

# WPP

Trading Statement  
Third Quarter 2004

October 2004

# Third Quarter 2004

## Summary

- Third quarter reported revenue up by almost 4%. On a constant currency basis, revenues up almost 12%. Like-for-like revenue growth accelerated to almost 6%, over 7% excluding Cordiant.
- YTD reported revenue up over 5%. On a constant currency basis, revenues rose by almost 13%, the difference primarily due to the relative weakness of the dollar. Like-for-like revenues up 3.5%, up 5.4% excluding Cordiant.

# Third Quarter 2004

## Summary

- On a constant currency basis, information, insight and consultancy was the strongest sector, driven partly by acquisitions.
- Branding and identity, healthcare and specialist communications up over 13%.
- Advertising, media investment management up over 9%, with media investment management up over 15%.
- Public relations and public affairs continued the growth seen in the first two quarters with growth of over 8%.

# Third Quarter 2004

## Summary

- Net new business wins of £234 million in the quarter, making a total of £1.771 billion in the first nine months. Group ranked first or second for net new business gains in the three major industry surveys for the first nine months of 2004.
- New business wins in October of over \$1.5 billion, with decisions on a further \$3 billion to come.
- Merger agreement with Grey Global Group (“Grey”) signed in September, with completion expected in early 2005.
- 1.208 million shares repurchased in the quarter, making 13.383 million shares in the first nine months at an average price of £5.51 per share and total cost of £73.7million.

# Third Quarter 2004

## Revenue by Discipline: Third Quarter

	Revenue		% Change	% Change, Constant currency
	2004 £m	2003 £m		
Advertising & Media Investment Management <sup>1</sup>	479.9	476.7	0.7	9.3
Information, Insight & Consultancy	195.6	176.4	10.9	18.3
Public Relations & Public Affairs <sup>1</sup>	112.5	112.8	-0.3	8.6
Branding & Identity, Healthcare and Specialist Communications	279.6	263.7	6.0	13.5
<b>Total</b>	<b>1,067.6</b>	<b>1,029.6</b>	<b>3.7</b>	<b>11.9</b>

<sup>1</sup> Reflects certain public relations revenue, historically shown in Advertising, Media Investment Management moved to Public Relations and Public Affairs

# Third Quarter 2004

## Revenue by Region: Third Quarter

	Revenue		% Change	% Change, constant currency
	2004 £m	2003 £m		
North America	416.9	424.4	-1.8	10.4
UK	186.5	166.4	12.1	12.1
Continental Europe	262.0	255.9	2.4	6.8
Asia Pacific, Latin America, Africa & Middle East	202.2	182.9	10.6	22.4
<b>Total</b>	<b>1,067.6</b>	<b>1,029.6</b>	<b>3.7</b>	<b>11.9</b>

# Third Quarter 2004

## Revenue by Discipline: First Nine Months

	Revenue		% Change	% Change, Constant currency
	2004 £m	2003 £m		
Advertising & Media Investment Management <sup>1</sup>	1,416.6	1,352.3	4.8	12.8
Information, Insight & Consultancy	532.0	510.4	4.2	10.3
Public Relations & Public Affairs <sup>1</sup>	334.1	336.9	-0.8	7.7
Branding & Identity, Healthcare and Specialist Communications	810.5	740.8	9.4	16.8
<b>Total</b>	<b>3,093.2</b>	<b>2,940.4</b>	<b>5.2</b>	<b>12.8</b>

<sup>1</sup> Reflects certain public relations revenue, historically shown in Advertising, Media Investment Management moved to Public Relations and Public Affairs

# Third Quarter 2004

## Revenue by Region: First Nine Months

	Revenue		% Change	% Change, constant currency
	2004 £m	2003 £m		
North America	1,226.8	1,243.6	-1.4	10.9
UK	529.9	472.9	12.1	12.1
Continental Europe	786.3	752.7	4.5	7.9
Asia Pacific, Latin America, Africa & Middle East	550.2	471.2	16.8	26.4
<b>Total</b>	<b>3,093.2</b>	<b>2,940.4</b>	<b>5.2</b>	<b>12.8</b>



# Third Quarter 2004

## Advertising & Media Investment Management

- Revenue up over 9% on constant currency basis, driven by significant improvement in media investment management. Constant currency growth less in third quarter than first half as the acquisition impact of Cordiant unwinds. GroupM and Red Cell strong growth in the quarter.
- Digit in the UK, Media Core in Taiwan and Focus in Spain acquired by mec.

