

WPP

Annual General Meeting

28 June 2004



Philip Lader

Chairman

WPP

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Sir Martin Sorrell

Chief Executive

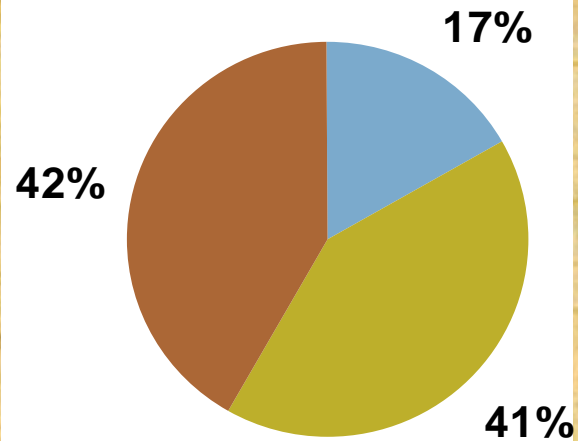
WPP Future Priorities

Strategic Priorities

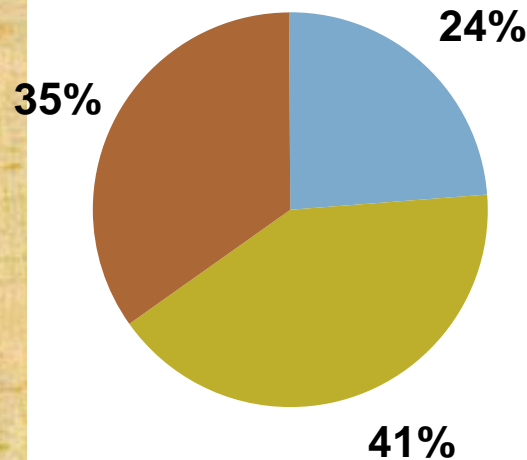
- **Short-term; capitalise on 2004 growth opportunities**
- **Medium-term; continue to successfully integrate Y&R Brands, Tempus and Cordiant**
- **Long-term; develop our businesses in the faster growing geographic regions and functional areas**

