

WPP

Results for 2005  
London

February 2006

# WPP

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Results for 2005

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Structure and Competitive Position (Hard Copy Only)

# WPP

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Results for 2005

# Results for 2005

- Billings up over 36% to almost £27 billion.
- Reported revenue up 25%. On a constant currency basis, revenue up almost 23%. Like-for-like revenue up over 5%.
- Headline PBIT up almost 35% to £754.8m from £560.2m.
- Operating margin up 1.0 margin points to 14.0% from 13.0%.

# Results for 2005

- Headline PBT up over 36% to £669.0m from £489.6m.
- Diluted headline EPS up 29% to 36.0p from 27.9p.
- Full year dividend up 20% to 9.34p per share.
- Estimated net new business billings of over £2.8 billion (\$5.2 billion).
- Strong start to 2006 with \$0.6 billion of net new business billings in the first month.

# Results for 2005

## Unaudited IFRS Income Statement

	Year to 31 December			Constant
	2005 £m	2004 £m	Change %	Currency %
Revenue	5,373.7	4,299.5	25.0	22.9
<b>Operating Profit pre-goodwill/ intangibles</b>	<b>725.2</b>	<b>528.7</b>	37.2	33.9
Goodwill/ intangibles charges, FA gains/losses	(72.4)	(53.2)	(36.1)	(34.9)
<b>Operating Profit</b>	<b>652.8</b>	<b>475.5</b>	37.3	33.6
Income from associates	33.9	29.5	14.9	10.3
<b>PBIT pre investment gains and write-downs</b>	<b>686.7</b>	<b>505.0</b>	36.0	32.3
Finance income	87.6	77.7	12.7	10.9
Finance charges	(182.3)	(148.3)	(22.9)	(22.3)
<b>Profit before tax</b>	<b>592.0</b>	<b>434.4</b>	36.3	31.8
Tax at 29.0% (2004 27.8%)	(194.0)	(135.0)	(43.7)	(39.7)
<b>Profit after tax</b>	<b>398.0</b>	<b>299.4</b>	32.9	28.2
Standard diluted EPS	29.7p	23.4p	26.9	22.5

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

# Results for 2005

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

	Year to 31 December		Change %	Constant Currency %
	2005 £m	2004 £m		
Revenue	5,373.7	4,299.5	25.0	22.9
<b>Headline operating profit</b>	<b>720.9</b>	<b>530.7</b>	35.8	32.4
Income from associates	33.9	29.5	14.9	10.3
<b>Headline PBIT</b>	<b>754.8</b>	<b>560.2</b>	34.7	31.3
Interest and similar charges	(85.8)	(70.6)	(21.5)	(22.4)
<b>Profit before tax</b>	<b>669.0</b>	<b>489.6</b>	36.6	32.5
Tax at 29.0% (2004 27.6%)	(194.0)	(135.0)	(43.7)	(39.7)
<b>Profit after tax</b>	<b>475.0</b>	<b>354.6</b>	34.0	29.9
<b>Headline diluted EPS</b>	<b>36.0p</b>	<b>27.9</b>	<b>29.0</b>	<b>25.4</b>
Headline operating margin	14.0%	13.0%	+1.0 <sup>2</sup>	

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

<sup>2</sup> Margin points

# Results for 2005

## Headline<sup>1</sup> performance versus consensus

	Median Consensus	Actual Results	+ / (-)
Revenue	£5,269m	£5,374m	£105m
PBIT	£721m	£755m	£34m
PBIT Margin	13.7%	14.0%	0.3 bps
PBT	£625m	£669m	£44m
Fully Diluted EPS	33.7p	36.0p	2.3p

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



# Results for 2005

## Revenue by Discipline

	Revenue		% Change		
	2005 £m	2004 £m	Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	2,606.4	1,985.3	31.3	28.6	4.3
Information, Insight & Consultancy	810.4	744.8	8.8	7.3	6.4
Public Relations & Public Affairs	534.4	445.2	20.0	18.7	7.5
Branding & Identity, Healthcare and Specialist Communications	1,422.5	1,124.2	26.5	24.7	6.4
<b>Total</b>	<b>5,373.7</b>	<b>4,299.5</b>	<b>25.0</b>	<b>22.9</b>	<b>5.5</b>

# Results for 2005

## Revenue by Region

	Revenue		% Change		
	2005 £m	2004 £m	Reported	Constant Currency	Like-for- like
North America	2,106.9	1,651.9	27.5	25.9	5.8
UK	808.1	728.5	10.9	10.9	1.9
Continental Europe	1,410.3	1,134.8	24.3	23.0	2.9
Asia Pacific, Latin America, Africa & Middle East	1,048.4	784.3	33.7	27.4	11.9
<b>Total</b>	<b>5,373.7</b>	<b>4,299.5</b>	<b>25.0</b>	<b>22.9</b>	<b>5.5</b>

# Results for 2005

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

	Headline <sup>1</sup> PBIT		Headline <sup>1</sup> margin	
	2005 £m	2004 £m	2005 %	2004 %
Advertising, Media Investment Management	402.7	295.0	15.5	14.9
Information, Insight & Consultancy	83.4	66.1	10.3	8.9
Public Relations & Public Affairs	75.3	58.4	14.1	13.1
Branding & Identity, Healthcare and Specialist Communications	193.4	140.7	13.6	12.5
<b>Total</b>	<b>754.8</b>	<b>560.2</b>	<b>14.0</b>	<b>13.0</b>

<sup>1</sup> Headline PBIT/ margin: profit before interest, taxation, goodwill and intangibles charges, and fixed asset gains and write-downs

# Results for 2005

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

	Headline <sup>1</sup> PBIT		Headline <sup>1</sup> margin	
	2005 £m	2004 £m	2005 %	2004 %
North America	350.1	251.2	16.6	15.2
UK	84.6	75.7	10.5	10.4
Continental Europe	176.1	128.1	12.5	11.3
Asia Pacific, Latin America, Africa & Middle East	144.0	105.2	13.7	13.4
<b>Total</b>	<b>754.8</b>	<b>560.2</b>	<b>14.0</b>	<b>13.0</b>

<sup>1</sup> Headline PBIT/ margin: profit before interest, taxation, goodwill and intangibles charges, and fixed asset gains and write-downs

# Results for 2005

## Revenue Growth by Country

Revenue Growth <sup>1</sup>	Countries
>25%	Australia, Canada, China, Denmark, Germany, Hong Kong, India, Mexico, Sweden, USA
20-25%	Brazil
15-20%	Japan, Netherlands, Singapore, Spain, Taiwan
10-15%	France, UK
5-10%	Italy
0-5%	Belgium

<sup>1</sup>Constant currency

# Results for 2005

## Revenue Growth by Category

Revenue Growth <sup>1</sup>	Categories
>25%	Electrical, Financial Services, Personal Care & Drugs
20-25%	
15-20%	Computer, Drinks, Oil
10-15%	Food, Telecommunications
5-10%	Automotive
0-5%	Retail

<sup>1</sup>Constant currency

# Results for 2005

## Effects of Weakness of Sterling

- Sterling was weaker on average in 2005 than in 2004 by 0.7% against both the dollar and the euro.
- Impact of currency increased revenue by 2.1%, from 22.9% constant currency to 25.0% on a reportable basis.
- Headline PBT<sup>1</sup> of £669m would have been £648m had Sterling remained at the same levels as 2004.

<sup>1</sup> Headline PBIT/ margin: profit before interest, taxation, goodwill and intangibles charges, and amounts fixed asset gains and write-downs

# Results for 2005

## Major New Business Wins (1)

Agency	Account	Office	Billings (\$m)
MediaCom	VW	USA	500
Y&R Advertising	Sears <sup>2</sup>	USA	350
<u>MediaCom</u>	<u>P&amp;G - Gillette<sup>3</sup></u>	<u>Global</u>	<u>250</u>
mec	Cingular	USA	200
mec	Novartis <sup>1</sup>	Global	200
MindShare	Telefonica	Europe	200
MediaCom	IKEA	Global	175
<u>Y&amp;R Advertising</u>	<u>Bacardi</u>	<u>Global</u>	<u>160</u>
<u>MindShare</u>	<u>Motorola</u>	<u>Europe</u>	<u>148</u>
MediaCom	Time Warner	France	135
GroupM	Shell	Global	120
<u>mec</u>	<u>VF Corp</u>	<u>USA</u>	<u>110</u>
Ogilvy	Lenovo	Global	100
<u>Ogilvy</u>	<u>Morgan Stanley</u>	<u>Global</u>	<u>80</u>
Maxus	Church & Dwight	USA	80

*(All billings figures are based on trade press estimates, where available)  
Underlined figures are Q4 wins*

<sup>1</sup> Consolidation from MediaCom and other agencies

<sup>2</sup> Consolidation from Ogilvy

<sup>3</sup> Consolidation from MindShare



# Results for 2005

## Major New Business Wins (2)

Agency	Account	Office	Billings (\$m)
JWT	Texas Instruments	USA	79
Brand Buzz (Y&R Advertising)	LG	USA	70
<u>Kinetic</u> <sup>2</sup>	<u>Unilever</u>	<u>UK</u>	<u>65</u>
<u>Y&amp;R Advertising/ mec</u>	<u>AMD</u>	<u>USA</u>	<u>60</u>
<u>Y&amp;R Advertising</u>	<u>Danone</u>	<u>Europe</u>	<u>50</u>
<u>JWT/ MediaCom</u>	<u>Jet Blue</u>	<u>USA</u>	<u>50</u>
Grey Worldwide	Manpower	USA	50
Y&R	Hilton Hotels	USA	45
Joshua (Grey Direct)	Swatch	Global	45
<u>MindShare</u>	<u>News International</u>	<u>UK</u>	<u>43</u>
<u>Y&amp;R Advertising</u>	<u>Sun Trust</u>	<u>USA</u>	<u>40</u>
<u>Grey Worldwide</u>	<u>AXA</u> <sup>1</sup>	<u>Global</u>	<u>40</u>
Ogilvy	Revlon	USA	40

**WINS**

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

*Underlined figures are Q4 wins*

<sup>1</sup> Switch from JWT

<sup>2</sup> JV

# Results for 2005

## Major New Business Losses

Agency	Account	Office	Billings (\$m)
<u>MindShare</u>	<u>P&amp;G - Gillette<sup>3</sup></u>	<u>Global/ USA</u>	<u>800</u>
Ogilvy	Sears <sup>2</sup>	USA	350
<u>JWT/ United/red cell</u>	<u>Samsung</u>	<u>Global</u>	<u>200</u>
<u>United/red cell</u>	<u>Coca Cola</u>	<u>USA</u>	<u>150</u>
Y&R	Sony	USA	125
<u>JWT</u>	<u>Unilever</u>	<u>Global</u>	<u>100</u>
MediaCom	Novartis <sup>1</sup>	Global	100
Y&R	Jaguar	Global	100
MindShare/ mec	Mattel	USA	80
Ogilvy	AEFA	USA	55
<u>Grey Worldwide</u>	<u>Panasonic</u>	<u>USA</u>	<u>50</u>
Ogilvy	Motorola	USA	50
Ogilvy	Coca Cola	USA	44
mec	Cencosud	Chile	40
<u>JWT</u>	<u>Symantec</u>	<u>USA</u>	<u>40</u>
<u>MindShare</u>	<u>Abbey</u>	<u>UK</u>	<u>40</u>
<u>JWT</u>	<u>AXA<sup>4</sup></u>	<u>Global</u>	<u>40</u>

(All billings figures are based on trade press estimates, where available)  
Underlined figures are Q4 losses

<sup>1</sup> Switch to mec

<sup>2</sup> Switch to Y&R

<sup>3</sup> Switch to MediaCom

<sup>4</sup> Switch to Grey Worldwide

# Results for 2005

## Net new business wins in 2005<sup>1</sup>

US \$ millions	Creative	Media	Total
Advertising	1,302	2,891	4,193
Other Businesses	1,034	-	1,034
<b>Total 2005</b>	<b>2,336</b>	<b>2,891</b>	<b>5,227</b>
<b>Total 2004</b>	<b>1,825</b>	<b>5,005</b>	<b>6,829</b>

<sup>1</sup> Estimated billings

# Results for 2005

## Major new business wins/losses in 2006

	Agency	Account	Office	Billings (\$m)
<b>WINS</b>	MindShare	Wrigley	USA	200
	MediaCom	Nokia	Asia Pacific	150
	Ogilvy	Quinzos	USA	80
	MindShare	Unilever	Indonesia	75
	Brouillard	Ruby Tuesday	USA	60
	MediaCom	Digital UK	UK	35
	Grey Direct	Sandisk	Global	30
<b>LOSSES</b>	JWT	Thai Airways	JWT	30

