WPP

Interim results for 2003

London & New York

August 2003

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Interim results for 2003

Interim results for 2003

- Reported revenues down 2.5%. On a constant currency basis, revenues up 1.8% reflecting the strengthening of sterling against the US $ partly offset by weakening of sterling against the Euro.
- First half like-for-like revenues flat, July revenue up over 2%.
- Headline PBIT* down almost 8% from £253.9m to £234.1m.
- Margins pre-goodwill and impairment down 0.7 margin points to 12.3% from 13.0%.

* Headline PBIT: Profit before interest, taxation, goodwill amortisation and impairment

Interim results for 2003

- Headline PBT* down 4.7% to £202.9m from £212.9m.
- Diluted headline EPS down 4.5% to 12.8p from 13.4p.
- Interim dividend up 20% to 2.08p per share.
- 5.6 million shares repurchased at a cost of £20.2m and acquisition payments, including earnout payments and loan note redemptions of £147m.
- New business billings of £1.335 billion ($2.135 billion). Ranked No.1 for net new business gains in the Lehman Brothers and William Blair & company surveys for the first six months of 2003.

* Headline PBT: Profit before goodwill amortisation and impairment and FRS 17 interest

Interim results for 2003

Unaudited Reported Income Statement

	Six months to June 2003 £m	Six months to June 2002 £m	Change %	Constant Currency %
Revenue	1,910.8	1,959.8	-2.5	+1.8
Operating Profit before Goodwill and impairment	218.3	238.1	-8.3	-5.8
Goodwill and Impairment charges	(43.5)	(36.7)	-18.5	-17.5
Operating Profit	174.8	201.4	-13.2	-10.3
Income from associates	15.8	15.8	-	+3.6
PBIT	**190.6**	**217.2**	-12.2	-9.3
Interest and similar charges	(37.0)	(43.5)	+14.9	+9.6
Profit before tax	**153.6**	**173.7**	-11.6	-9.2
Tax at 25% of Headline PBT (2002 25%)	(51.7)	(53.4)	+3.2	+3.4
Profit after tax	**101.9**	**120.3**	-15.3	-12.0
Headline diluted earnings per share	12.8p	13.4p	-4.5	
Margin pre-goodwill and impairment	12.3%	13.0%	-0.7*	

* margin points

Interim results for 2003

Unaudited Headline[1] Income Statement

	Six months to 30 June 2003 £m	2002 £m	Change %	Constant Currency %
Revenue	1,910.8	1,959.8	-2.5	+1.8
Operating Profit pre-goodwill & impairment	**218.3**	**238.1**	-8.3	-5.8
Income from associates	15.8	15.8	-	+3.6
Headline PBIT	**234.1**	**253.9**	-7.8	-5.2
Interest and similar charges	(31.2)	(41.0)	+23.9	+19.0
Headline Profit before tax	**202.9**	**212.9**	-4.7	-2.5
Tax at 25% of Headline PBT (2002 25%)	(51.7)	(53.4)	+3.2	+3.4
Headline Profit after tax	**151.2**	**159.5**	-5.2	-2.3
Headline diluted EPS	12.8p	13.4p	-4.5	
Operating margin pre-goodwill & impairment	12.3%	13.0%	-0.7*	

[1] Figures stated before goodwill and impairment, fixed asset gains, investment write-downs and FRS 17 interest

* margin points

Interim results for 2003

Revenue by Discipline

	Revenue 2003 £m	Revenue 2002 £m	% Change	% Change, Constant currency
Advertising, Media Investment Management	886.8	896.0	-1.0	3.7
Information, Insight and Consultancy	334.0	331.0	0.9	3.6
Public Relations & Public Affairs	212.9	232.9	-8.6	-2.9
Branding & Identity, Healthcare & Specialist Communications	477.1	499.9	-4.6	-0.6
Total	**1,910.8**	**1,959.8**	**-2.5**	**1.8**

Interim results for 2003

Revenue by Region

	Revenue 2003 £m	Revenue 2002 £m	% Change	% Change, constant currency
North America	819.3	890.1	-8.0	2.2
UK	306.5	312.2	-1.8	-1.8
Continental Europe	496.8	444.2	11.8	2.7
Asia Pacific, Latin America, Africa & Middle East	288.2	313.3	-8.0	3.1
Total	**1,910.8**	**1,959.8**	**-2.5**	**1.8**

Interim results for 2003

Operating Profit and Operating Margin by Discipline

	Operating profit *		Operating margin	
	2003	2002	2003	2002
	£m	£m	%	%
Advertising, Media Investment Management	126.3	140.3	14.2	15.7
Information, Insight & Consultancy	23.8	26.0	7.1	7.9
Public Relations & Public Affairs	28.1	27.8	13.2	11.9
Branding & Identity, Healthcare & Specialist Communications	55.9	59.8	11.7	11.9
Total	**234.1**	**253.9**	**12.3**	**13.0**

* Operating profit includes income from associates but excludes goodwill and impairment

Interim results for 2003

Operating Profit and Operating Margin by Region

	Operating profit * 2003 £m	Operating profit * 2002 £m	Operating margin 2003 %	Operating margin 2002 %
North America	127.8	143.1	15.6	16.1
UK	31.4	39.1	10.2	12.5
Continental Europe	49.2	41.9	9.9	9.4
Asia Pacific, Latin America, Africa & Middle East	25.7	29.8	8.9	9.5
Total	**234.1**	**253.9**	**12.3**	**13.0**

* Operating profit includes income from associates and excludes goodwill and impairment

Interim results for 2003

Revenue Growth by Country

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

* Constant currency

Interim results for 2003

Revenue Growth by Category

Revenue Growth*	Categories
15%+	Computer, Electrical
10 - 15%	Luxury Goods, Personal Care & Drugs,
5 - 10%	Financial Services, Food,
> 5%	Automotive, Drinks, Oil, Retail, Telecommunications

* Constant currency

Effects of Strength of Sterling

Impact on results

- Sterling strengthened against North America, Asia Pacific and Latin American currencies partly offset by the weakening of £ against the euro.
- Impact of strength of Sterling reduced revenue by over 4%, from +1.8% constant currency to -2.5% on a reportable basis.
- Headline PBT[1] of £203m would have been £207m had Sterling remained at H1 2002 levels.

