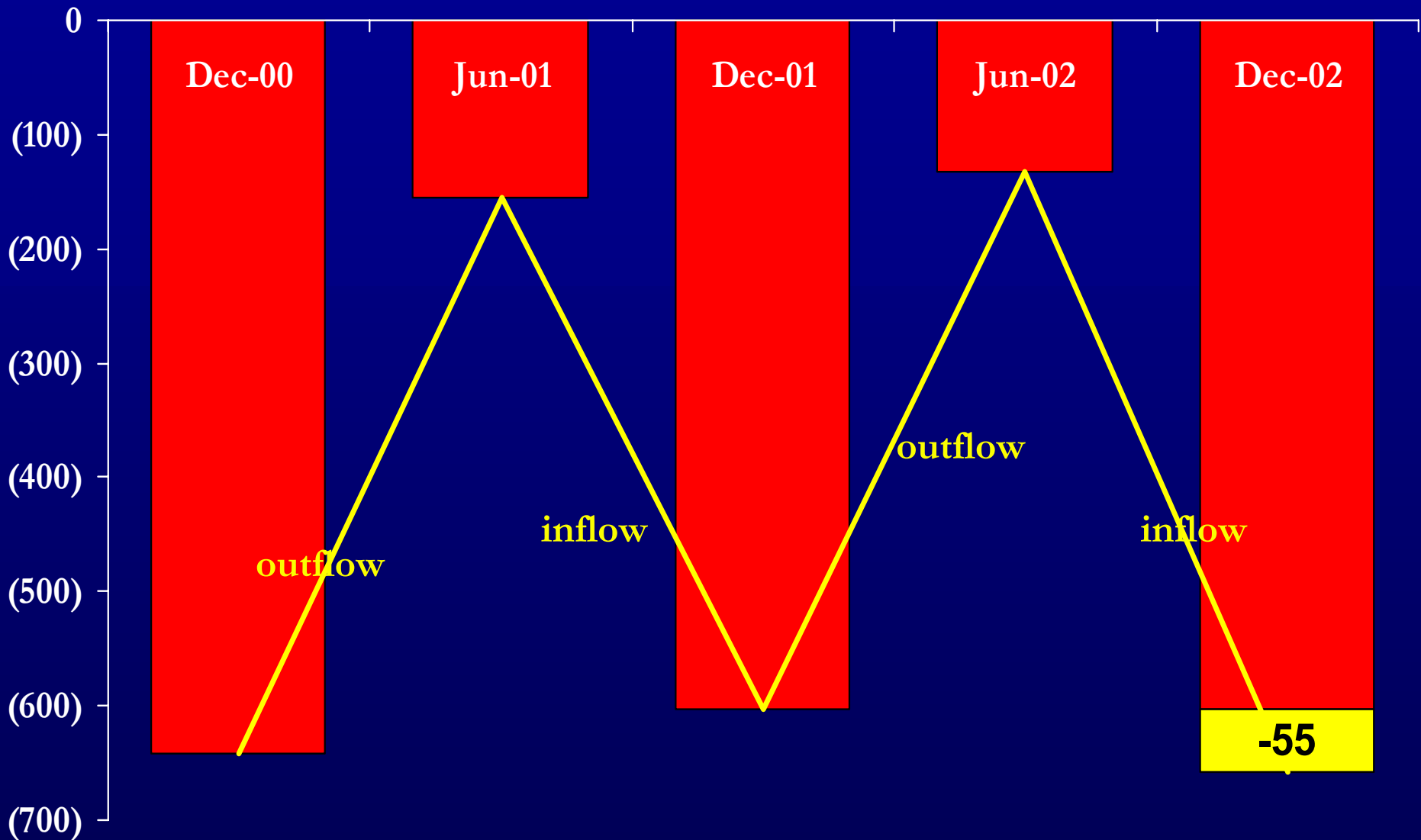
Uses of Cash Flow

	2002	2001
	£m	£m
Net cash generation	404	497
Capital expenditure	(101)	(118)
Acquisition payments:		
– Net initial payments	(105)	(680)
– Earnout payments	(82)	(74)
– Loan note redemptions	(94)	(3)
	(281)	(757)
Share repurchases	(76)	(103)
Other	46	100
Sub-total	(8)	(381)
Dividends	(56)	(44)
Net cash outflow pre-NWC & exchange	(64)	(425)