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

# Results for 2005

## Cash Flow

	2005 £m	2004 £m
<b>Operating profit (pre-goodwill/intangibles charges)</b>	<b>725</b>	<b>529</b>
Non cash compensation	69	59
Depreciation	122	103
Net interest paid & similar charges	(60)	(51)
Tax paid	(136)	(101)
<b>Net cash generation</b>	<b>720</b>	<b>539</b>

# Results for 2005

## Uses of Cash Flow

	2005 £m	2004 £m
<b>Net cash generation</b>	<b>720</b>	<b>539</b>
Capital expenditure	(171)	(96)
Acquisition payments:		
– Net initial payments - Grey	(244)	-
- Other	(134)	(103)
– Earnout payments	(97)	(79)
– Loan note redemptions	(33)	(27)
	<b>(508)</b>	<b>(209)</b>
Share repurchases	(152)	(89)
Other	16	23
<b>Net cash outflow before dividend</b>	<b>(95)</b>	<b>168</b>
Dividends	(100)	(82)
<b>Net cash outflow before NWC changes</b>	<b>(195)</b>	<b>86</b>
<b>Net cash inflow ex Grey</b>	<b>49</b>	<b>86</b>

# Results for 2005

## Net Interest Expense/ (Income)

£'m	IFRS 2005	IFRS 2004	% B/(W)
Net bank interest	59.7	50.2	(19%)
A/R interest/ fees	6.4	5.1	(25%)
<b>Net bank and A/R interest</b>	<b>66.1</b>	<b>55.3</b>	<b>(20%)</b>
Investment income	(5.6)	-	-
IAS 19 (Pensions)	7.8	9.5	18%
IAS 39 (Financial Instruments)	8.9	-	-
Earnout interest	3.7	5.8	36%
IAS 32 (Convertible accounting change)	13.8	-	-
	34.2	15.3	(124%)
<b>Total interest</b>	<b>94.7</b>	<b>70.6</b>	<b>(34%)</b>

# Results for 2005

## Net Debt – 31<sup>st</sup> December 2005

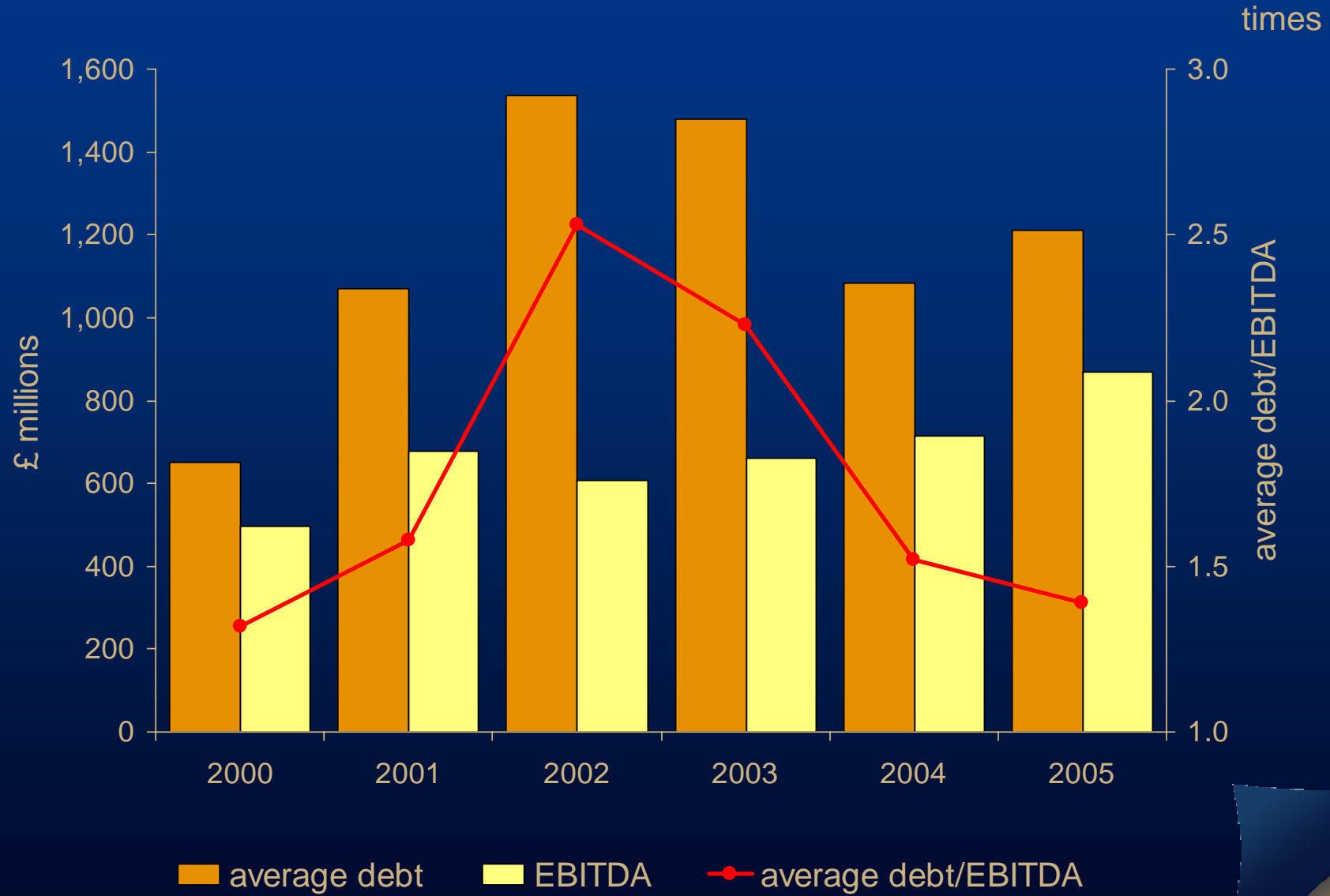
	2005 £m	2004 £m	% Variance
Net debt at 31 December	(804)	(555)	(45%)
YTD average net debt on constant currency basis	(1,212)	(1,080)	(12%)
Net interest <sup>1</sup>	(66)	(55)	(20%)
EBIT <sup>2</sup> / Net interest <sup>1</sup>	11.4x	10.2x	

<sup>1</sup> Net interest on bank debt and AR facility

<sup>2</sup> Headline PBIT: profit before interest, taxation, goodwill and intangible charges, and fixed assets gains and write-downs



# Average Debt/EBITDA



# Results for 2005

## Ordinary Shares – Basic

No. of Shares (million)	Dec 2005 Actual	Dec 2004 Actual
Opening	1,185	1,187
Share buyback <sup>1</sup>	(21)	(13)
LEAP issue	1	4
Option exercise	10	7
Grey	78	-
Closing	<hr/> 1,253	<hr/> 1,185
Weighted Average	1,247	1,183
ESOP	(47)	(47)
Basic Reported	<hr/> 1,200	<hr/> 1,136

<sup>1</sup> Buyback for cancellation

# Results for 2005

## Ordinary Shares – Diluted

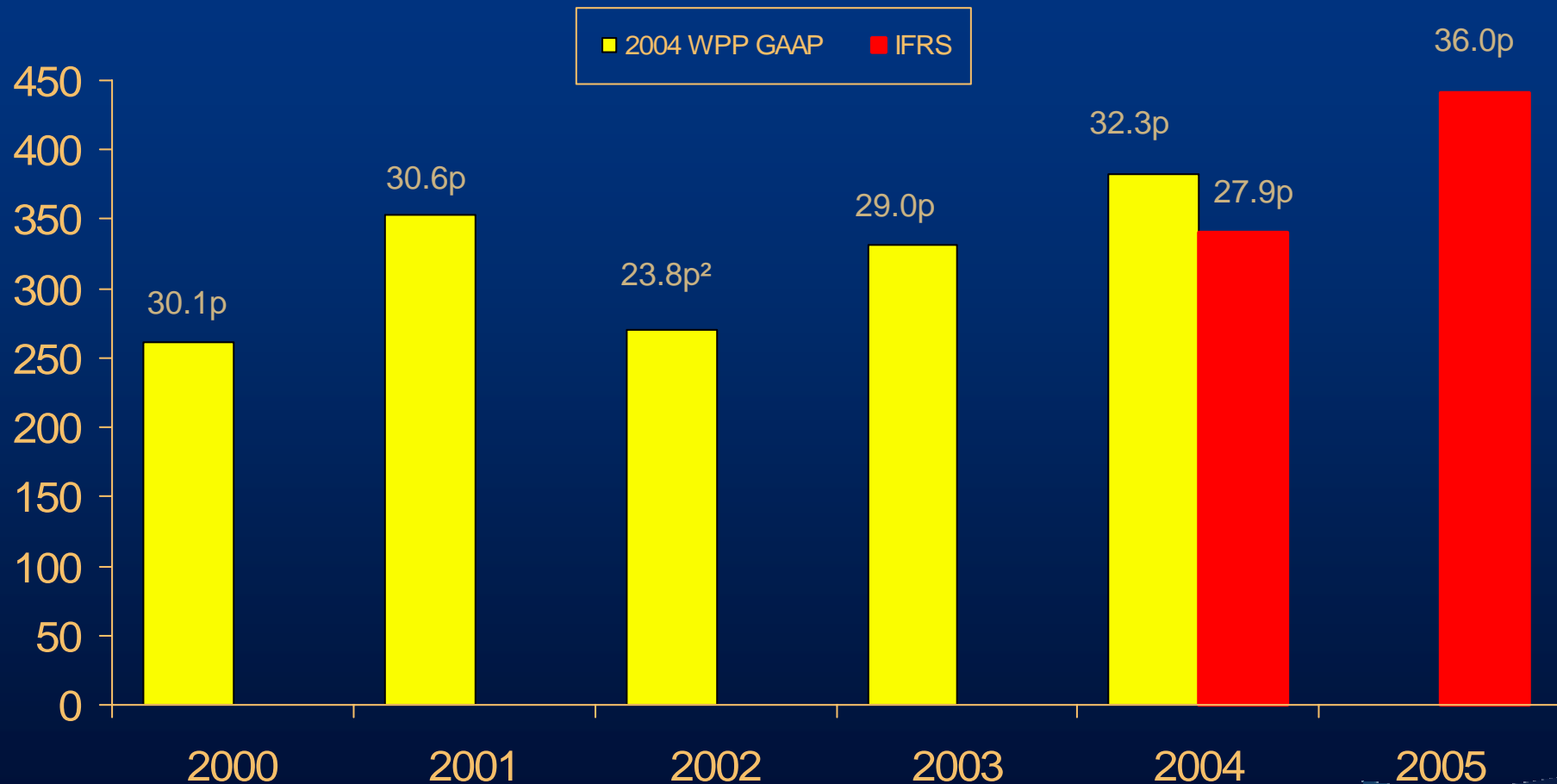
No. of Shares (million)	Dec 2005 Actual	Dec 2004 Actual
Average Basic	1,200	1,136
WPP Options and LEAP	25	26
Convertibles: Y&R \$288m	repaid	16
WPP £450m <sup>1</sup>	anti-dilutive	42
Grey \$150m <sup>2</sup>	anti-dilutive	-
Fully Diluted Shares	1,225	1,220

Income Adjustment Attributable to Convertibles (per annum):

1	£9.4m
2	£1.3m

# Earnings and EPS<sup>1</sup>

Earnings (£m)



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

<sup>2</sup> Restated for implementation of UITF 38 (Accounting for ESOP Trusts)

# WPP

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Key Priorities, Objectives and Strategy

# 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

## The two speed world

- Media planning and buying growth strong driven by media fragmentation and share gains from consolidation
- Advertising growth slower in US and Western Europe but stronger in Asia Pacific, Latin America, Middle East and Eastern Europe
- Use of the web for direct, CRM and search related marketing
- Quantitative research, direct marketing and interactive growing strongly

# Key Priorities, Objectives and Strategy

## Update on Grey Global Group

- Successful integration of Grey into the Group
- Jim Heekin appointed CEO of Grey Worldwide and management structure agreed for all Grey operating companies
- Revenue and profit growth ahead of expectations
- Operating margin above 11% target
- Tax rate reduced to approximately 38%
- ROCE exceeded WACC in first year



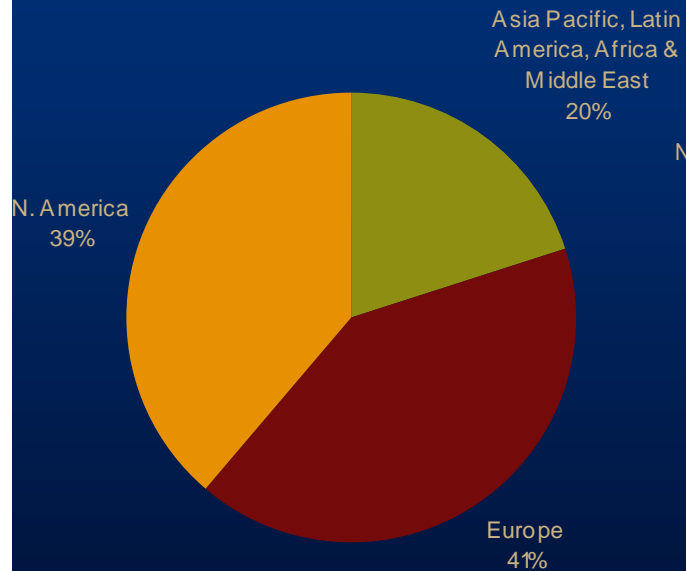
# Key Priorities, Objectives and Strategy