[1] Figures stated before goodwill and impairment, fixed asset gains, investment write-downs and FRS 17 interest

Interim results for 2003

Cash Flow

	2003 £m	2002 £m
Operating profit	175	201
Depreciation, amortisation & impairment	96	96
Interest paid	(48)	(49)
Tax paid	(43)	(44)
Capital expenditure	(33)	(34)
Other cash inflows	17	30
Free cash flow	**164**	**200**

Interim results for 2003

Uses of Cash Flow

	2003 £m	2002 £m
Free cash flow	**164**	**200**
Acquisition and earnout payments		
– Initial Payments	(95)	(56)
– Earnout payments	(45)	(45)
– Loan note redemption	(7)	(45)
	(147)	(146)
Share repurchases	(23)	(68)
Net cash outflow	**(6)**	**(14)**

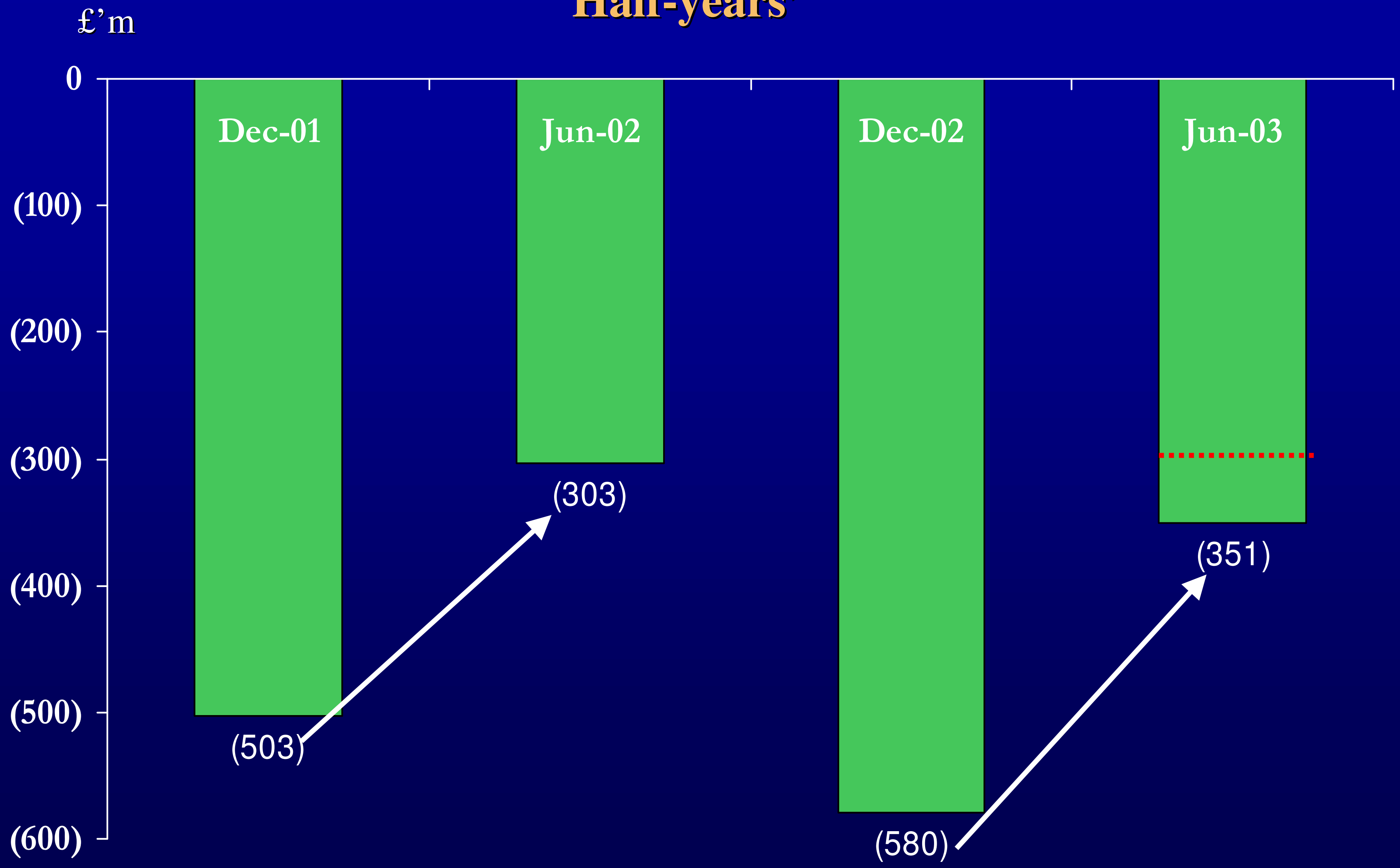
Net debt levels at 30 June 2003 were impacted by the partial purchase of Cordiant debt of £177m less the share placing of £100m