Results for 2002

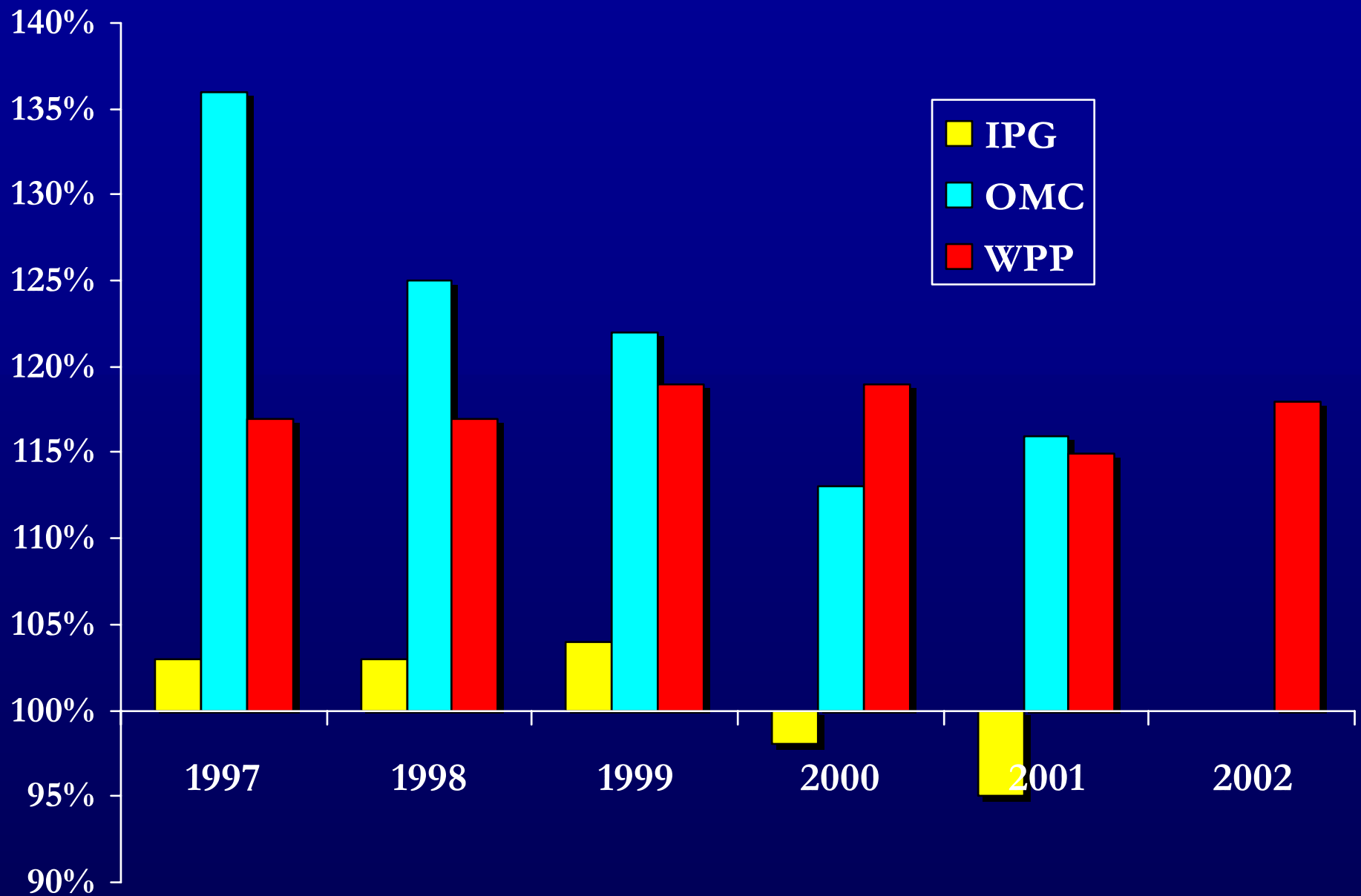
Net Working Capital

Half yearly Position US\$m



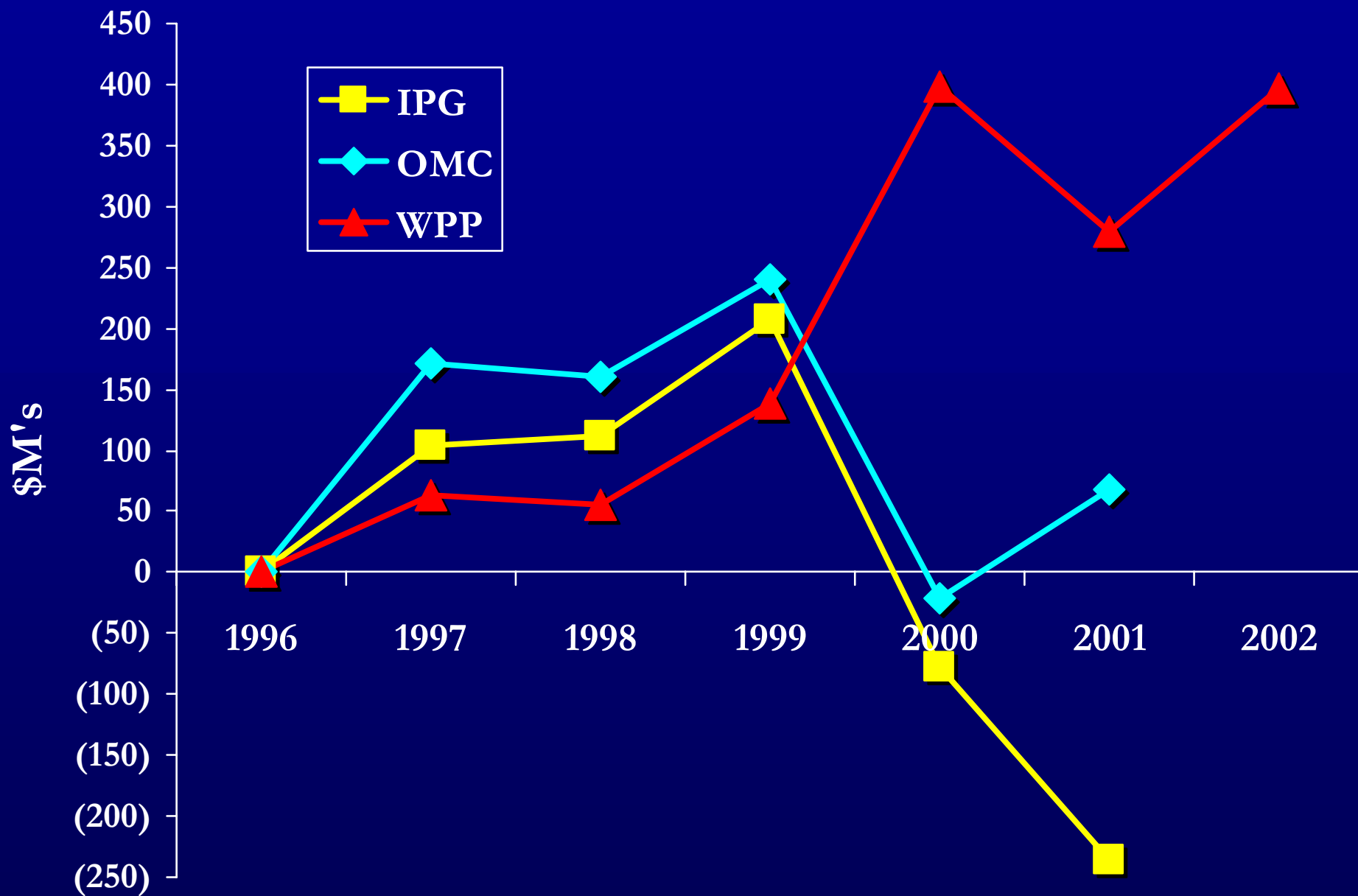
Results for 2002

Creditor/Debtor Ratios



Results for 2002

Cumulative Cash Generated from NWC



WPP

Results for 2002

Net Debt - 31st December 2002

	2002 £m	2001 £m	% Variance
YTD average net debt	(1,343)	(834)	-61%
YTD average net debt on constant currency basis	(1,343)	(822)	-63%
Net debt at 31 December	(727)	(885)	18%
Interest and similar charges	(80)	(68)	-18%

Results for 2002

Year-end Credit Ratios

£m's	2002	2001
EBITDA	597	671
Interest (excluding FRS17)	(80)	(68)
Year End Net Debt	(727)	(885)
Year End Net debt & A/R facility	(944)	(968)
2002 Average Net Debt	(1,343)	(834)
EBITDA/Interest	7.5	9.9
Year end Net Debt/EBITDA	1.6	1.4
Average Net Debt/EBITDA	2.2	1.3

Results for 2002

Debt Maturity Profile

£m's

	Total	2003	2004	2005	2006	2007	2008
Yankee bonds \$300m	186			124			62
Eurobonds Euro1,000m	652		228				424
WPP 2% convertible £450m	450					450	
Y&R 3% convertible \$287.5m	179			179			
Bank revolver \$750m	466				466		
Total debt maturities	1,933		228	303	466	450	486
Earnout obligations	238	74	76	21	36	29	2
Total	2,171	74	304	324	502	479	488

Results 2002

Property Roll Forward

	Sq Ft m	Portfolio
Portfolio at 31 December 2001	14.0	100%
Business acquired		
Property sales		
Disposals (net)	(0.5)	
Portfolio at 31 December 2002	13.5	96%
Contracted disposals		
Planned	(1.1)	
	<hr style="width: 50%; margin: 0 auto;"/>	
Projected at 31 December 2003	12.4	88%

Results 2002

Property

Objectives

- Provide innovative, stimulating, efficient working environments, that adjust rapidly to the business needs of the individual operating companies.