Strategy, Structure and Competitive Position

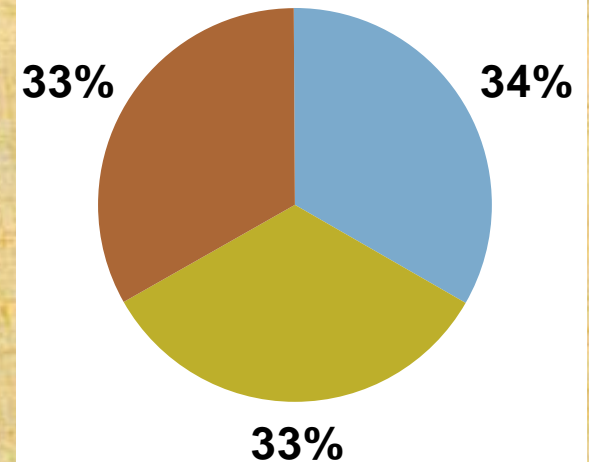
WPP Today



**WPP Today
incl. associates**



**WPP Tomorrow
incl. associates**



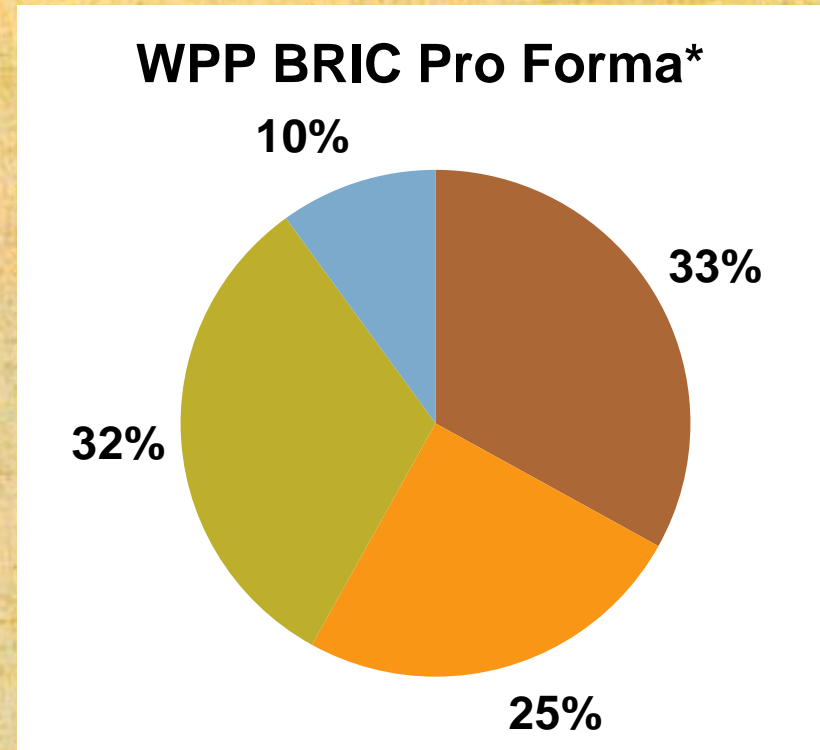
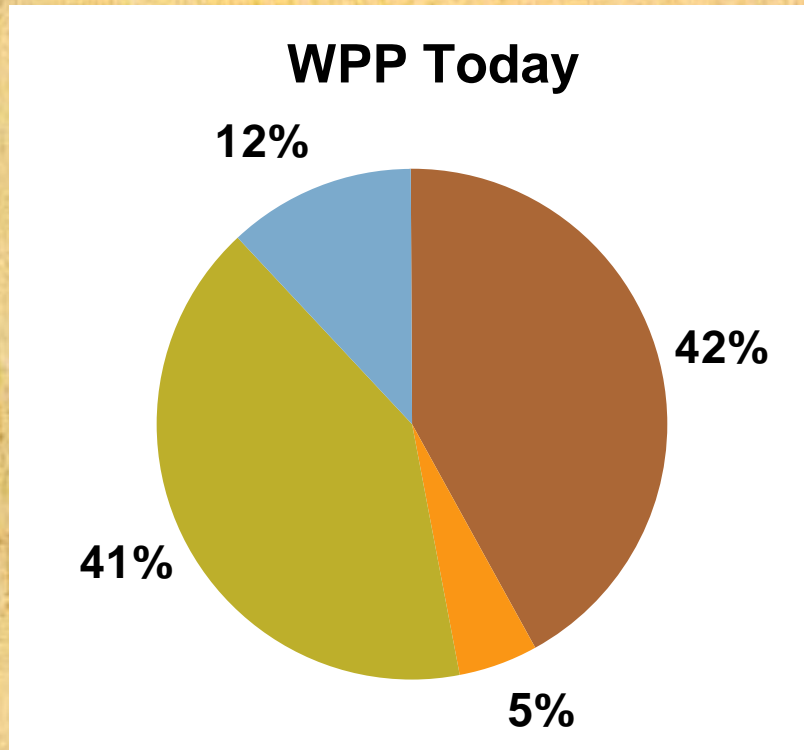
-  North America
-  Europe
-  Asia Pacific, Latin America, Africa & Middle East

Strategy, Structure and Competitive Position

- **Brazil, Russia, India and Greater China (BRIC) account for approximately 5% of WPP revenue today**
- **According to Goldman Sachs research, *Dreaming with BRICs**, these countries will grow at a 10.4% CAGR through 2015**
- **According to Zenith, ad spending as a % of GDP for BRIC was 0.5% in 2001 compared to mature markets where it is 1.5% to 2%**
- **If GDP grows in line with Goldman Sachs estimates, and advertising spending as a proportion of GDP equals that of mature markets, BRICs alone would represent approximately 25% of WPP revenue by 2015**

* Wilson, Dominic and Purushothaman, Roopa. 1 October 2003. *Dreaming with BRICs: The Path to 2050*. Goldman Sachs Global Economics Paper No: 99: page 9