Cash Impact of Cordiant Acquisition

	£'m
Purchase of Cordiant	(256)
Disposals of Scholz & Friends, Financial Dynamics, George Patterson Bates	85
Disposal of 25% of ZenithOptimedia	75
Surplus Cash on Balance Sheet*	21
Current Cash Cost	(75)
Additional liabilities and costs previously provided by Cordiant	(77)
Estimated Total Cost	**(152)**

Some advisors fees and earnout obligations were settled prior to completion of the acquisition

Net Working Capital
Half-years'



Interim Results for 2003

Major New Business Wins/Losses

WINS

Agency	Account	Office	Billings ($m)
Y&R Group	Burger King	USA	345
Berlin Cameron/Red Cell	Coca-Cola Classic	USA	250
Ogilvy	Cisco	Worldwide	150
MindShare	Nextel	USA	150
Y&R Group	Chevron Texaco	USA	95
Y&R Advertising	Ford (Lincoln)	USA	60
Mediaedge:cia	Novell	Worldwide	50
Ogilvy	Chemistry Council	USA	50
MindShare	Abbey National	UK	50
JWT	OfficeMax	USA	40
JWT	Vodafone	UK	38
JWT	Golden Wonder	UK	38
JWT	McLeod	USA	35
Y&R Advertising	Carlsberg	Worldwide	30

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

Interim Results for 2003

Major New Business Wins/Losses

	Agency	Account	Office	Billings ($m)
	JWT	Pepsi China	China	45
LOSSES	Ogilvy	DHL	Germany	30
	Y&R Advertising	Aeromexico	Mexico	30

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

Interim results for 2003

Net new business wins in the first six months of 2003*

US$ Millions	Creative	Media	Total
Advertising, Media Investment Management	612	1,091	1,703
Other Businesses	432	-	432
Total	1,044	1,091	2,135

* Billings

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2 Strategy

Threats and Opportunities

Threats

- Business-to business recession
- Strong consumer and government spending
- Low inflation, limited price flexibility
- Zero-coupon financing and discounting
- Increasing retail concentration
- Procurement pressure and account consolidation
- Increasing media ownership concentration

BUT……….

Threats and Opportunities
Opportunities

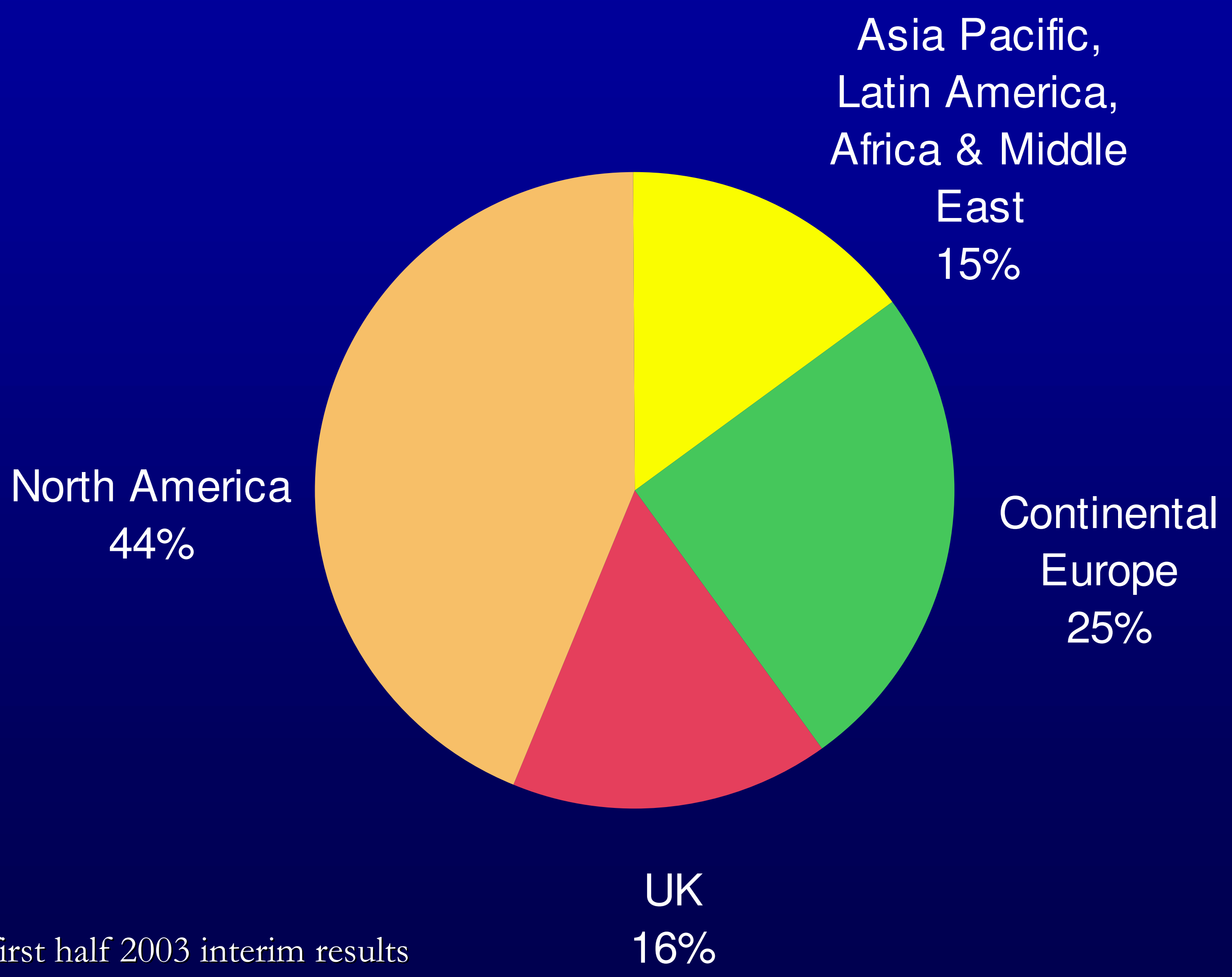
- Margins, profits and liquidity improving
- Three years of cost cutting with some up-tick in merger and acquisition activity
- 2004 quadrennial factors
    - US Presidential Election
    - Olympic Games
    - European Football Championships
    - US political spending
- Increased outsourcing opportunities

