

WPP

Trading Statement for the First  
Quarter 2007

April 2007

# First Quarter 2007 Summary

- Like-for-like growth was 4.3%, with acquisitions adding 2.0% to give constant currency growth of 6.3%.
- Currency movements, principally the 11% decline in the US dollar against sterling, accounted for a 7.0% difference in revenue, resulting in reported revenues down 0.7%.
- The Group's Gross Margin "GM" (being revenues less direct costs) showed stronger like-for-like growth of 4.6%, principally as a result of more of our Information, Insight & Consultancy business being conducted on the internet resulting in lower revenue and direct costs.
- Geographically, on a like-for-like basis, all regions except the UK showed strong growth.
- By sector, Public Relations & Public Affairs showed strongest constant currency growth of almost 13%, with Branding & Identity, Healthcare & Specialist Communications up over 9%.

# First Quarter 2007

## Summary – Revenue Growth

	%
Like-for-like	4.3
Acquisitions	2.0
Constant currency	<u>6.3</u>
Foreign exchange	(7.0) <sup>1</sup>
Reported	<u>(0.7)</u>

<sup>1</sup> Average US \$/£ exchange rates for Q1 2007 \$1.955, compared to \$1.753 for Q1 2006

# First Quarter 2007 Revenue by Discipline

	Revenue		% Change		
	2007 £m	2006 £m	Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	630.5	644.5	-2.2	4.5	4.0
Information, Insight & Consultancy	204.1	214.0	-4.6	1.4 <sup>1</sup>	0.4 <sup>2</sup>
Public Relations & Public Affairs	147.4	140.6	4.8	12.9	6.4
Branding & Identity, Healthcare and Specialist Communications	384.0	376.7	1.9	9.6	6.1
<b>Total</b>	<b>1,366.0</b>	<b>1,375.8</b>	<b>-0.7</b>	<b>6.3</b>	<b>4.3</b>

<sup>1</sup> Gross Margin growth of 5.5%

<sup>2</sup> Gross Margin growth of 4.3%

# First Quarter 2007

## Advertising, Media Investment Management

- Constant currency revenue growth over 4%. Like-for-like growth 4%.
- This sector performed well with strong organic growth in Media Investment Management.
- On a like-for-like basis the UK, Latin America, Asia Pacific, Africa & Middle East showed above average growth.
- Acquisitions in the USA, Germany, the Netherlands, Russia, Brazil, Colombia and Australia were completed during the quarter.

# First Quarter 2007

## Information, Insight and Consultancy

- Constant currency revenue growth up over 1% (gross margin up 5.5%), with like-for-like growth up 0.4% (gross margin up 4.3%).
- Strong organic growth from Millward Brown, IMRB, Lightspeed, Added Value, Mattson Jack and All Global.
- Above average growth in North America, Latin America, Asia Pacific, Africa & Middle East.
- Acquisitions in the USA and the UK completed during the quarter.

# First Quarter 2007

## Public Relations & Public Affairs

- Constant currency revenue growth almost 13%. Like-for-like growth over 6%.
- Strong performances at Hill & Knowlton, OPR, RLM and Public Strategies.
- Geographically, Continental Europe and Asia Pacific strongest regions.

# First Quarter 2007

## Branding & Identity, Healthcare and Specialist Communications

- Constant currency revenue growth up almost 10%. Like-for-like growth up over 6%.
- Strong organic growth in direct, internet and interactive at Wunderman; and in healthcare at Ogilvy Healthworld.
- Geographically, strong organic growth in Latin America and Asia Pacific.
- Acquisitions in the USA completed during the quarter.



# First Quarter 2007

## Revenue by Region

	Revenue		% Change		
	2007 £m	2006 £m	Reported	Constant Currency	Like-for- like
North America	531.6	560.1	-5.1	6.5	3.9
UK	206.5	202.1	2.2	2.2 <sup>1</sup>	0.7 <sup>2</sup>
Continental Europe	352.5	346.3	1.8	3.5	3.1
Asia Pacific, Latin America, Africa & Middle East	275.4	267.3	3.0	11.7	9.4
<b>Total</b>	<b>1,366.0</b>	<b>1,375.8</b>	<b>-0.7</b>	<b>6.3</b>	<b>4.3</b>

<sup>1</sup> Gross Margin growth of 3.1%

<sup>2</sup> Gross Margin growth of 1.9%

# First Quarter 2007

## Growth by region

- Good growth in all regions other than the UK.
- The USA continues to grow with like-for-like revenues up almost 4%.
- The Middle East continues to be the fastest growing area, with like-for-like revenues up almost 22%.
- Latin America continues the strong growth of 2006, with almost 10% like-for-like growth.
- Asia Pacific remains strong at almost 9%. Like-for-like growth in China and India up 25% and over 16% respectively.
- Western Continental Europe still relatively more difficult, but some improvement, particularly in France, Germany and Italy.