- Faster growing markets to be one third of total group
- Marketing services to be two thirds of total group
- Quantitative disciplines to be one half of total group

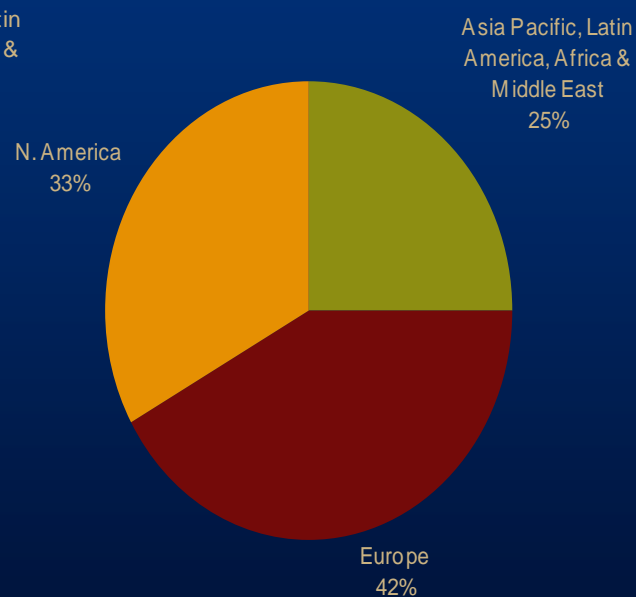
# Key Priorities, Objectives and Strategy

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

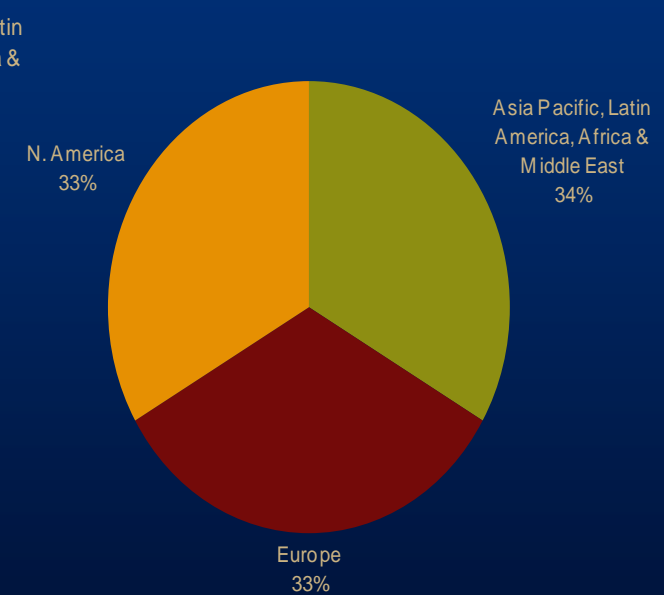
WPP Today



WPP Today Incl. Associates

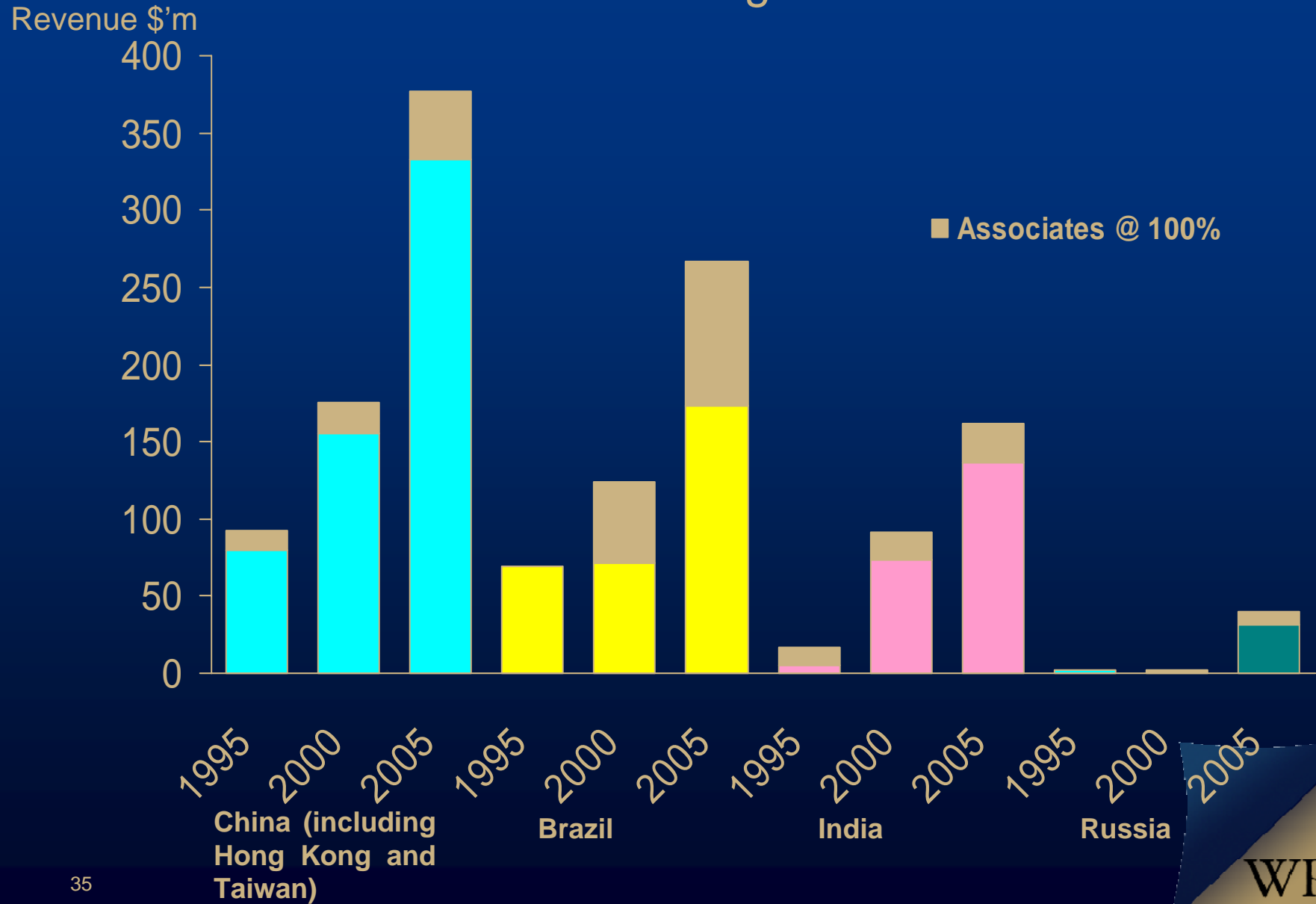


WPP Tomorrow incl. Associates



# Key Priorities, Objectives and Strategy

## WPP's Performance Strong in BRIC Markets



# Key Priorities, Objectives and Strategy

## Revenue by Geography

	N. America %	Europe %	ROW \$'bn	ROW %	Total Sales \$'bn
WPP <sup>1</sup>	39%	41%	1.9	20%	9.8
OMC <sup>1</sup>	56%	36%	0.9	8%	10.5
Havas	42%	50%	0.2	8%	2.2
Publicis <sup>1</sup>	43%	40%	0.9	17%	5.1
IPG	58%	28%	0.9	14%	6.1

Source: Campaign April 14th, 2005, <sup>1</sup> Company reports for 2005

Notes:

FX: WPP sterling revenues converted @ \$1.82= £1 based on the average for 2005, Havas and Publicis €1=1.47 based on the average for 2004.

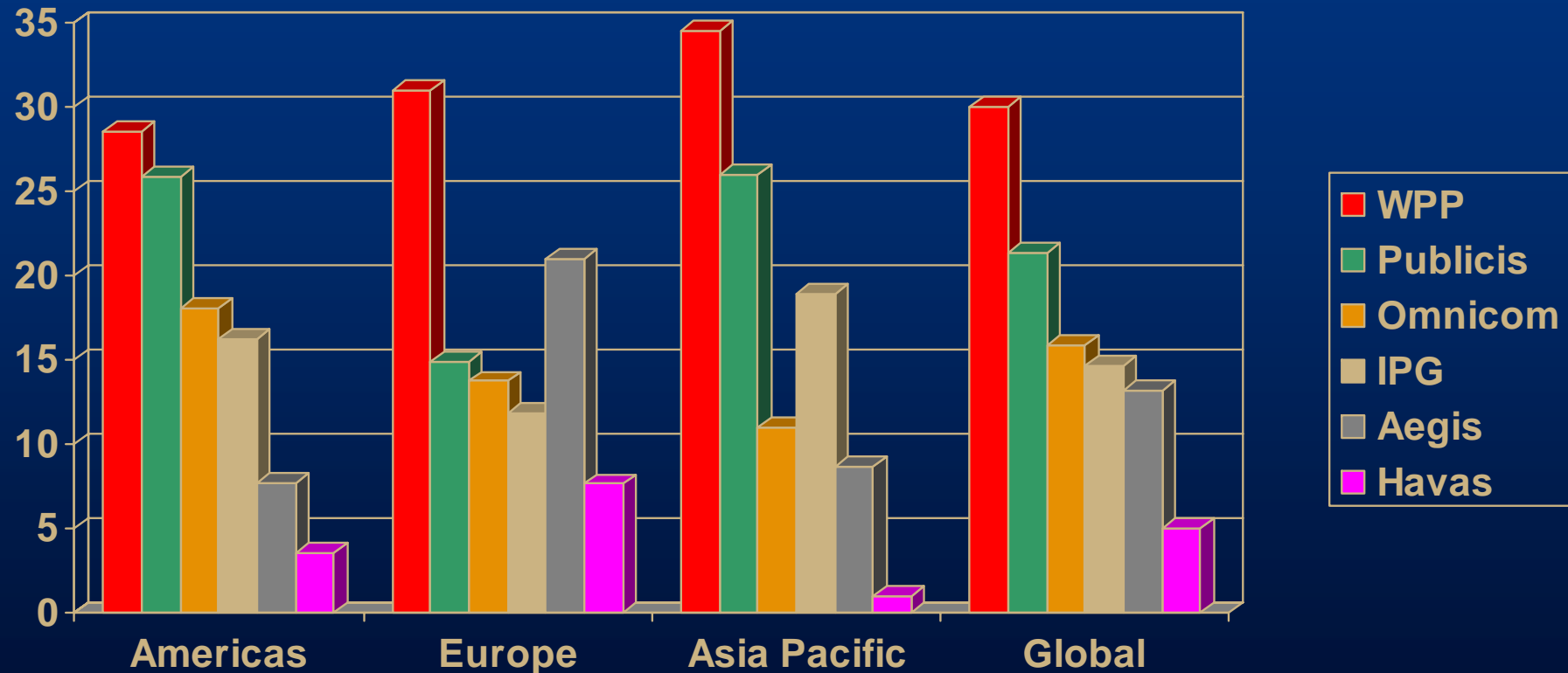
OMC assumes "non Euro currency" Europe, ie Switzerland, Turkey, Norway, Denmark, Sweden and Eastern Europe are ca 4.5% of revenue and Canada is 1.5% of revenue.

Assume Grey 2004 full year growth rate in line with September year to date.