Key Strategic Priorities

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

Strategy, Structure and Competitive Position

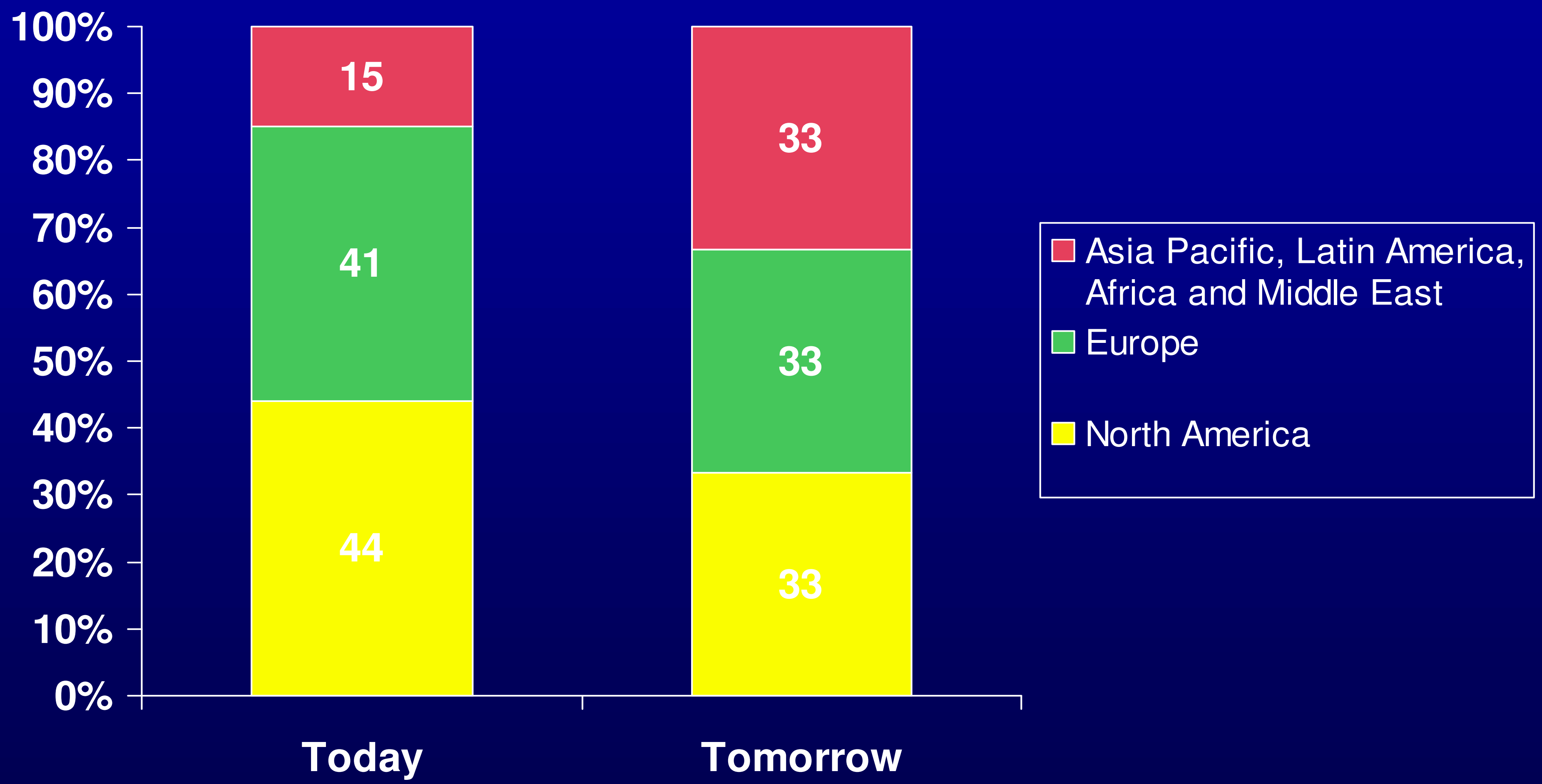
WPP by Geography



Based on first half 2003 interim results

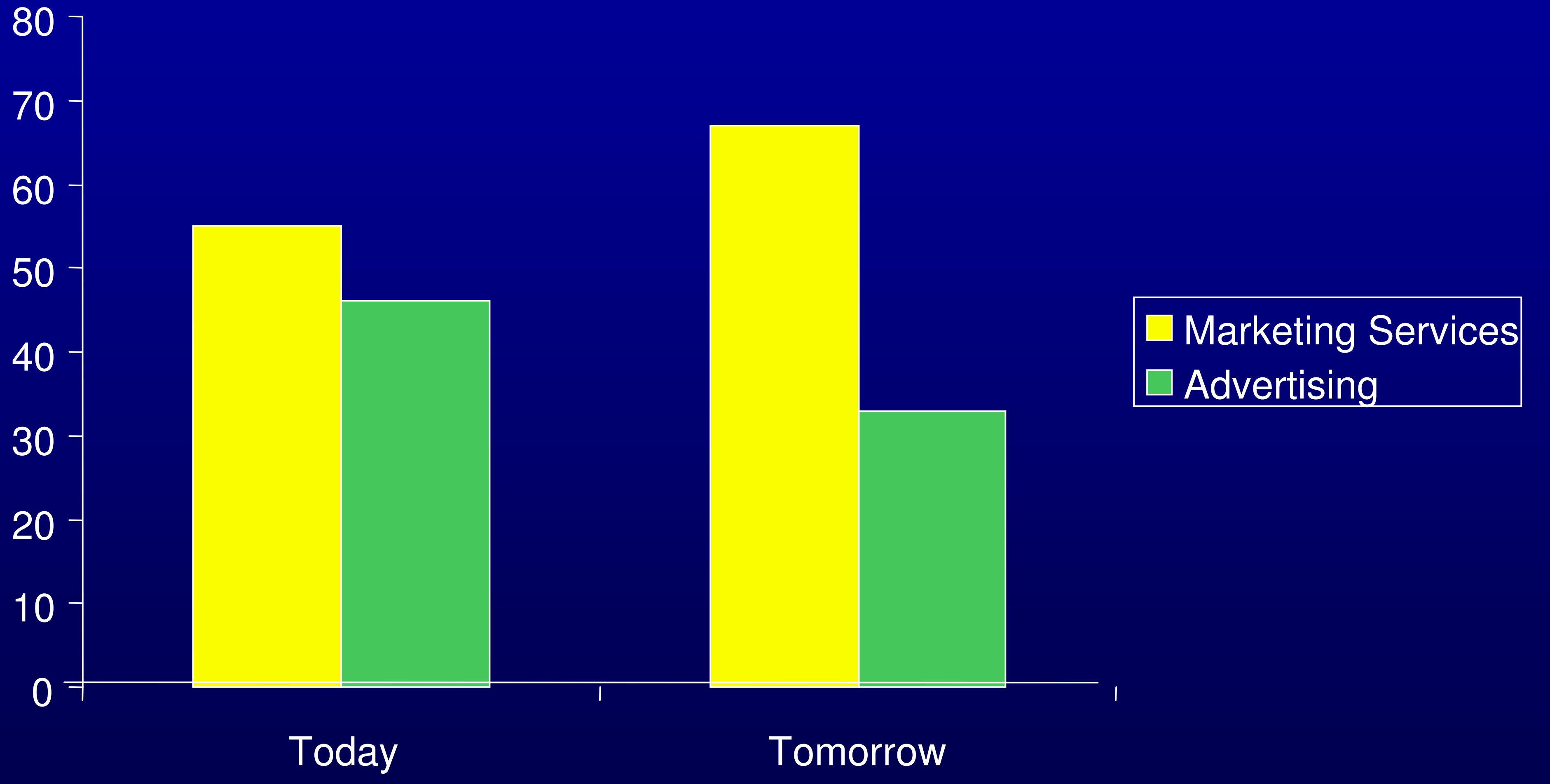