- To strategically manage, and reduce real estate costs as a proportion of revenue.
- Managing density, cost per square foot and investment in infrastructure.

Results 2002

Property

Characteristics of an efficient property portfolio

- Good utilisation of existing space
 - open plan environments
 - City co-locations
- Consistent approach to choice of prime/non prime buildings and locations
- Low cost location increasingly important in fee based environment
- Flexibility in lease arrangements
 - maturity profile of leases, break opportunities
 - 'options' to add/reduce space

Results 2002

Property

Characteristics of an efficient property portfolio

- Timing of lease negotiations in relation to local property cycle
 - driven by vacancy rates
 - economic environment
- Not over-investing in building infrastructure

Results 2002

Property

What makes this difficult to achieve.

- Integrating 'acquisition' property portfolios into the existing strategy can take a long time.
- Optimistic business planning on the need for space.
- Upward only rent/pricing reviews, and changing vacancy rates.
- Forced 'exits'/downsizing has a significant short-term P&L impact.
- Prior 'bad' property decisions take a long time to work out of the system.

Results 2002

Impact of Acquisitions

	No of locations	Sq Ft (Millions)
Brought forward December 1999	677	9.2
Young & Rubicam (2000)	234	4.2
Tempus (2001)	82	0.6
	—	—
Portfolio at December 2001	993	14.0

Results 2002

2002 Transactions

	No of Exits	Sq Ft (millions)	Remaining Obligation	Payment or Charge
Terminated Leases	18	0.3	£22m	£2m
Sublets	16	0.2	Av. 5 yrs	£4m
		<hr/> 0.5 <hr/>	£22m	£6m <hr/>