Strategy, Structure and Competitive Position



■ North America

■ Europe excluding Russia

■ Asia Pacific, Latin America, Africa & Middle East**

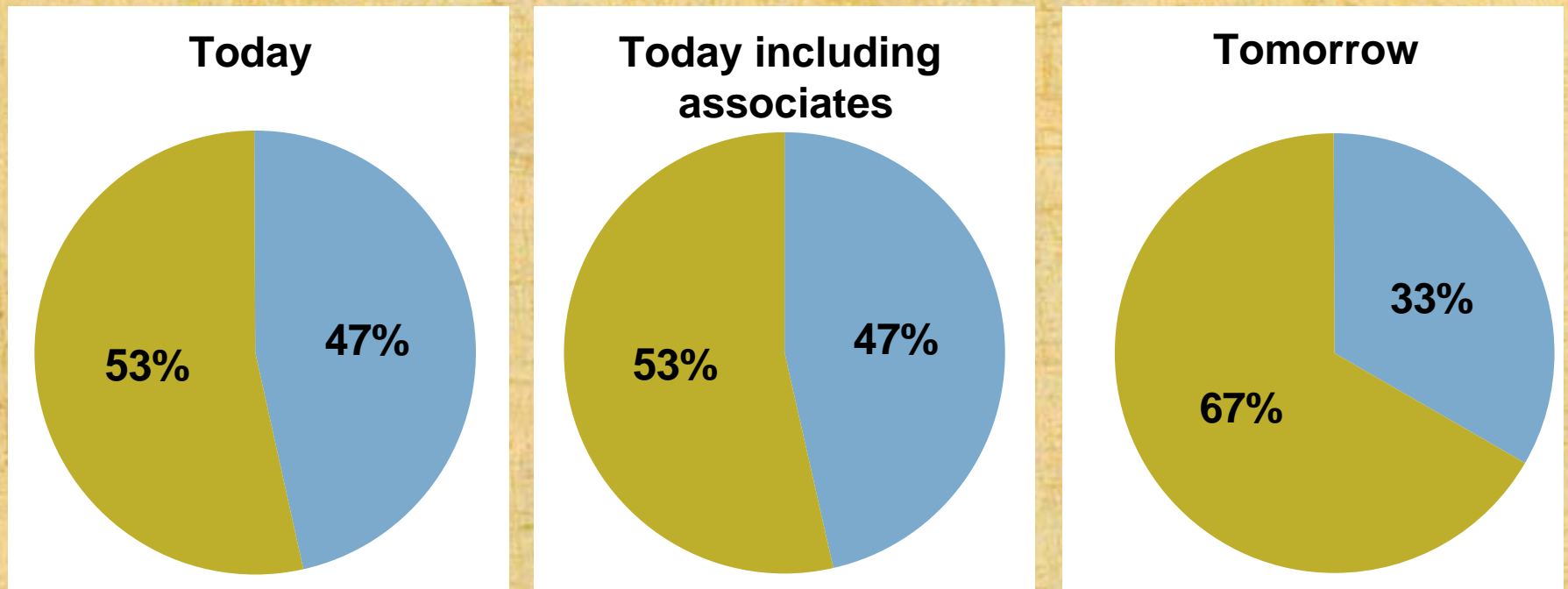
■ BRIC

* Illustrative purposes only to isolate the effect of BRIC growing faster than the other regions

** Asia Pacific, Latin America, Africa & Middle East excluding Brazil, India and Greater China

Strategic Priorities

Revenue by discipline (%)

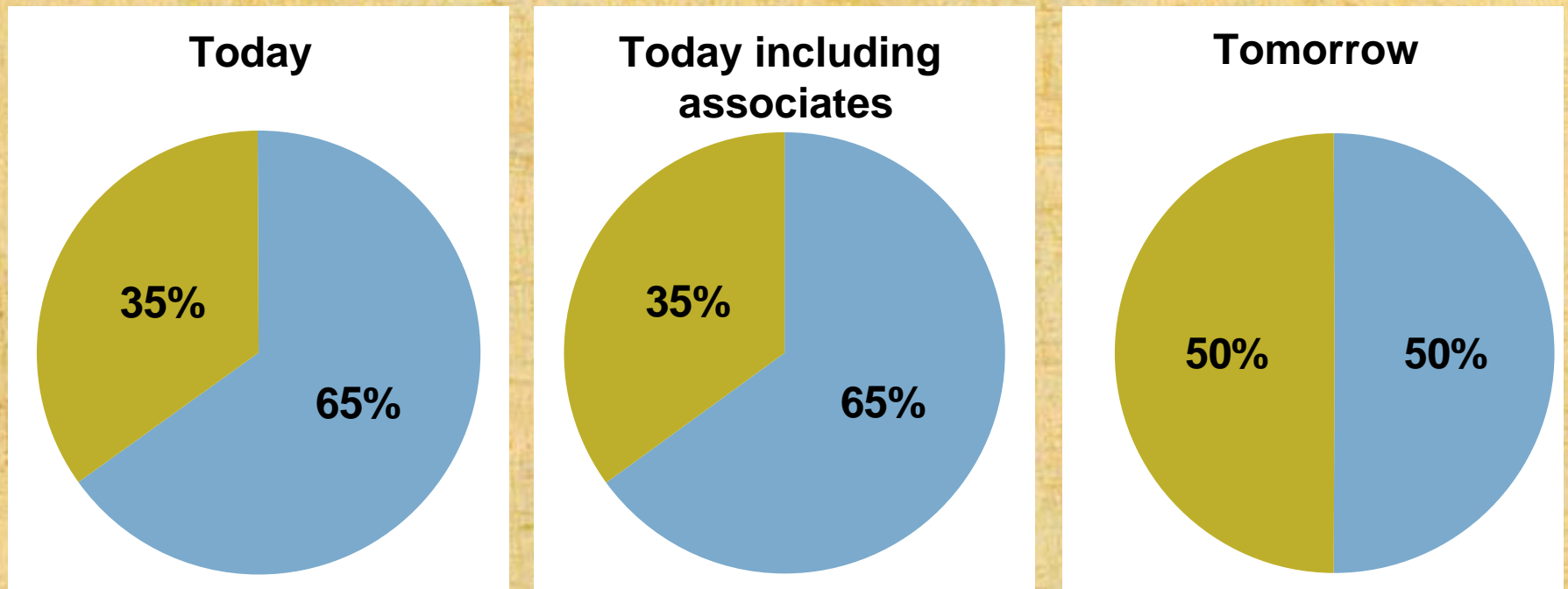




■ Advertising & Media Investment Management

■ Marketing Services

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Quantitative aids to decision making (%)