Strategic Priorities

Revenue by region (%) - tomorrow



Strategic Priorities

Revenue by discipline (%) - tomorrow



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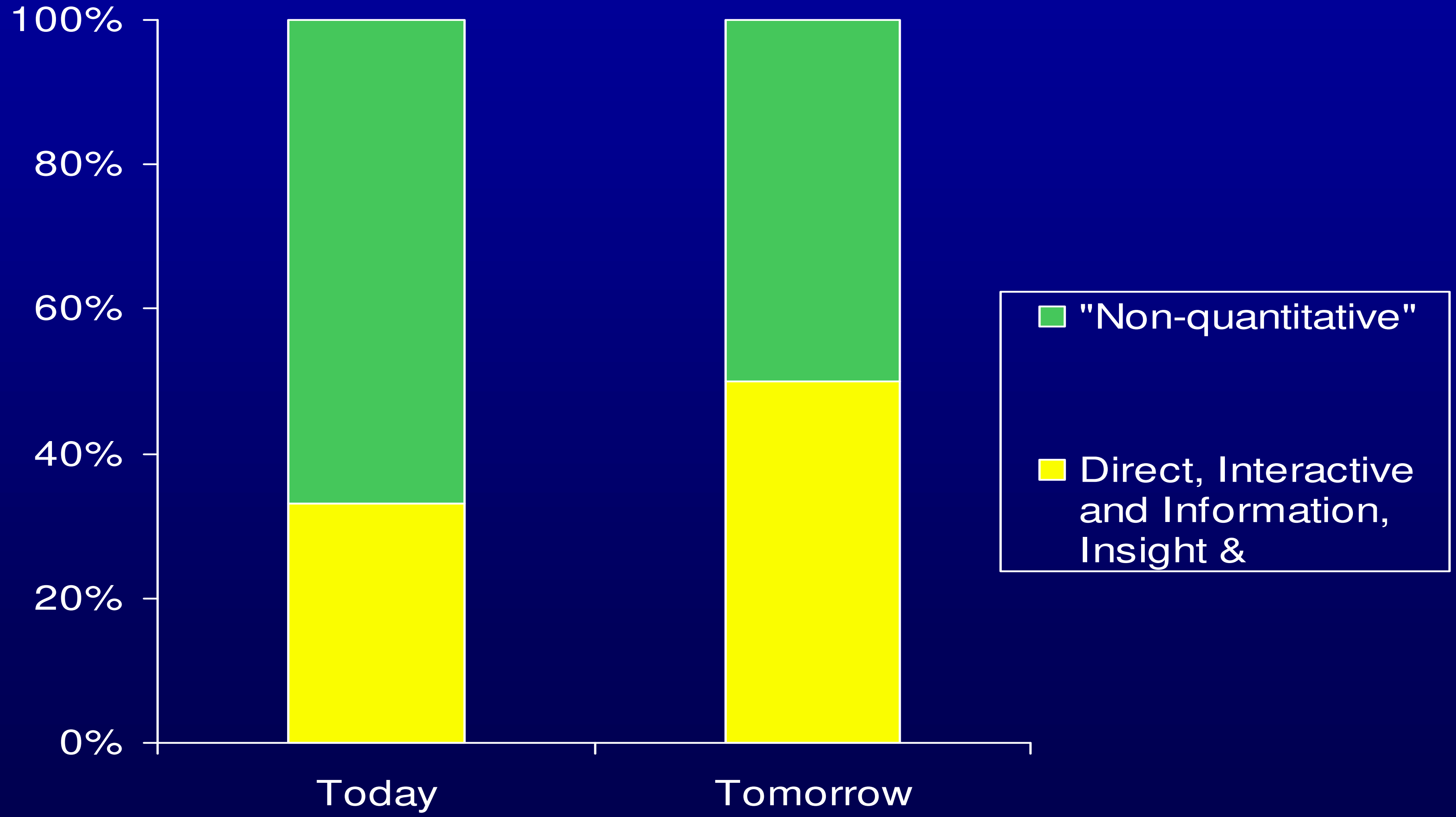
Strategic Priorities