Results 2002

Market Snapshot

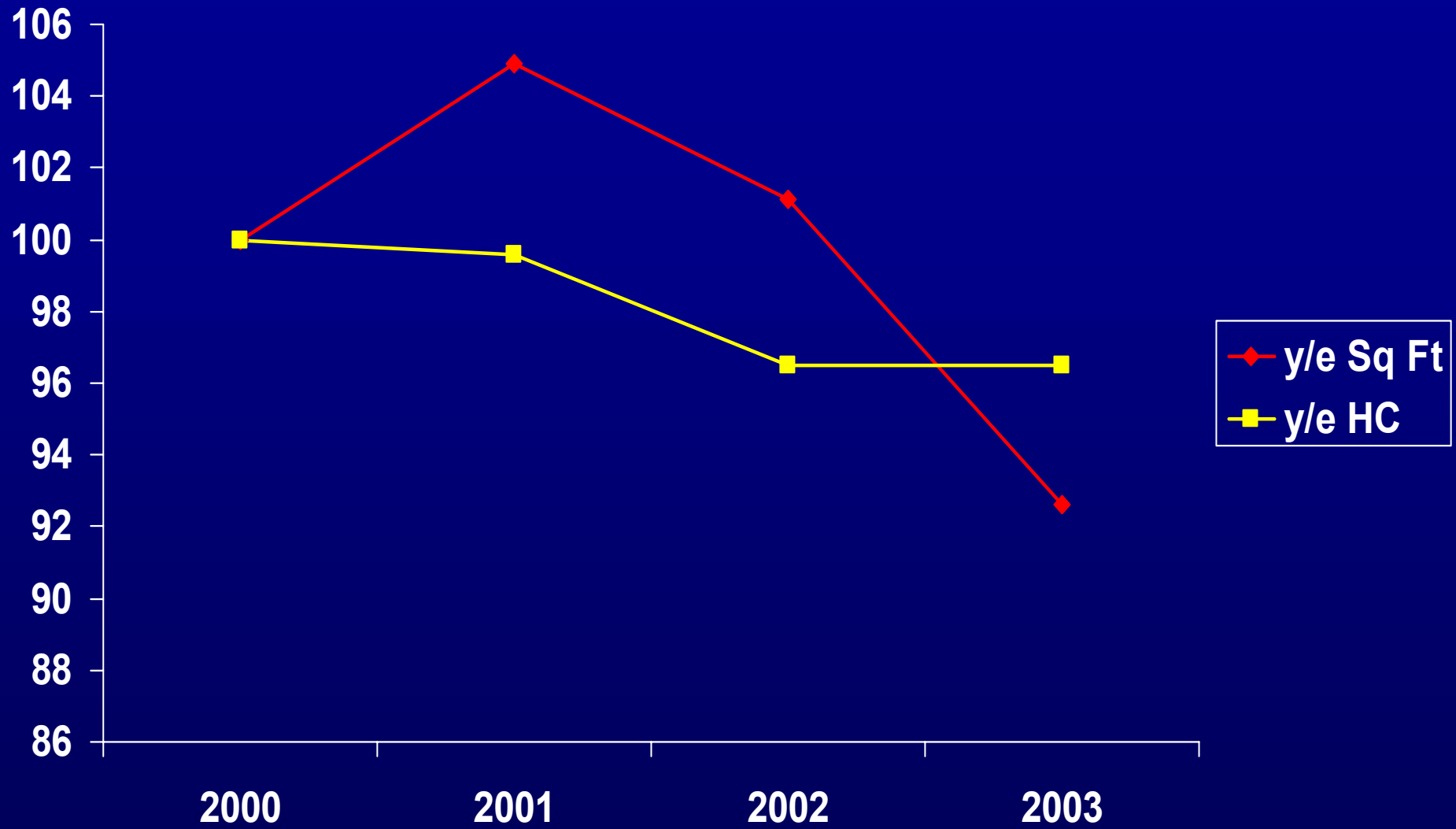
	Market Vacancy Rate			Prime Rental USD per Sq Ft			WPP average
	1996	2001	2002	1996	Peak	2002	2002
Hong Kong	4%	9%	16%	\$97	\$112 _{Q4 97}	\$48	\$28
Tokyo	7%	6%	6%	\$96	\$96 _{Q4 96}	\$87	\$63
San Francisco	7%	16%	19%	\$29	\$80 _{Q4 00}	\$33	\$43
New York*	11%	8%	12%	\$33	\$68 _{Q1 01}	\$52	\$34
London	2%	2%	3%	\$73	\$128 _{Q4 00}	\$110	\$40
Paris	10%	2%	4%	\$43	\$69 _{Q1 01}	\$64	\$28

*Source; Cushman & Wakefield/WPP estimates

Results 2002

Changes in YE headcount and Space

(2000 = 100)