# Key Priorities, Objectives and Strategy

## Media Billings by Geography

Worldwide rankings by Group as % of the Six Groups

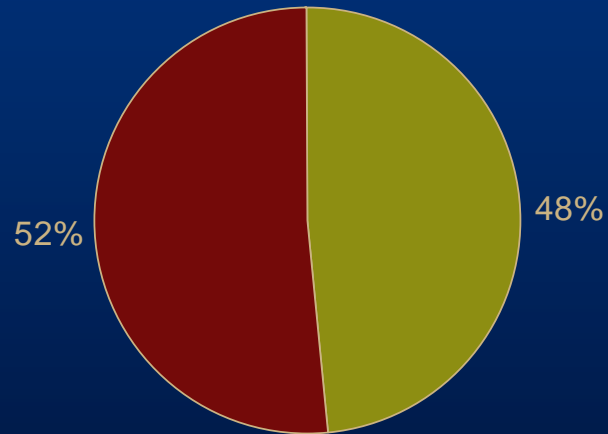


Source: RECMA Report w29 Billings November 2005 table 1b

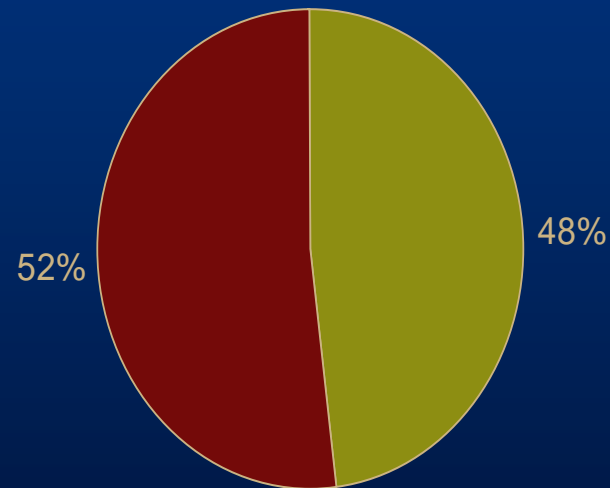
# Key Priorities, Objectives and Strategy

## Marketing Services To Be Two Thirds of Total Group

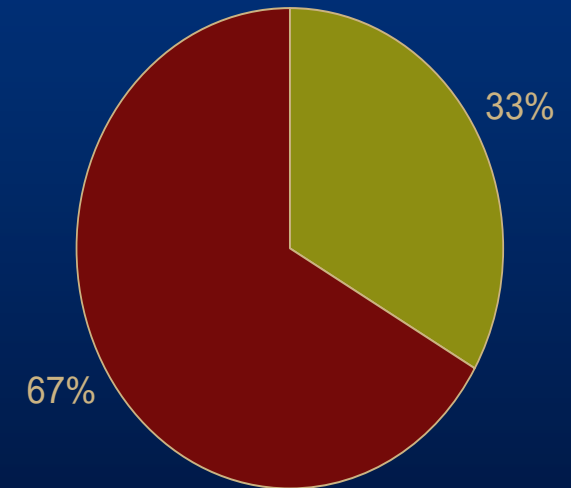
Today



Today including associates



Tomorrow



■ Advertising & Media Investment Management

■ Marketing Services

# Key Priorities, Objectives and Strategy

## Revenue by Discipline

	Advertising & Media		Marketing Services	
	\$'bn	% Sales	\$'bn	% Sales
WPP	4.7	48%	5.1	52%
OMC <sup>2</sup>	4.6	44%	5.9	56%
Havas <sup>1</sup>	1.1	52%	1.1	48%
Publicis <sup>2</sup>	4.0	78%	1.1	22%
IPG <sup>3</sup>	3.9	64%	2.2	36%

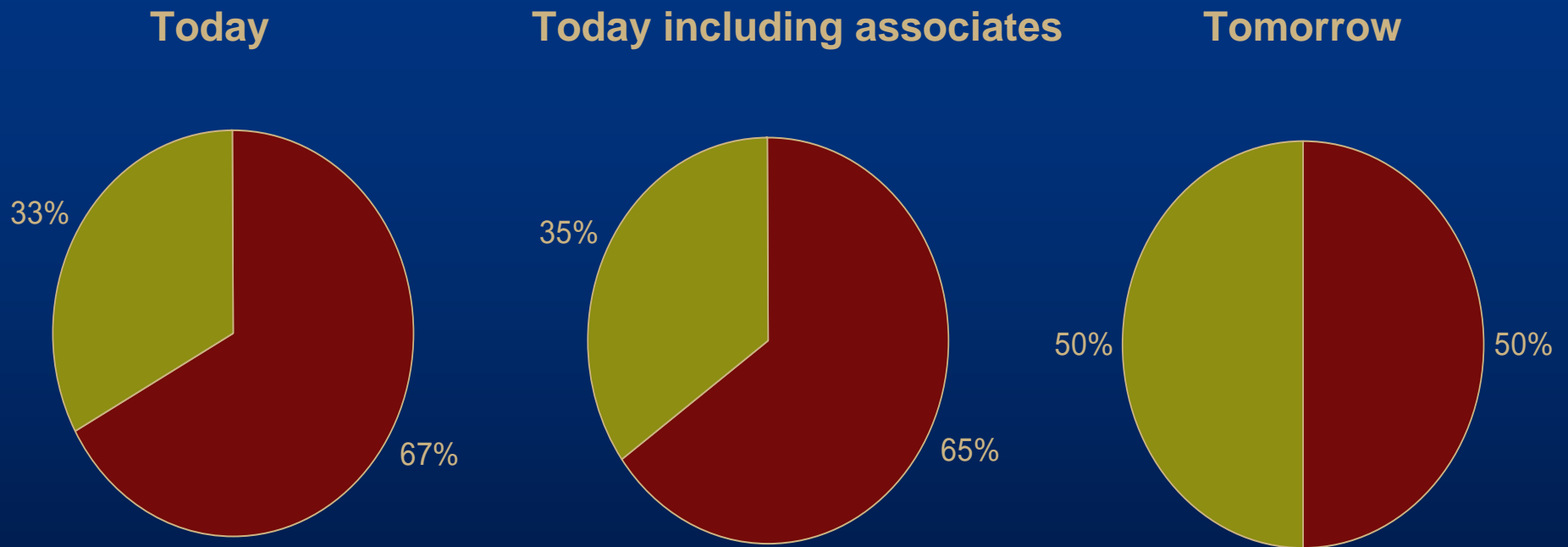
Source: <sup>1</sup> Campaign April 4<sup>th</sup>, 2005

<sup>2</sup> 2005 Company Presentations

<sup>3</sup> Split according to 2004 annual report

# Key Priorities, Objectives and Strategy

## Quantitative Disciplines To Be One Half of Total Group



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





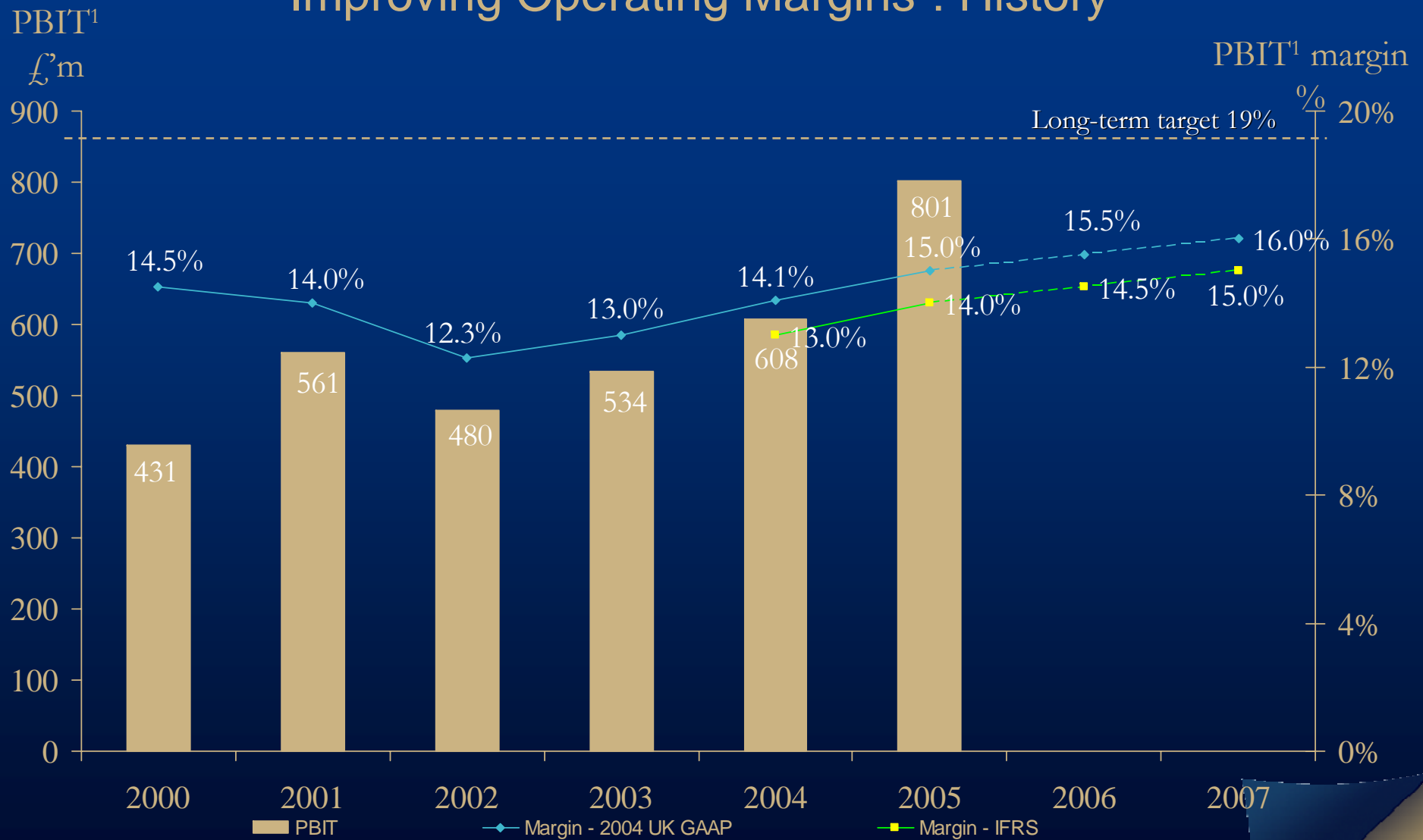
# Key Priorities, Objectives and Strategy

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 improve 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

## Improving Operating Margins<sup>1</sup>: History



42 1. Headline PBIT<sup>1</sup> excluding goodwill and intangibles charges, and write offs of fixed asset investments

# Key Priorities, Objectives and Strategy

## Improving Operating 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 Actual	<u>13.0%</u>	<u>14.1%</u>	<u>13.0%</u>	<u>14.1%</u>
2005	13.7%	14.8%	<u>14.0%</u>	<u>15.0%</u>
2006	14.2%	15.3%	14.5%	15.5%
2007	14.7%	15.8%	15.0%	16.0%
Long term target	19%	20%	19%	20%

<sup>1</sup> Headline operating margin excludes goodwill and intangibles charges, and fixed asset gains and write-downs

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

43

Underlined % are actual margins

WPP

# Key Priorities, Objectives and Strategy

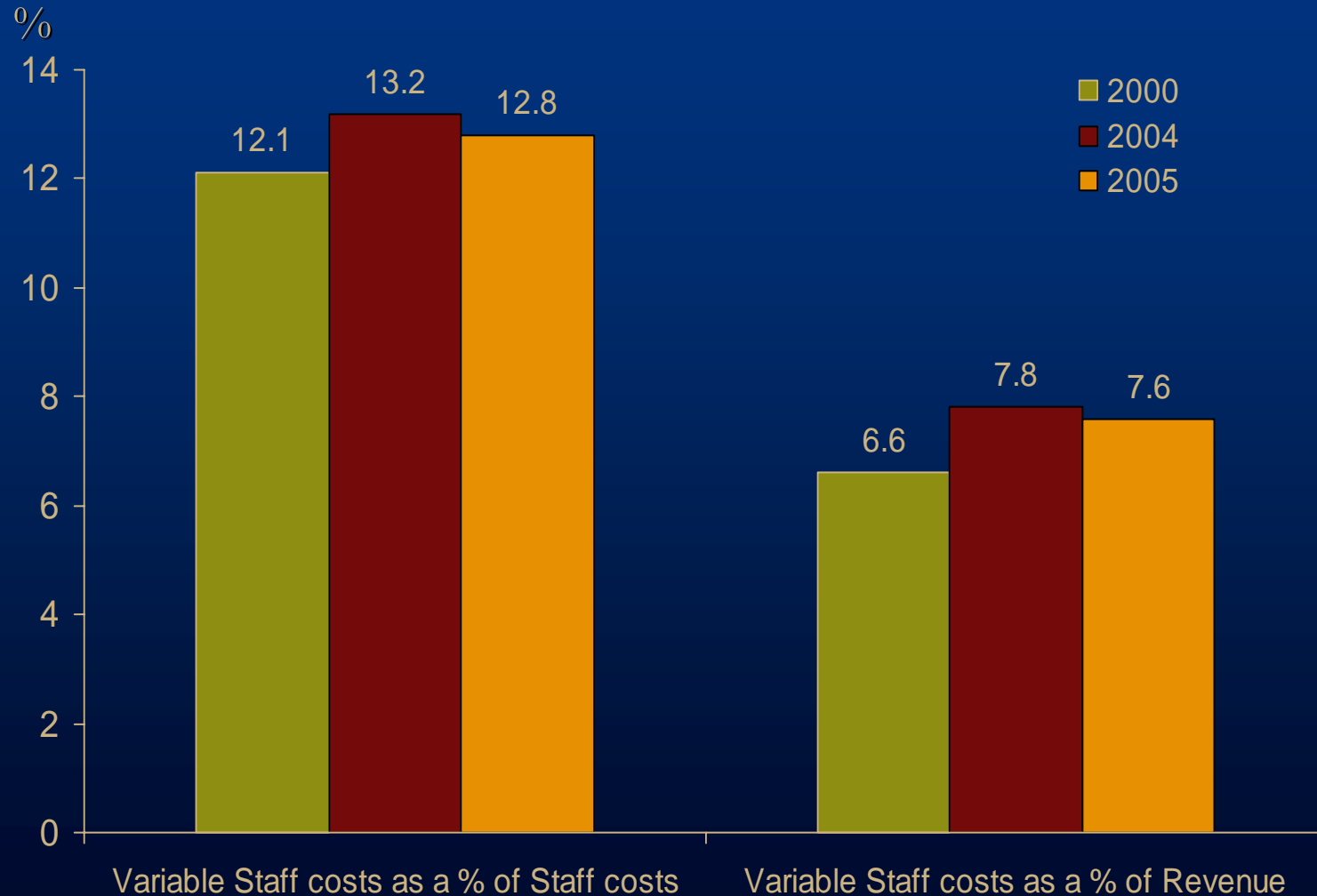
## Increasing flexibility in the cost base