Quantitative Aids To Decision Making (%) - tomorrow



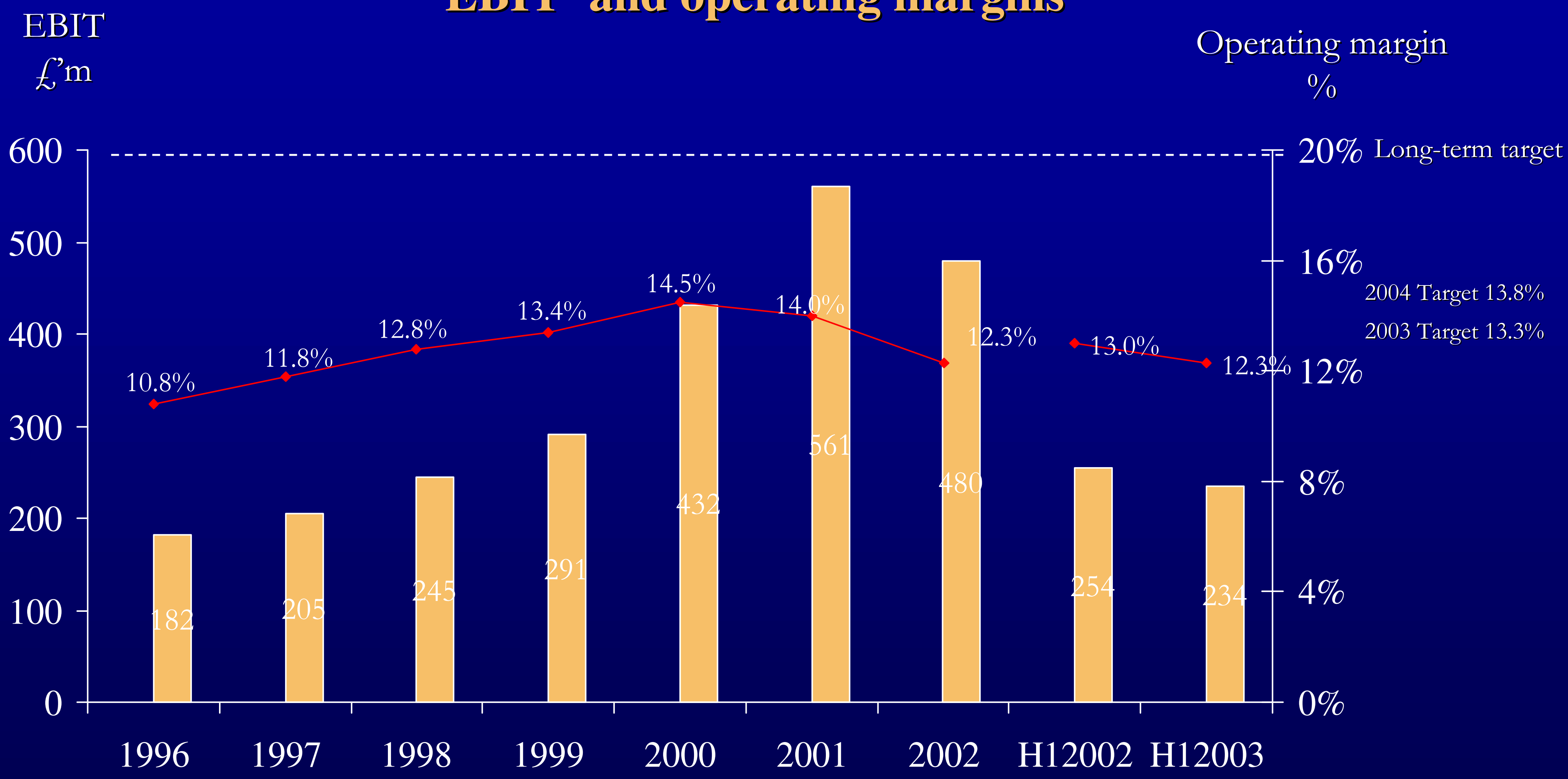
Future Priorities

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 return on capital
- 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