Results 2002

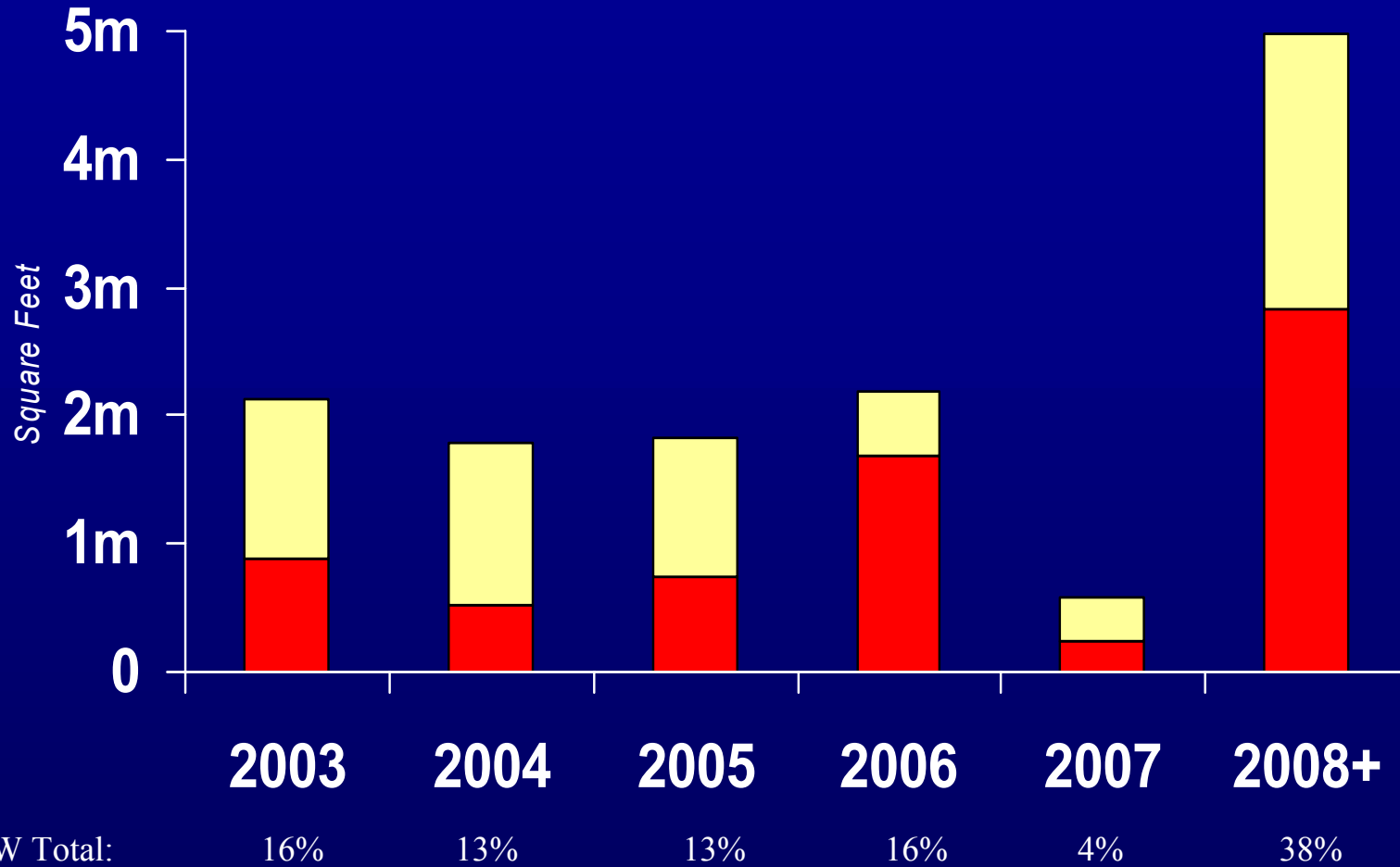
Property Management KPI's

	1996	2000	2001	2002
Establishment/Revenue	8.2%	7.3%	7.8%	8.4%

- c. 250 sq ft/head is our short-term goal – longer term 225 sq ft/head
- Decrease in density represents Y&R excess space (2000) and in 2001/2 the impact of Tempus and declining headcount

Results 2002

Maturity profiles allows flexibility



■ North America ■ Worldwide

Results 2002

2003 Planned co-locations

	No of Co-locations	Business Units Involved	Space saved from co-locations Sq Ft m
The Americas	18	40+	0.5
Rest of the World	18	40	0.1
Total	<u>36</u>	<u>80+</u>	<u>0.6</u>

Results 2002

New York Strategy

	Before Strategy		Forecast After Strategy
No. of Companies	36		36
No. of locations	30	→	17
Total square feet (millions)	2.6	→	2.1m
Annual rent	\$77m	→	\$64m

Results 2002

San Francisco Strategy

	Before Strategy	After Strategy
No. of Companies	19	18
No. of locations	9 →	4
Total square feet ('000)	329 →	188
Annual rent	\$14.1m →	\$9.0m

Results 2002

Property Showcase 1

O&M Culver City: The Warehouse with Wow Factor



- Award Winning Design
- O&M moved from several floors in a bland office block to a Culver City warehouse
- A dramatic design in an open plan environment revolutionised the office layout
- The bold architecture generates a collective "buzz" which everyone, including clients, can experience as they walk through the space



Results 2002

Property Showcase 2

JWT Milan: Traditional Architecture Meets Hi-tech



- Conversion of an old mill provided a distinctive, stylish new location for JWT to co-locate with Hill & Knowlton
- Fully open plan layout facilitates communication and integration
- Defined zones created for client teams and specific agency functions



Results 2002

Property Showcase 3 JWT Shanghai: Energizing the Space



- JWT created an office environment to free up thinking across the whole workforce
- The office's focal point is the creative area where the overall design concept increases in intensity
- Custom-made workstations within the open plan space are easily reconfigured to adapt to changing requirements

WPP

Back Up

Results for 2002

Revenue by Discipline

	2002 £m	Revenue 2001 £m	% Change	% Change Constant currency
Advertising, Media Investment Management	1,810.0	1,841.5	-1.7	2.5
Information & Consultancy	598.6	590.3	1.4	4.0
Public Relations & Public Affairs	447.6	502.1	-10.9	-8.0
Branding & Identity, Healthcare and Specialist Communications	1,052.1	1,087.8	-3.3	-0.2
Total	3,908.3	4,021.7	-2.8	0.7