# First Quarter 2007

## Constant Currency Revenue Growth by Country

Revenue Growth	Countries
20%+	Greater China, India
15-20%	Singapore
10-15%	Brazil
5-10%	Belgium, Canada, Germany, Italy, Mexico, Poland, Spain, USA
<5%	Australia, Denmark, France, Norway, Japan, Netherlands, Sweden, UK

# First Quarter 2007

## Constant Currency Revenue Growth by Category

Revenue Growth	Categories
20%+	Entertainment, Retail
10-15%	Drinks, Oil
5-10%	Food, Personal Care & Drugs
<5%	Automotive, Computer, Financial Services, Telecommunications

# First Quarter 2007

## Impact of Currency

- Currency movements accounted for a 7% reduction in revenue, principally reflecting the decline in the US dollar against sterling.
- The average US dollar exchange rate for the First Quarter of 2007 was \$1.955 /£1 compared to \$1.753 for the same period last year, a decline of over 11%. The average euro exchange rate for the First Quarter was €1.492/£1 compared to €1.457 for the First Quarter of 2006, a decline of over 2%.

# First Quarter 2007

## Uses of Cashflow

- Average net debt in the First Quarter up £39 million to £1,029 million, compared to £990 million in 2006, at 2007 exchange rates.
- Net debt at 31 March 2007 was £1,309 million, an increase of £176 million at constant exchange rates.
- Free cash flow in the last 12 months was £817 million. In the same period, cash outflow on capital expenditure, acquisitions, share repurchases and dividends was £741 million.

# First Quarter 2007

## Uses of Cashflow

- 13.95m shares, or over 1% of the share capital, have been purchased in the First Quarter, at an average price of £7.54 per share and a total cost of £105.2m. All of these shares were cancelled.
- As mentioned in the 2006 Preliminary Announcement, the Company decided to increase the target for buy-backs to 4%-5% (£400-500 million) in each of 2007 and 2008, when market conditions are appropriate. We are currently running at an annual rate of over 4%.

# First Quarter 2007

## Major New Business Wins/ Losses

	Agency	Account	Office	Billings (\$m)
<b>WINS</b>	mec	Federated Stores	USA	200
	mec	Energizer	USA	130
	Berlin Cameron United	Heineken	USA	80
	Y&R/ Brand Buzz	Lord & Taylor	USA	50
	Ogilvy	Unilever (Vaseline)	Global	30
	Good Technology	Microsoft Digital <sup>1</sup>	UK	15
	MindShare	Masterfoods	Italy	15
	Ogilvy	Watsons	Asia	15
<b>LOSSES</b>	MindShare	Twentieth Century Fox	USA	500
	mec	United Airlines	USA	100
	MediaCom	DWP	UK	75
	Brand Buzz	Burts Bees	USA	20
	Grey	China Mobile	Asia	20
	JWT	Kraft	USA	20
	Y&R	Powergen	UK	18
	HTW Wunderman	Microsoft Digital <sup>1</sup>	UK	15

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

16 <sup>1</sup> Switch from HTW Wunderman to Good Technology

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# First Quarter 2007

## Net new business wins

US \$ millions	Creative	Media	Total
Advertising	282	484	766
Other Businesses	241		241
<b>Total</b>	<b>523</b>	<b>484</b>	<b>1,007</b>

<sup>1</sup> Estimated billings

# First Quarter 2007 Acquisitions <sup>1</sup>

## Faster Growing Markets

etcO (Brazil)  
Interflow (Pakistan)  
DBA Live (Colombia)  
MindShare Russia  
STW Communications  
Group <sup>2</sup>

## Quantitative and Digital

All Global (UK)  
DataCore (USA)  
Foresight (USA)  
Global Strategies (USA)  
iconmobile (Germany)  
Quisma (Germany)  
Reddion (Netherlands)  
TRU (USA)

*JumpTap (USA) <sup>2</sup>*  
*Media Rights Capital Corp (USA) <sup>2</sup>*  
Video Egg <sup>2</sup> (USA)

<sup>1</sup> Excludes equity step ups

<sup>2</sup> *Investments*

Underlined are acquisitions since 1 April 2007

# First Quarter 2007 Acquisitions <sup>1</sup>

## Advertising and Media Investment Management

Badjar (Australia)

TAPSA (Spain)

Clemmow Hornby Inge (UK)

<sup>1</sup> Excludes equity step ups  
Underlined are acquisitions since 1 April 2007

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