- We continue to focus on a more flexible cost structure in three key areas:
  - Staff c. 50% of revenue
  - Property c. 7% 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 dividend raised by 20% to 9.34p per share
- Share repurchases and buy-backs

	<u>Shares</u>	<u>Amount</u>	<u>% of Share Base</u>
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	25.4m	£152.3m	2.1%

- 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

# 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 year
- Major focus continues to be on information, insight and consultancy and the faster growing sectors within branding & identity, healthcare and specialist communications and faster growing geographies
- 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

### Faster Growing Market

### Quantitative and Digital

Santo Argentina

Propaganda (Russia)

TCG (Australia)

Video Int'l (Russia)

Newsun Insight (China)

IPR (Hong Kong)

Impact 1 (Australia)

Genesis (India)

Oracle (Hong Kong)

MRI (Korea)

RI China

Spring (Singapore)

Dynamic Logic (USA)

Kantar/ ARRP (USA)

M:Metrics (USA)

RMS (UK)

Pentor (Poland)

K&L (USA)

Tarantula (UK)

Fortelligent (USA)

Studiocom (USA)

Direct.com (USA)



# Key Priorities, Objectives and Strategy

## Use of Free Cash Flow on Acquisitions in 2005

### Advertising and Media Investment Management

Snra Rushmore (Spain)

BAT Media (Spain)

Malone Advertising (USA)

Gallagher (USA)

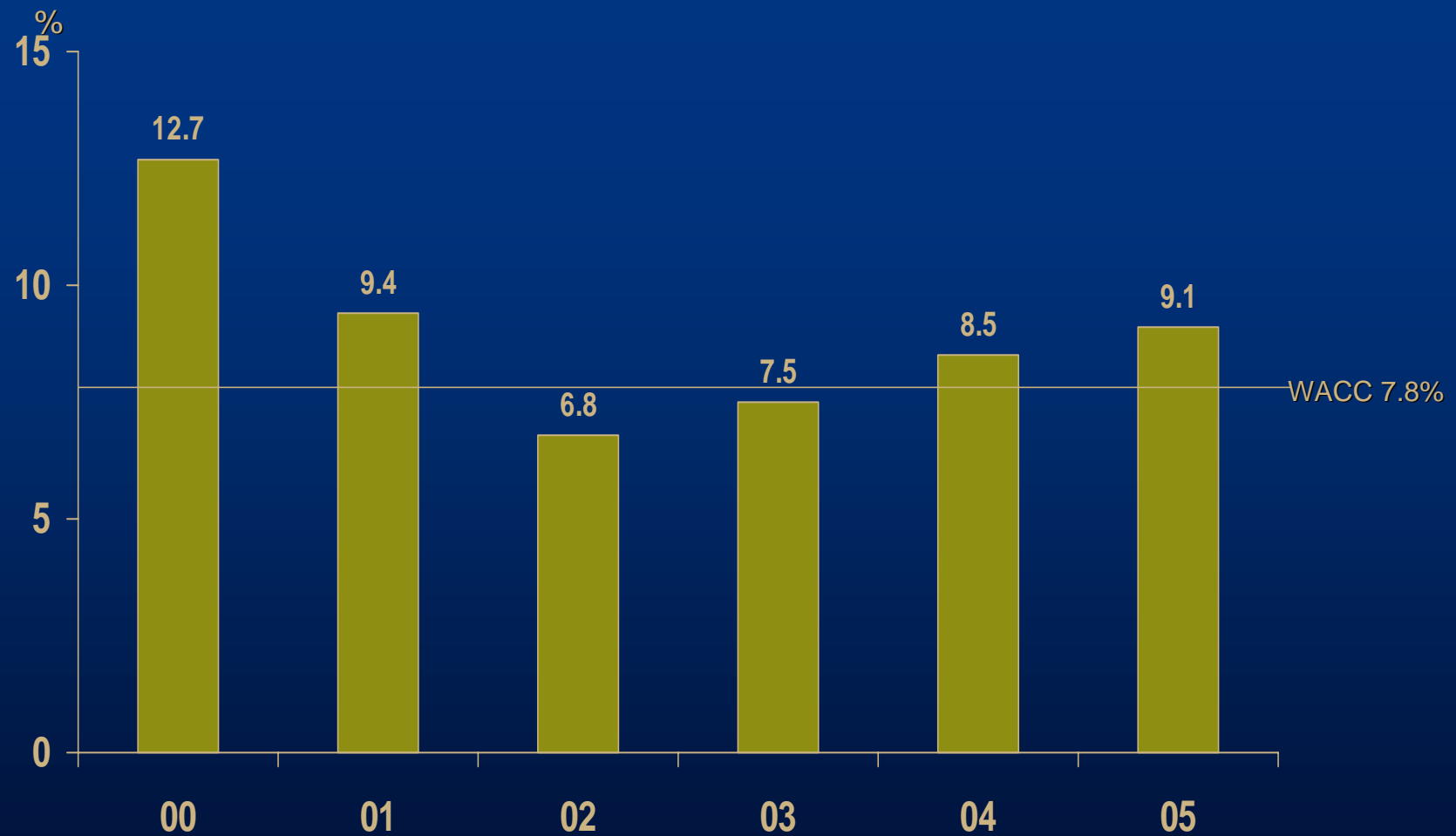
Weinstein Company (USA)

### Other

ABC (PR - Denmark)

Federalist Group (PR - USA)

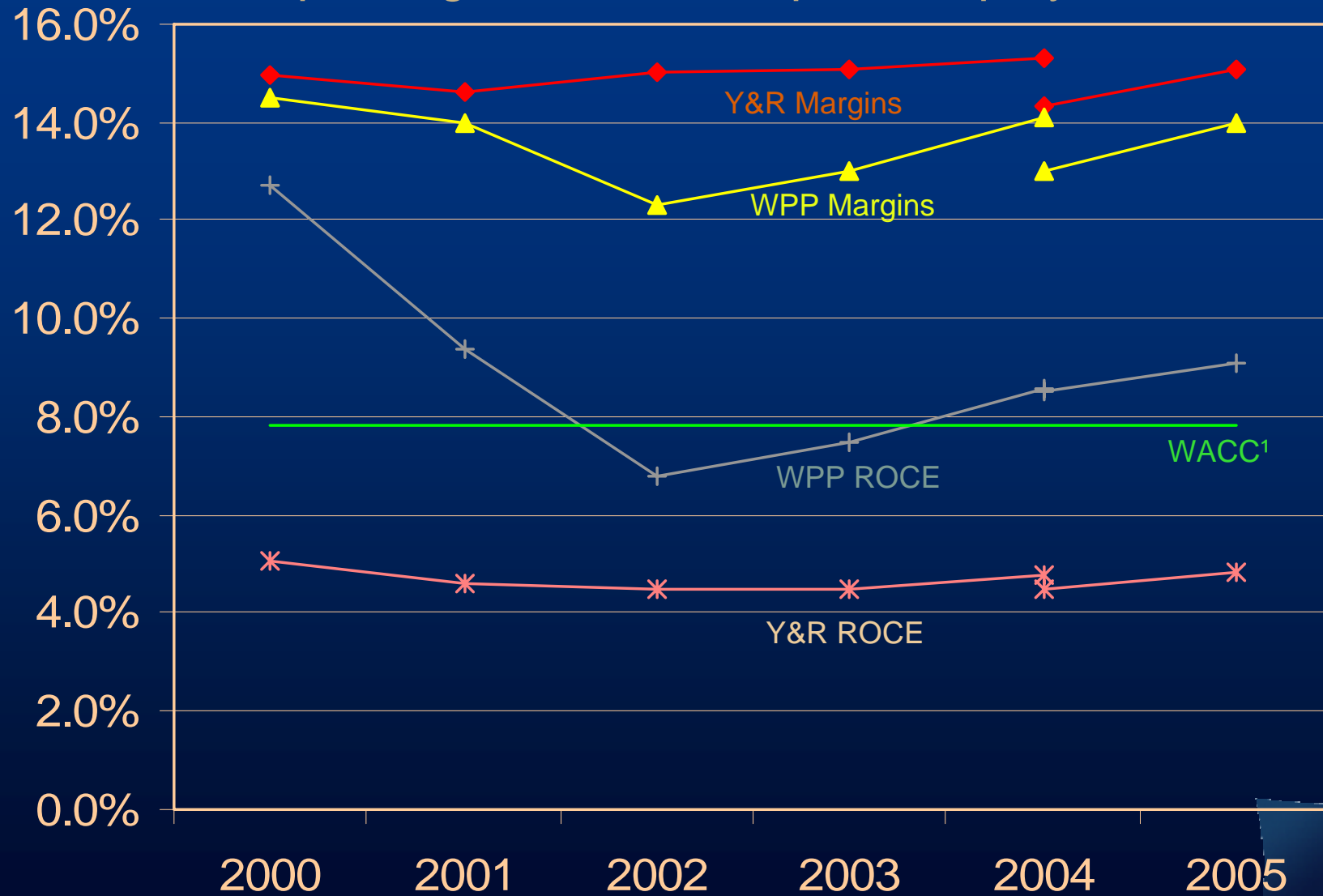
# Return on Capital Employed



Methodology: Headline PAT adjusted for cash interest and tax, 00-03 based on old UK GAAP and 04-05 on IFRS.

# Key Priorities, Objectives and Strategy

## Improving Return on Capital Employed



# 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
- Retail
- 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

3

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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4

Structure and Competitive Position (Hard Copy Only)

# WPP Today

- **WPP is one of the world's largest communication services groups**
- **Over 91,000 people (including associates) in over 2,000 offices in 106 countries worldwide**
- **Over 330 of the Fortune 500 and over 50% of the NASDAQ 100 as clients, more than 230 clients in all four disciplines, over 200 clients in six or more countries**
- **Over 40 of the top 200 megabrands in the USA and 42 of the Fortune e-50**
- **Quoted in London and on NASDAQ with market capitalisation of around \$14billion**
- **41st in FTSE 100 Index, 8th in FT Top UK companies by turnover, 130th in Euro FT 300, 346th in Global FT 500, 488th in Business Week Global 1000 and 490th in Forbes Global 2000**
- **Group includes many of the best known brands in the industry**

# WPP Today

WPP has many of the best known brands in the industry,  
Ranked 1 or 2 in all sectors in which it competes

Ogilvy & Mather Worldwide  
JWT  
Y&R Advertising  
United / red cell  
Grey Worldwide

MindShare  
Mediaedge:cia  
MediaCom  
KR Media <sup>1</sup>  
Maxus

Hill & Knowlton  
Burson-Marsteller  
Ogilvy Public Relations Worldwide  
Cohn & Wolfe  
Robinson, Lerer & Montgomery  
GCI

Research International  
Millward Brown  
BrandAsset Valuator and BRANDZ

OgilvyOne  
Wunderman  
rmg:connect  
141 Worldwide  
Grey Direct  
Gi  
J.Brown

CommonHealth  
Sudler & Hennessey  
Ogilvy Healthworld  
Grey Healthcare Group

Enterprise IG  
Landor Associates  
Fitch  
G2 Worldwide

<sup>1</sup> Associate

# WPP Today

## Global Strength in Advertising

Market Position (Gross Income)	<u>WPP</u> <sup>(1)</sup>	<u>OMC</u>	<u>IPG</u>	<u>Publicis</u>
USA	1	4	2	3
EMEA	1	2	4	3
Asia Pacific <sup>(2)</sup>	1	2	4	3
Japan	3	5	4	7
Latin America	1	4	2	3

Source: Advertising Age, 22 April 2002. Based on gross income for agency brands

(1) Includes Cordiant acquired on 1 August 2003 and Grey acquired on 7 March 2005