Results for 2002

Revenue by Region

	2002 £m	Revenue 2001 £m	% Change	% Change constant currency
North America	1,723.2	1,843.4	-6.5	-2.4
UK	619.2	627.3	-1.3	-1.3
Continental Europe	929.6	870.9	6.7	5.3
Asia Pacific, Latin America, Africa & Middle East	636.3	680.1	-6.4	4.7
Total	3,908.3	4,021.7	-2.8	0.7

Results for 2002

Revenue Growth by Category ¹

Revenue Growth	Categories
15%+	Drinks
10-15%	-
5-10%	-
< 5%	Automotive, Computer, Food, Financial Services, Oil, Personal Care & Drugs, Retail

¹ Constant currency

Results for 2002

Estimated net new business wins in 2002

Agency	Account	Office	Billings (\$m)
MindShare	Gillette	Worldwide	600
JWT	Vodafone	Worldwide	300
MindShare	Novartis	Worldwide	250
JWT	Reckitt Benckiser	Worldwide	225
Y&R/Ogilvy	Mattel	Worldwide	170
Ogilvy/Mediaedge:cia	DHL	Worldwide	120
JWT	Domino's Pizza	USA	100
WINS Mediaedge:cia	Chevron/Texaco	Europe	100
Ogilvy	IBM	Worldwide	90
Mediaedge:cia	Payless	USA	66
Ogilvy	Datek	USA	60
Y&R Advertising	Lloyds TSB	UK	56
Burson-Marsteller	US Treasury	USA	55
Y&R	Land Rover	USA	50
Mediaedge:cia	Masterfoods	USA	50

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

Results for 2002

Estimated net new business wins in 2002

Agency	Account	Office	Billings (\$m)
MindShare	Deutsche Telekom	Europe	100
Ogilvy	Telefonica	Spain	90
MindShare	Siemens	Worldwide	80
MindShare	Hershey	USA	85
JWT	Allied Domecq	Worldwide	65
JWT	Qwest	USA	50