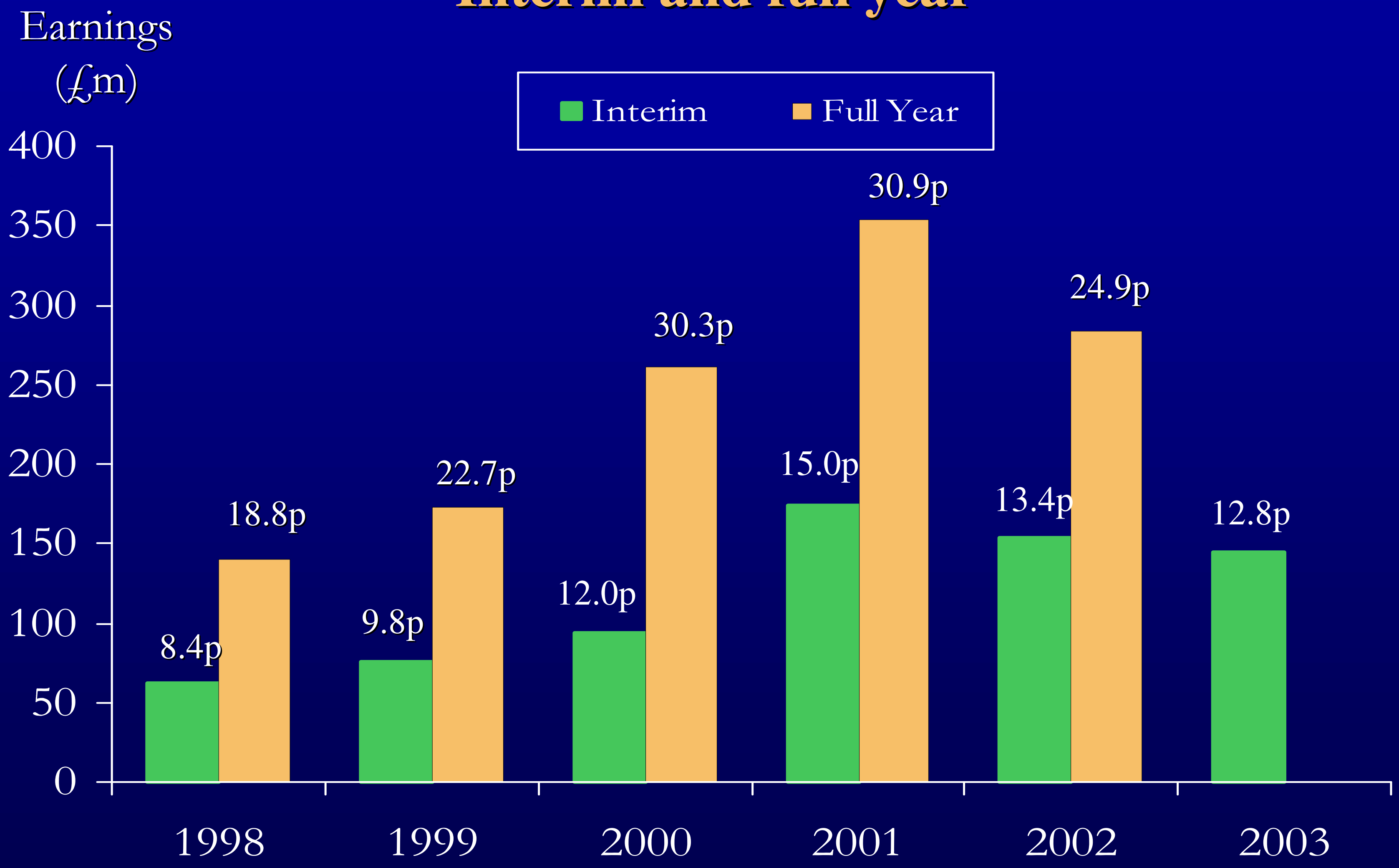
EBIT[1] and operating margins



1. 2001-2003 EBIT excludes goodwill, impairment and investment gains and write-downs