(2) Excluding Japan

(3) 100% of Associates' gross income has been included for each holding company where it has been separately identified in the rankings

# WPP Today

## Worldwide Advertising rank by market

	<u>WPP (1)</u>	<u>OMC</u>	<u>IPG</u>	<u>Publicis</u>
Australia	1	2	4	3
Belgium	1	3	2	5
Brazil	1	4	2	3
France	4	1	5	3
Germany	1	2	3	4
Greater China	1	6	3	2
India	1	3	2	4
Italy	1	5	3	2
Japan	3	5	4	7
Mexico	1	3	2	4
Netherlands	2	1	4	3
Russia	2	1	4	3
Singapore	1	3	4	2
Spain	1	3	2	4
South Korea	1	3	6	5
Sweden	1	3	2	4
Switzerland	1	2	3	4
UK	1	2	5	3
USA	1	4	2	3

Source: Advertising Age, 22 April 2002

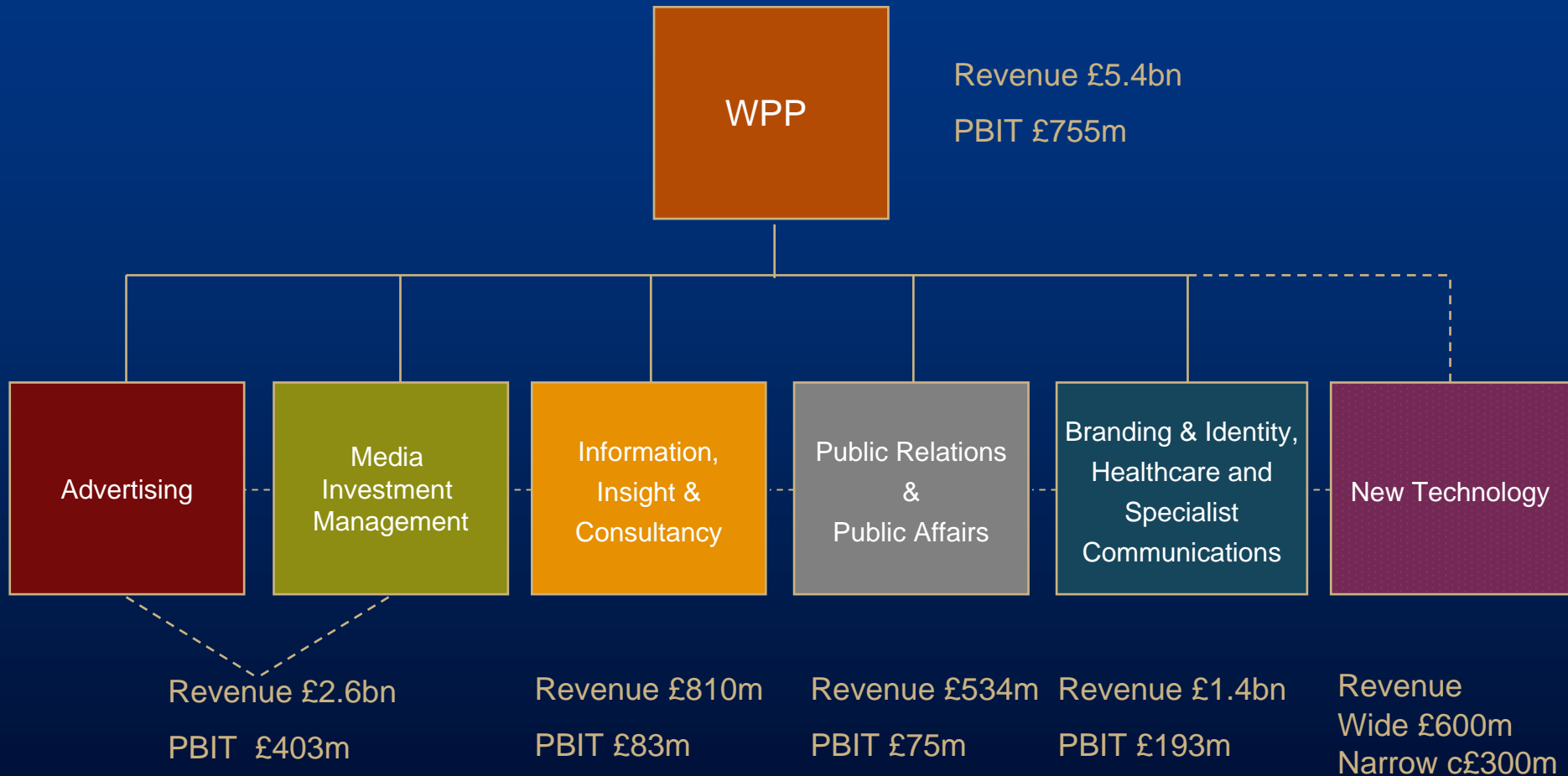
(1) Includes Cordiant acquired on 1 August 2003 and Grey acquired on 7 March 2005

(2) 100% of Associates' gross income has been included for each holding company where it has been separately identified in the rankings

(3) Greater China includes Hong Kong and Taiwan

WPP

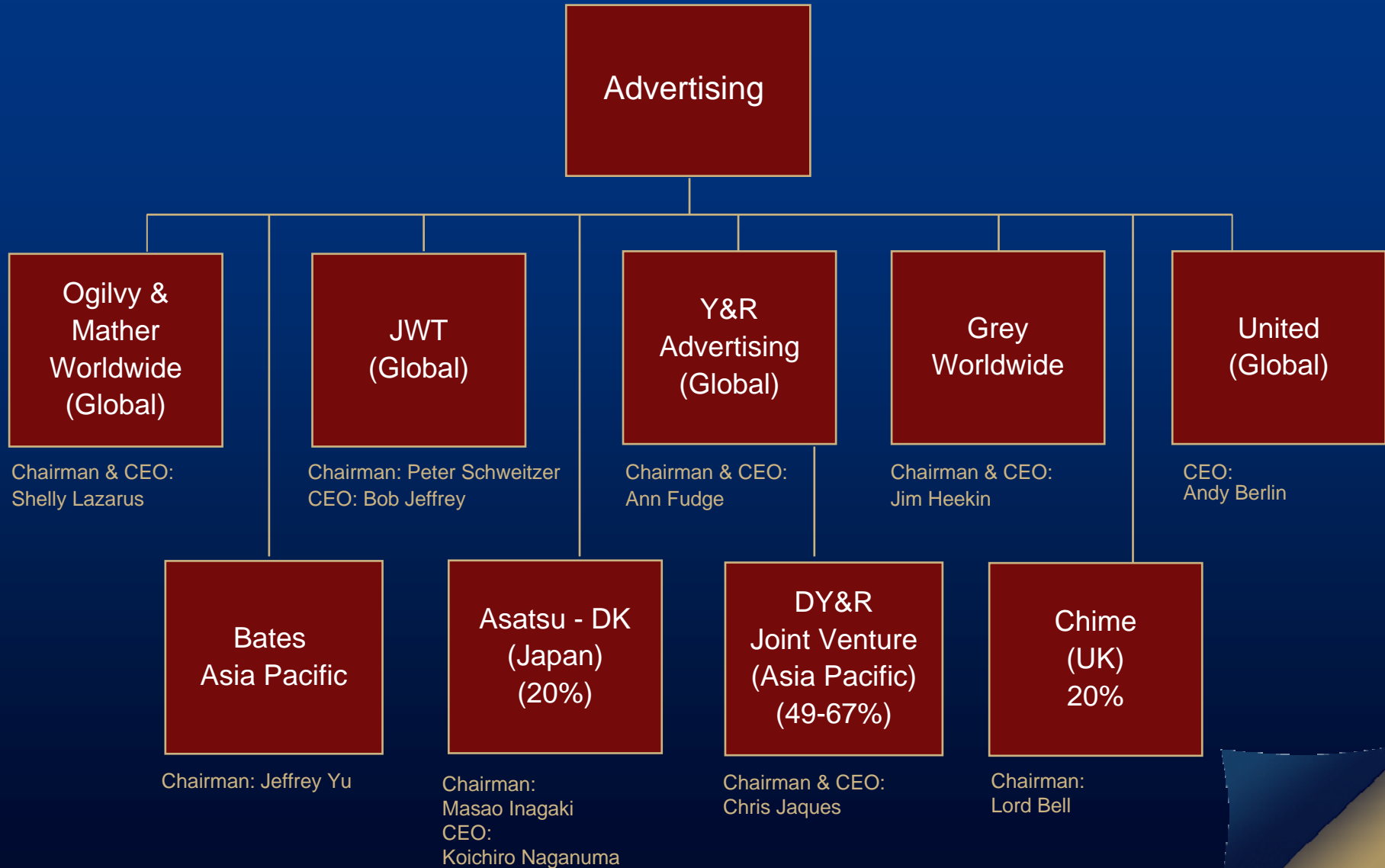
# WPP Today



Revenue and PBIT figures are 2005 reported sterling actuals

PBIT is stated before goodwill and impairment, fixed asset gains and investment write-downs

# WPP Today



# WPP Today

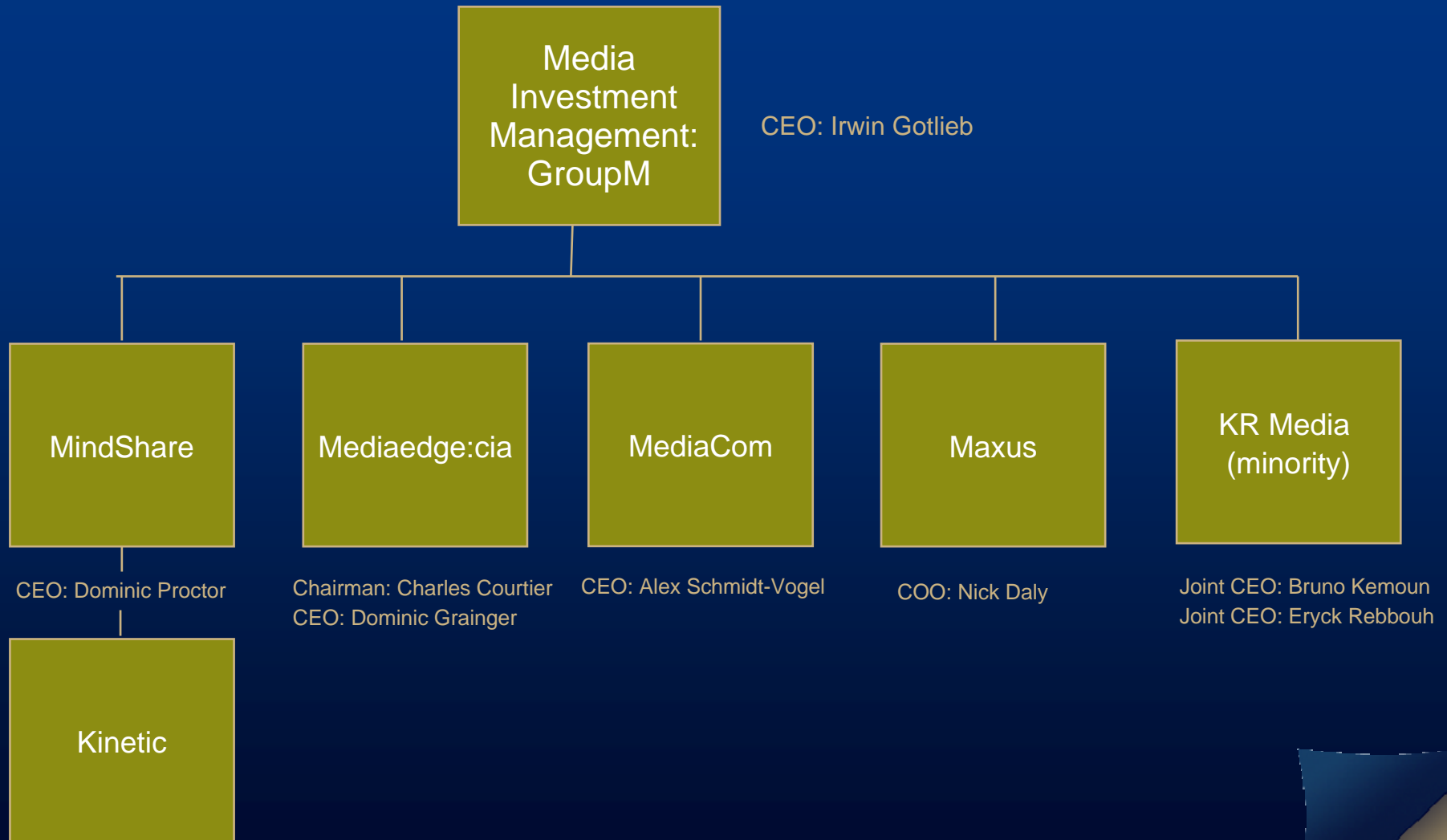
## Advertising - Competitive Worldwide Ranking