LOSSES

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

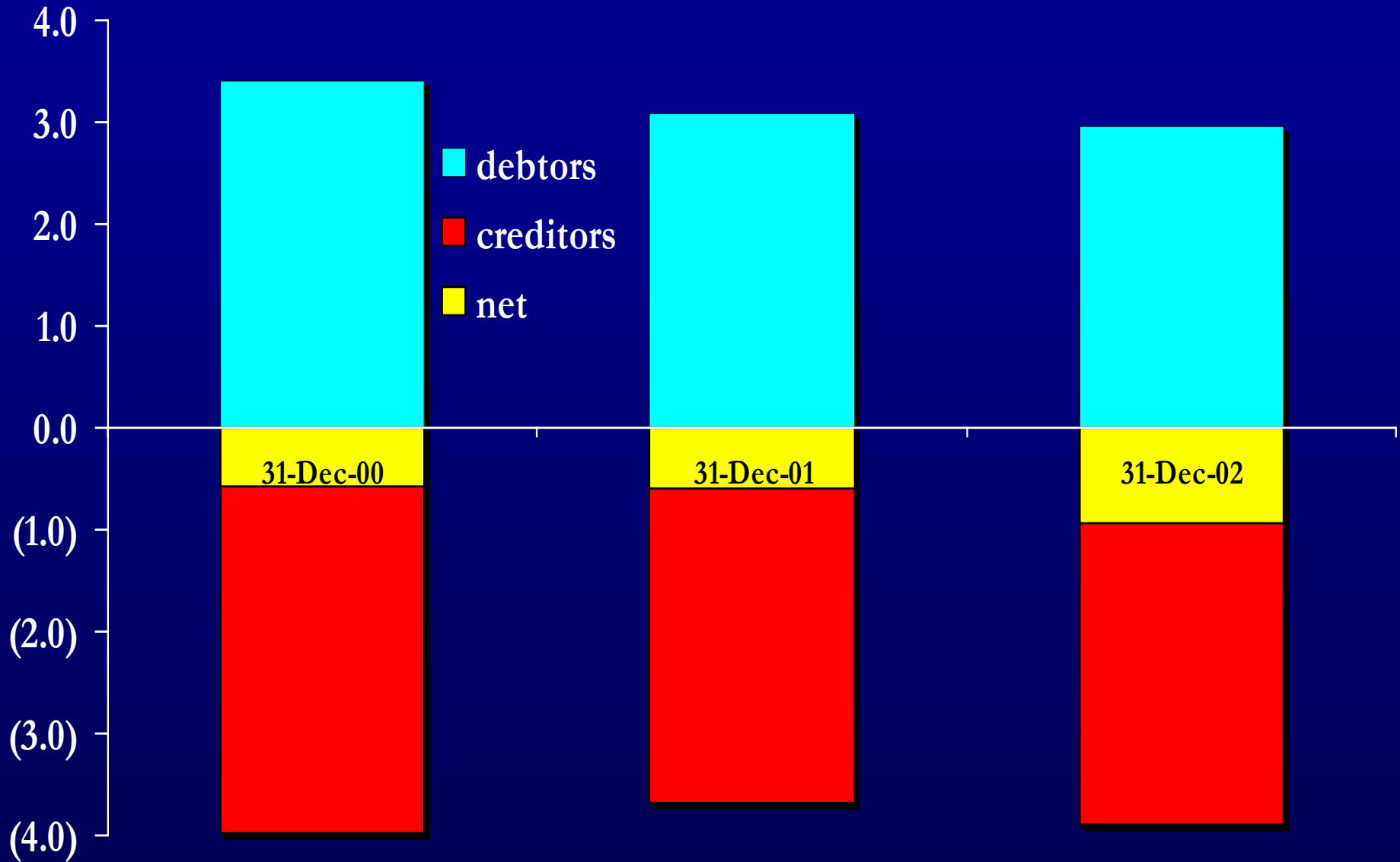
Results for 2002

Net Working Capital

- Working capital dependent on level of billings flowing through business - client receivables and media payables - not just £4 billion of revenues
- Our measure of NWC is trade debtors plus WIP less trade creditors and deferred income
- Net outflows in Q1 and Q3, inflows in Q2 and Q4 - H1 outflow, H2 inflow

Results for 2002

Net Working Capital Constant US\$ Billions



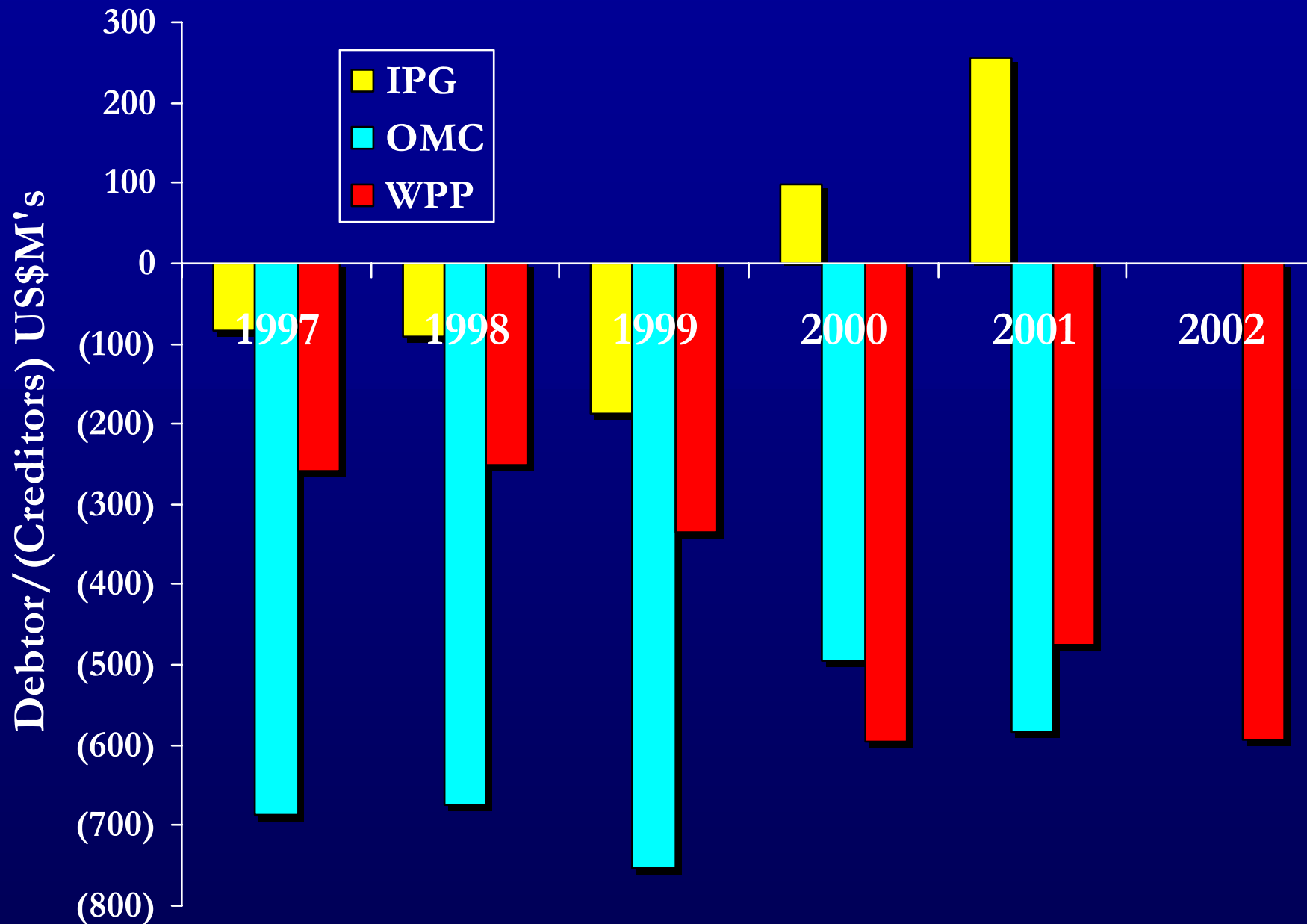
Results for 2002

Net Working Capital

- Good NWC management:
 - reduces average net debt
 - reduces interest costs
 - reduces credit facilities required
- NWC targets set each year for each business
- Variable compensation in Media Investment Management businesses partly dependent on managing NWC efficiently
- WPP NWC management is consistently in line with best of competition