Earnings[1] and EPS[1] 1998 - 2003

Interim and full year



[1] Diluted Earnings and Diluted Headline EPS

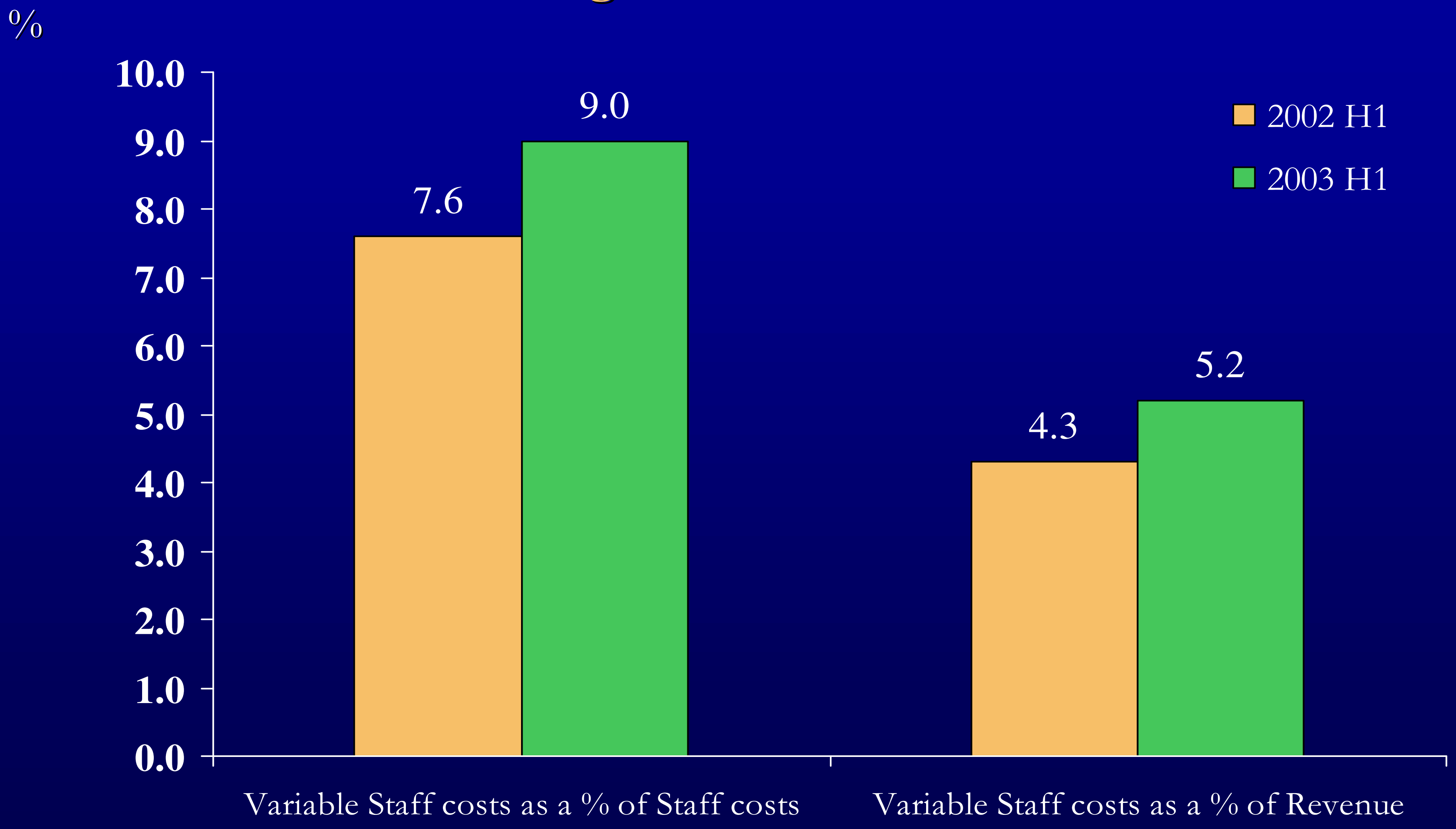
Increasing flexibility in the cost base

- 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



Using Free Cashflow to Enhance Share Owner Value

Dividends and share purchases

- 2003 interim dividend raised by 20% to 2.08p per share

	Shares	Amount	% of Share Base
1998	5.7m	£ 54.6m	0.8%
1999	3.3m	£ 17.9m	0.5%
2000	9.4m	£ 94.1m	1.1%
2001	3.8m	£ 103.3m	0.9%
2002	12.75m	£ 75.9m	1.2%
2003	6.1m	£ 22.3m	0.6%

- Share purchase programme will continue in 2003 and the Group will allocate up to £100-150m for these purposes equivalent to 1.5%-2% of the outstanding share capital

Using Free Cashflow to Enhance Share Owner Value
Acquisitions

- Continued focus on strategic acquisitions - a number completed so far this year
- Major focus continues to be on Information, insight and consultancy and the faster growing sectors within Branding and identity, healthcare and specialist communications
- Acquisitions in advertising used to address specific client or local agency needs
- Continue to find attractive opportunities particularly outside the US

Acquisitions

Advertising and media investment management

Ogilvy

Saltiveri & Associados (Ecuador)

Shanghai Advertising (China)

LG Ad (South Korea)

Y&R

Guye & Benker (Switzerland)

LG Ad (South Korea)

Goldsack Harris Partnership (New Zealand)

Red Cell

HHCL (UK)

J. Walter Thompson

Fudge House (Australia) - increased stake

Promotions Italia (Italy) - increased stake

mediaedge:cia

Media Club (Italy)

Concept Media (Germany) - increased stake

The Leverage Group (USA)

Acquisitions

Information and consultancy

Millward Brown
Sadek Wynberg (UK)

Kantar
Mattson Jack (USA)

Kantar Media Research
Marktest (Portugal)

Added Value
Planners (Spain) - increased stake

Acquisitions

Public relations and public affairs

H&K Sweden - increased stake

Specialist communications

Health Answers (USA)

Mediapro (Spain)

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

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, interactive, Hi-tech, retail, healthcare, etc.
  - Taking advantage of consolidation trends to gain market share

Improving the creative capabilities and reputation of all our businesses

- By placing greater emphasis on recruitment
- By recognising creative success tangibly and intangibly
- By acquiring highly regarded creative businesses
- By placing greater emphasis on rewards

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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 and return on capital employed
- In the long term the Group will be concentrating its position in the highest growth functional and geographic sectors and improving the effectiveness of its cost structure
- Changed emphasis to focus on free cashflow after acquisition payments and share repurchases.

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