	<u>Worldwide</u>
JWT	3
Ogilvy & Mather	8
Grey Worldwide	9
Y&R Advertising	13

Source: Advertising Age, 19 April 2004



# WPP Today



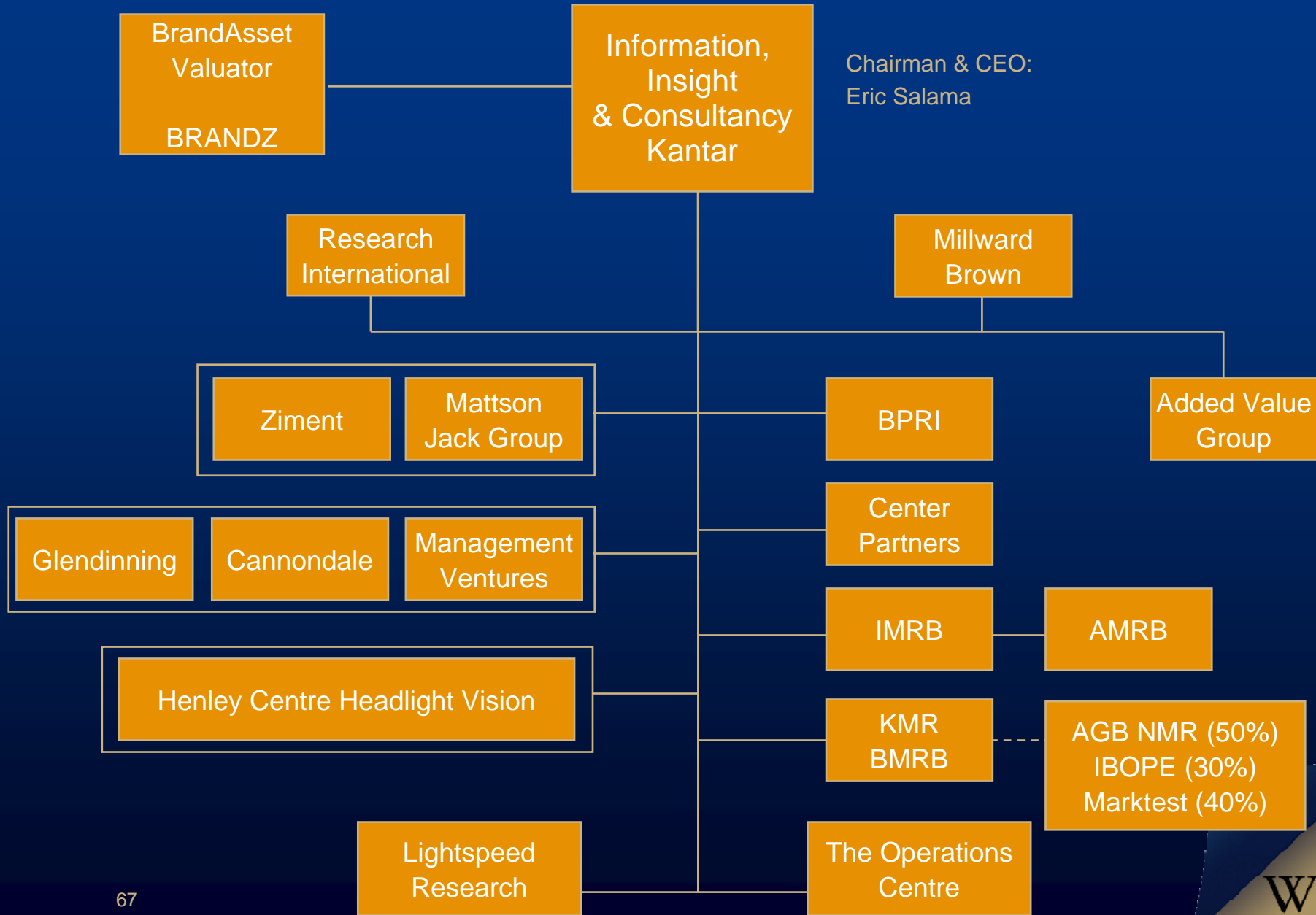
# WPP Today

## Media Investment Management - Competitive Worldwide Ranking

	<u>Americas</u>	<u>EMEA</u>	<u>Asia Pacific</u>	<u>Worldwide</u>
MindShare	3	5	1	3
Mediaedge:cia	5	4	8	5
MediaCom	8	3	7	7
WPP Media Operations (1)				1

Source: RECMA Billings & Rankings 2004 Projected, published March 2005

# WPP Today



# WPP Today

## Information, Insight & Consultancy - Worldwide Competitive Ranking

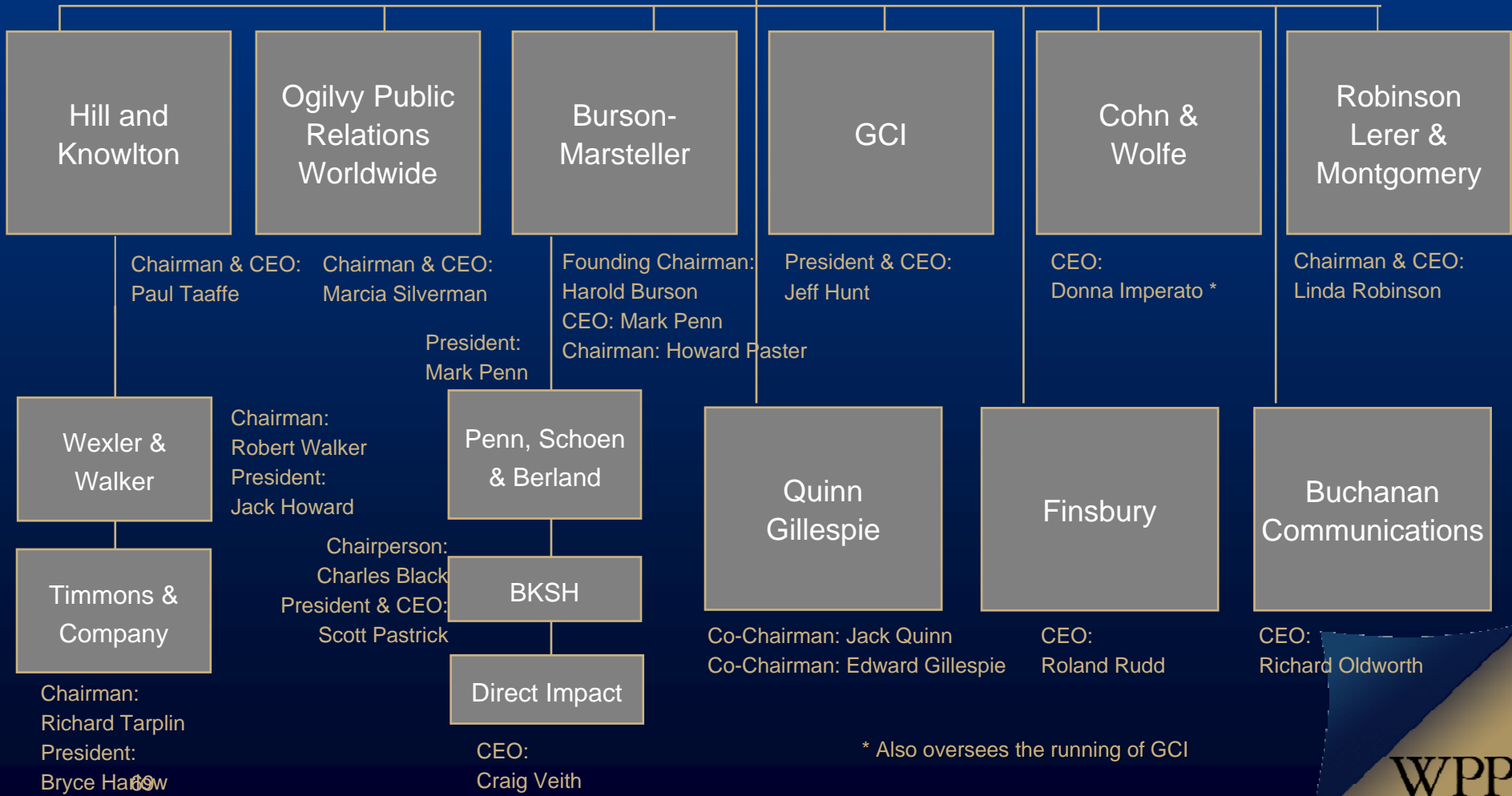
1. VNU (ACNielsen & Nielsen Media Research)
2. Taylor Nelson Sofres plc
3. IMS Health Inc.
4. The Kantar Group
5. GfK Group

Source: ESOMAR, November 2005

# WPP Today

Public Relations  
&  
Public Affairs

Executive Vice President,  
Public Relations/Public Affairs:  
Howard Paster



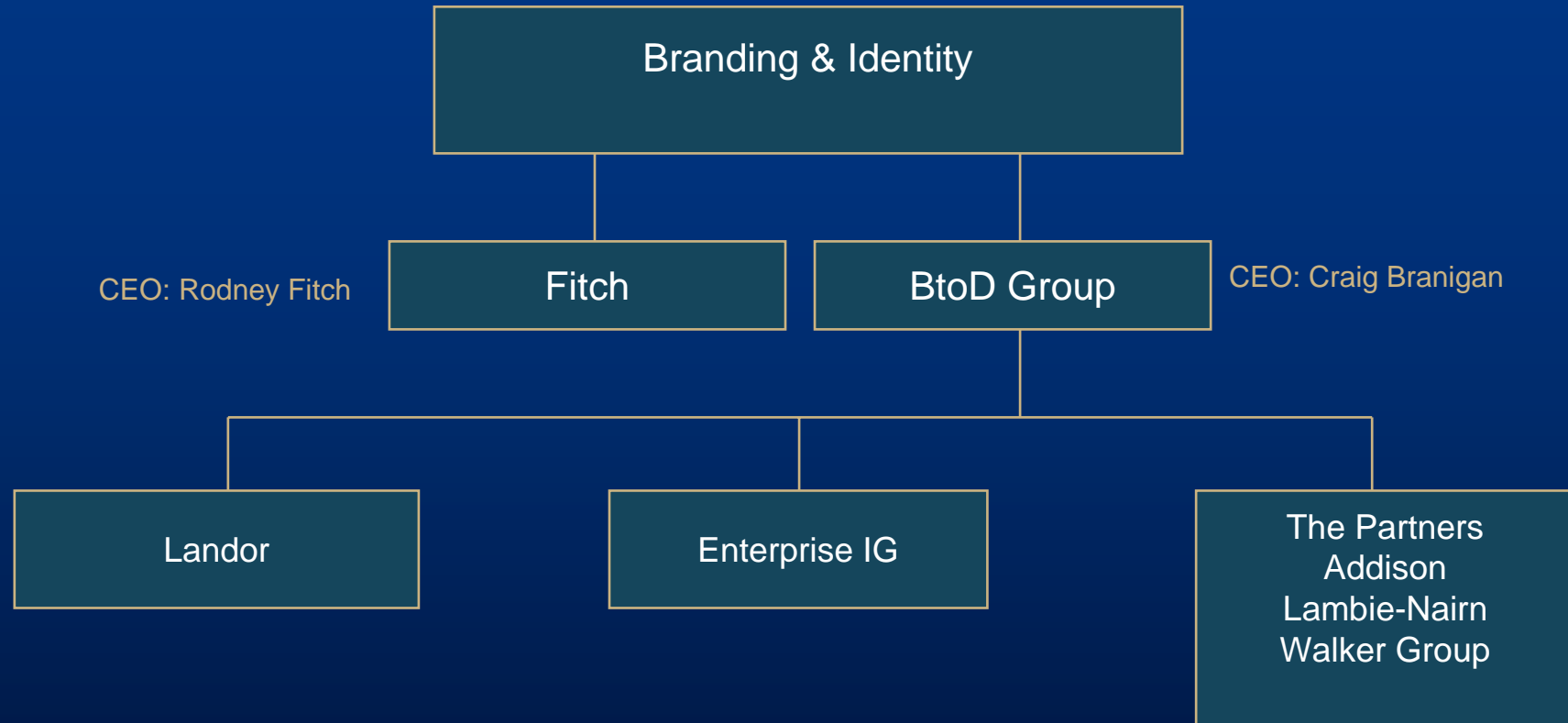
# WPP Today

## Public Relations & Public Affairs - Competitive Worldwide Ranking

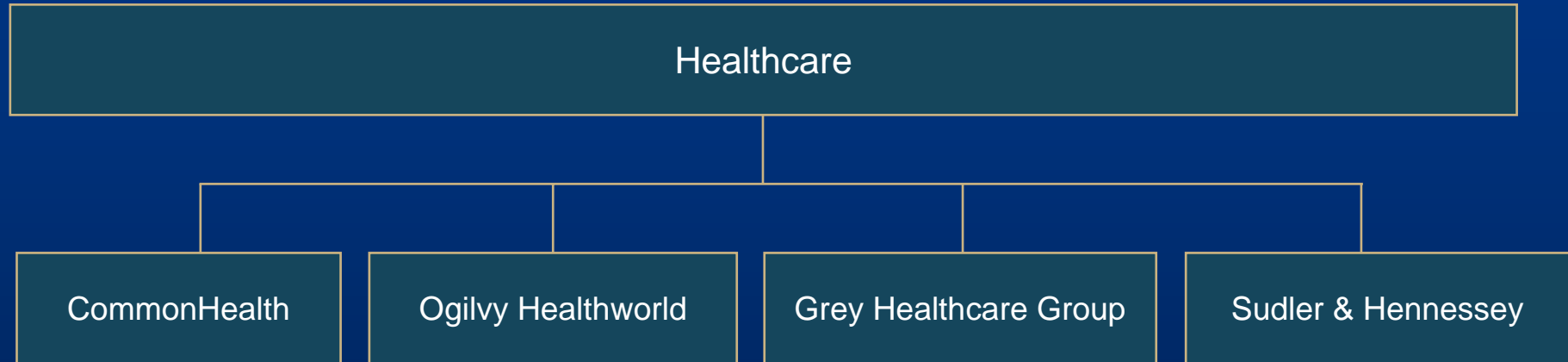
	<u>Worldwide</u>
Hill & Knowlton	3
Burson-Marsteller	4
GCI	9
Ogilvy Public Relations Worldwide	10