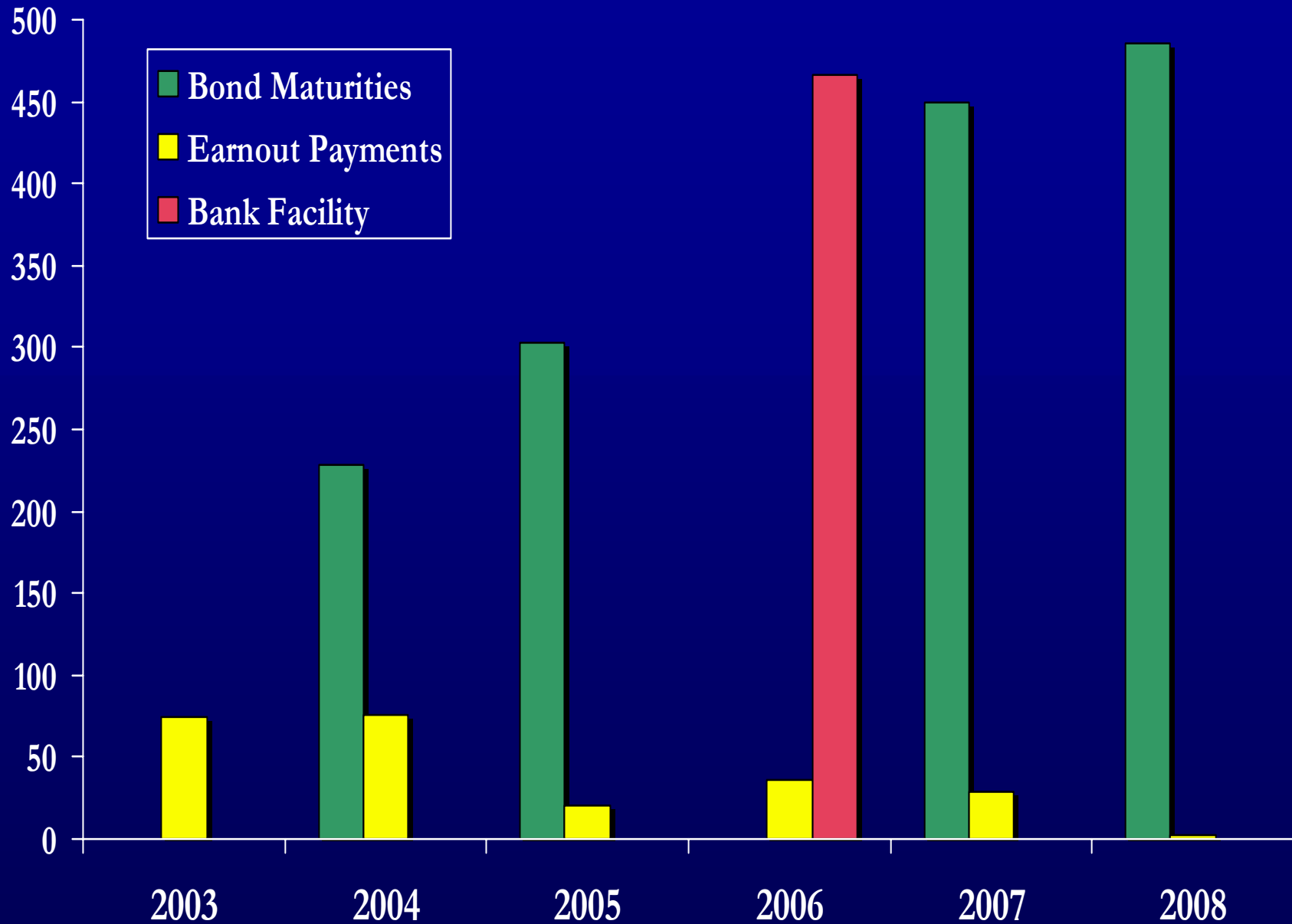
Results for 2002

Net Working Capital



Results for 2002

Debt Maturities & Earnouts £m's



Acquisitions

Advertising and media investment management

Ogilvy

- BrandOne (China)
- Memac (Middle East) (increased stake)
- Design Direct (Czech Republic) (increased stake)
- Shanghai Advertising (China)

J Walter Thompson

- Finland (increased stake)
- Candle-Lit/CTC (Australia)
- Stempels & Oster (Netherlands) (increased stake)
- HTA India (increased stake)
- APCU (South America) (increased stake)

Acquisitions

Advertising and media investment management

Red Cell

- Les Ouvriers du Paradis (France)
- HeadlightVision (UK)

Y&R

- Israel (increased stake)
- Lisbon (increased stake)
- Brazil (increased stake)
- Hamburg (increased stake)
- New Zealand (increased stake)
- Guy & Benker (Switzerland)

Acquisitions

Advertising and media investment management

MindShare

- Shine (UK)

Mediaedge:cia

- Purely Media (UK)
- Inserter (Sweden) (increased stake)
- Spain (increased stake)
- Taiwan (increased stake)
- Czech Republic (increased stake)
- Slovakia (increased stake)

Acquisitions

Information and consultancy

Millward Brown

- Firefly in Thailand
- Irish Marketing Surveys in Ireland
- Greenfield Consulting in the USA
- MFR in France
- SMG/KRC in Poland (increased stake)

Acquisitions

Public relations and public affairs

- PRAP in Japan
- Savage & Horrigan in Australia
- Era Public Relations in Taiwan
- Samcor in the USA
- Gambit in Norway
- H Line in China

Specialist communications

- Global Sportnet in Germany
- Kramer in Germany (increased stake)
- Concept! in Germany (increased stake)
- International Presentations in the UK (increased stake)
- BEN Marketing in the USA