# Third Quarter 2004

## Information, Insight & Consultancy

- Revenue growth of over 18% in the quarter, partly driven by impact of acquisitions. Like-for-like growth stronger than first half with growth in Millward Brown, Kantar Media Research, IMRB, Center Partners and Lightspeed.
- MaPs acquired by Millward Brown in the USA and Da Vinci acquired by Kantar in USA.

# Third Quarter 2004

## Public Relations & Public Affairs

- Continued constant currency revenue growth of over 8%, similar to quarter two with like-for-like growth over 5%.
- Particularly strong growth at Cohn & Wolfe and Penn Schoen Berland.
- Dome acquisition in the United States completed by H&K.

# Third Quarter 2004

## Branding & Identity, Healthcare and Specialist Communication

- Constant currency revenue up over 13%, with strong like-for-like growth particularly at OgilvyOne, Wunderman, JWT Specialised and Healthcare.
- Remaining interests in The Farm in the UK and 141 Romania acquired.

# Third Quarter 2004

## Revenue Growth by Country – year to date

### Revenue Growth

### Countries

15%+

Australia, Belgium, Brazil, China,  
Denmark, Hong Kong, India, Italy, Mexico,  
Singapore

10-15%

Netherlands, Spain, Taiwan, UK, USA

5-10%

-

0-5%

Canada, France, Germany, Japan, Sweden

< 0%

-

# Third Quarter 2004

## Revenue Growth by Category - year to date

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

# Third Quarter 2004

## Impact of currency

- Third quarter revenues up almost 12% in constant currency and up almost 4% reportable, the difference being primarily due to the weakness of the dollar.
- Year to date revenues up almost 13% in constant currency and up over 5% reportable.

# Interim Results for 2004

## Major New Business Wins/ Losses – First Nine months

Agency	Account	Office	Billings (\$m)*
Team HSBC	HSBC	Worldwide	600
Y&R Brands	Microsoft	Worldwide	300
Y&R Advertising	Toys R Us	USA	125
OgilvyOne	IBM <sup>1</sup>	Worldwide	100
Berlin Cameron/Red Cell	Safeway	USA	95
Y&R Advertising	MTN	South Africa	80
Ogilvy/JWT	Kraft <sup>1</sup>	Europe	65
Y&R Advertising	Freemove	Europe	54
WINS 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
Y&R Advertising	Callaway Golf	USA	40
Ogilvy	Coca-Cola	Mexico	40

<sup>1</sup> Gains from other Group companies

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



# Interim Results for 2004

## Major New Business Wins/ Losses – First Nine Months

	Agency	Account	Office	Billings (\$m)*
	Y&R Advertising	Burger King	Worldwide	250
	Wunderman	IBM <sup>1</sup>	Worldwide	100
	Ogilvy	GSK	USA	100
LOSSES	Ogilvy	Schering Plough	USA	85
	Ogilvy	Bristol Myers Squibb	USA	70
	Y&R Advertising	Kraft <sup>1</sup>	Europe	65
	MindShare	Wal Mart	Mexico	40

<sup>1</sup> Lost to other Group companies

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

# Third Quarter 2004

Net new business wins in the first nine months of 2004\*

US\$ Millions	Creative	Media	Total
Advertising	729	1,824	2,553
Other Businesses	635	-	635
Total	1,364	1,824	3,188

\* Billings

# Third Quarter 2004

## Major New Business Wins – October so far

	Agency	Account	Office	Billings (\$m)*
WINS	MindShare	Nestle	Global	600
	Mediaedge:cia	Paramount	USA	480
	Mediaedge:cia	Toys R Us	USA	130
	Ogilvy/ MindShare	Delta Airlines	USA	50
	JWT	Unilever - Knorr	Europe	32
	Ogilvy	Unilever – Slimfast <sup>1</sup>	USA	75

<sup>1</sup> Present incumbent Grey

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

# Third Quarter 2004

## Uses of Cashflow

- Net debt at 30 September £847m against £1,140m at 30 September 2003, a decrease of £293m.
- Average net debt for the first nine months £850m, compared to £1,348m last year (a decrease of £498m) and £1,168m in constant currency (a decrease of £318m).
- 1.208 shares purchased in the quarter. In the first nine months 13.383m shares purchased at an average price of £5.51 per share and total cost of £73.7m.
- Capital expenditure, acquisition and earnout payments, share purchases and dividends totalled £560m in the 12 months to September, almost entirely offset by cash flow of £545m over the same period.

# Third Quarter 2004

## Acquisitions

- Merger agreement for Grey announced on 13 September, expected to be completed by early 2005.
- Continued focus on small and medium sized strategic acquisitions - a number completed during the quarter.
- 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.

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