Source: Advertising Age, 22 April 2002

# WPP Today

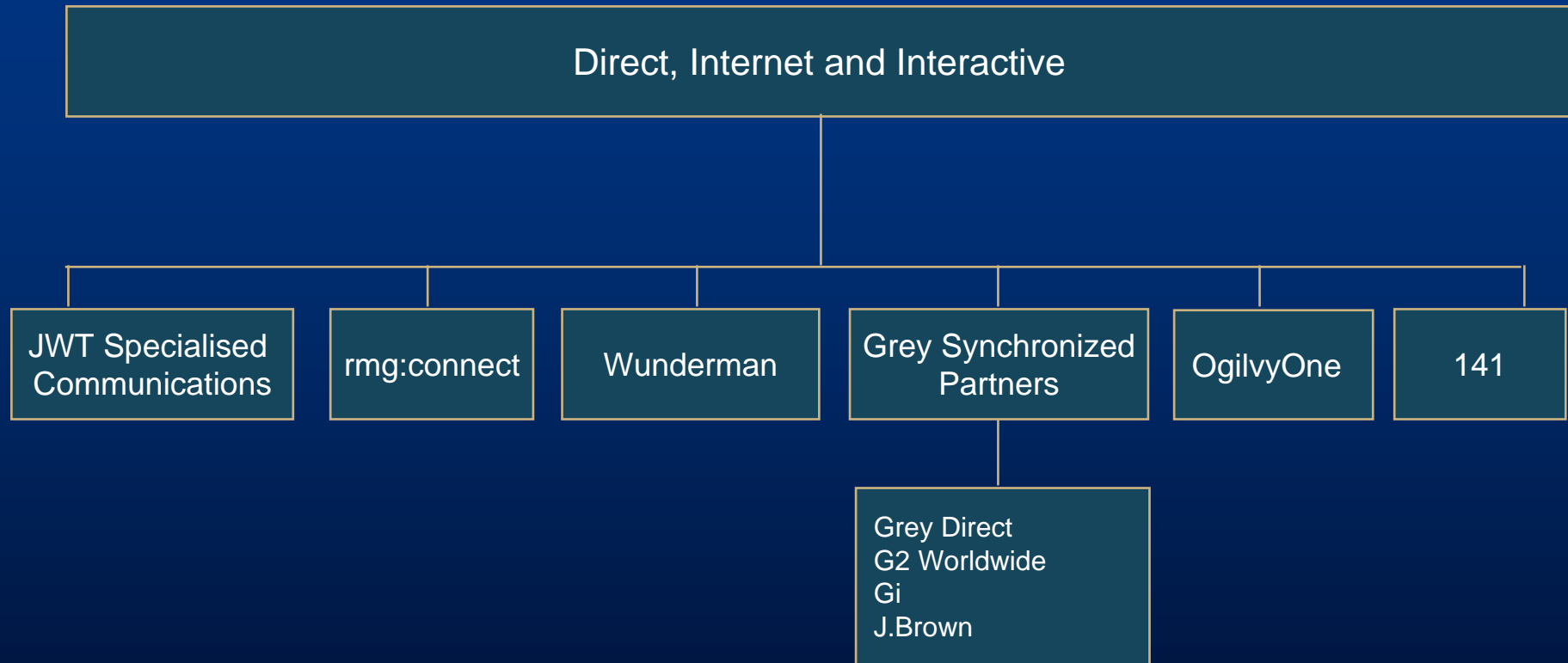


# WPP Today





# WPP Today



# WPP Today

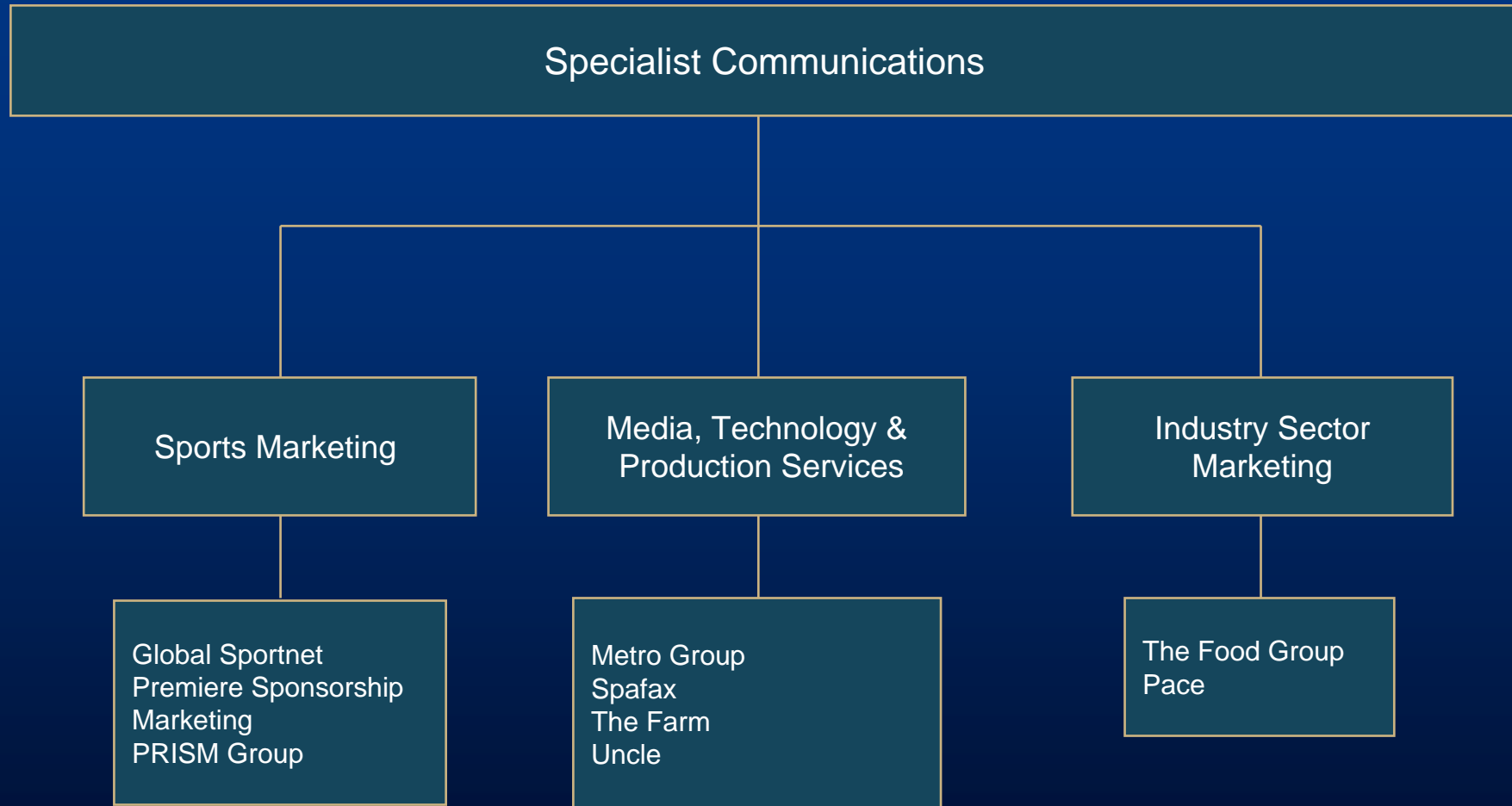


# WPP Today



\* Associate companies

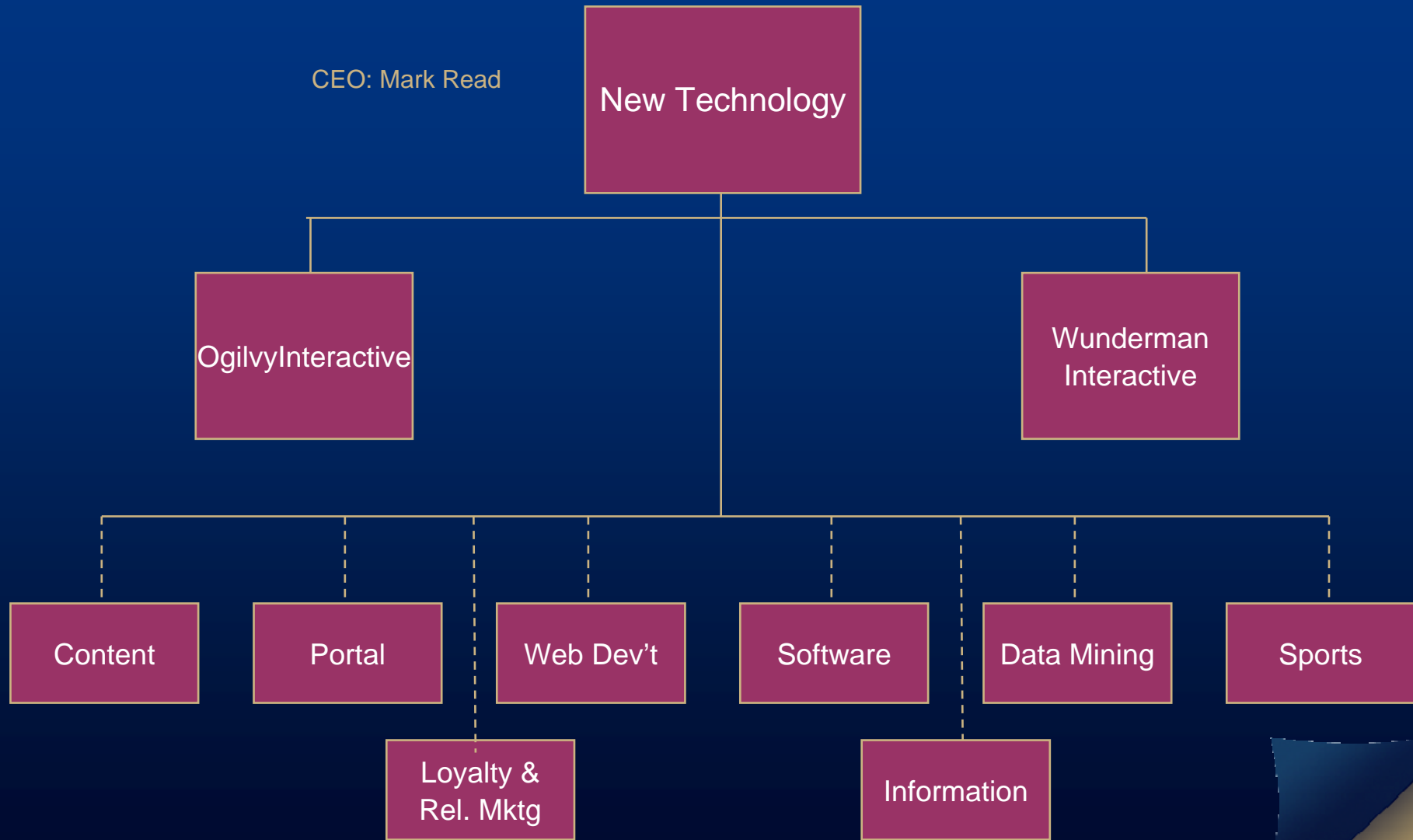
# WPP Today



# WPP Today

## New Technology

CEO: Mark Read



WPP

Results for 2005  
London

February 2006