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

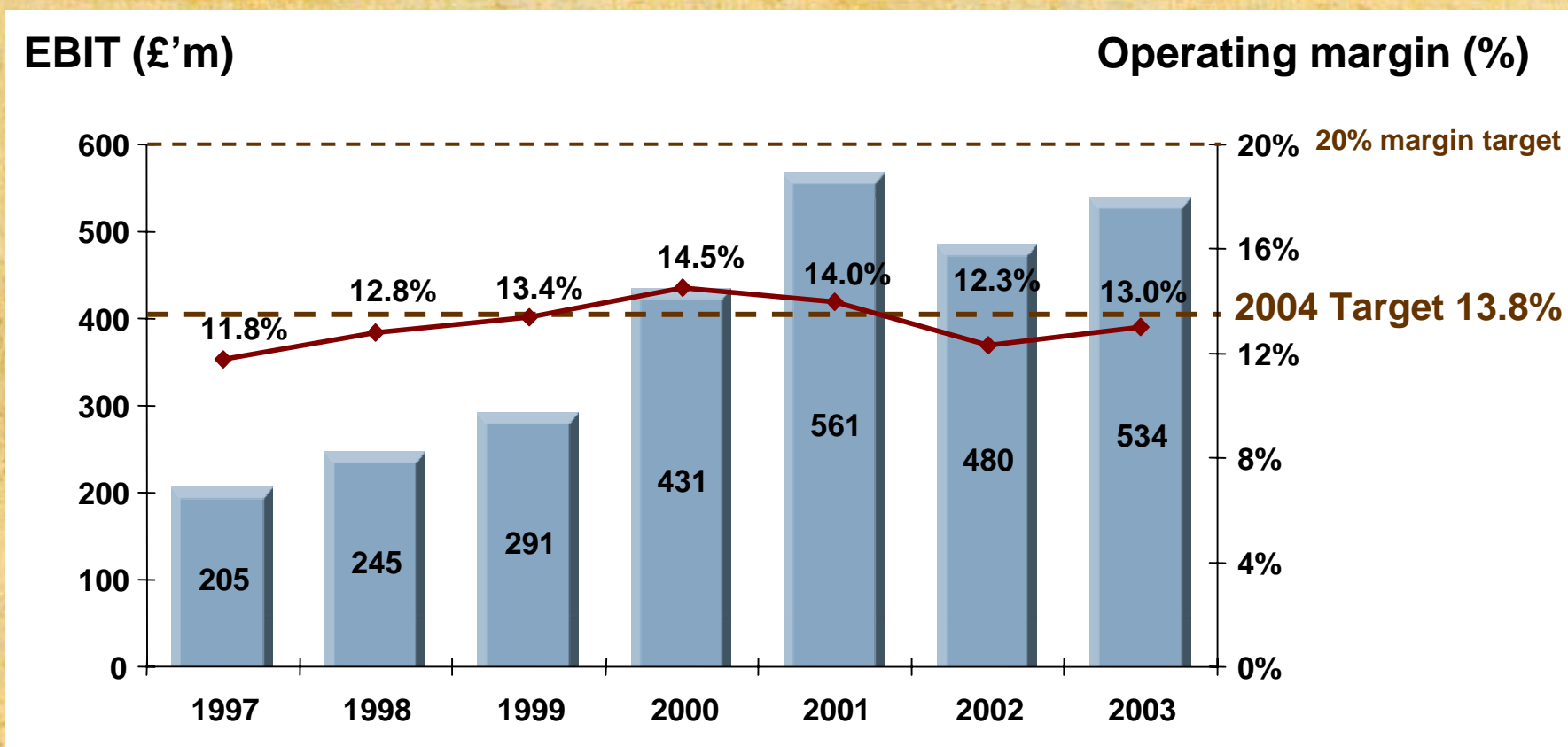
Strategy

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 improving return on capital employed**
- Developing the role of the parent company**
- Emphasising revenue growth more as margins improve**
- Improving creative capabilities and reputation of all our businesses**

Strategy

Historic financial record – EBIT* and operating margins



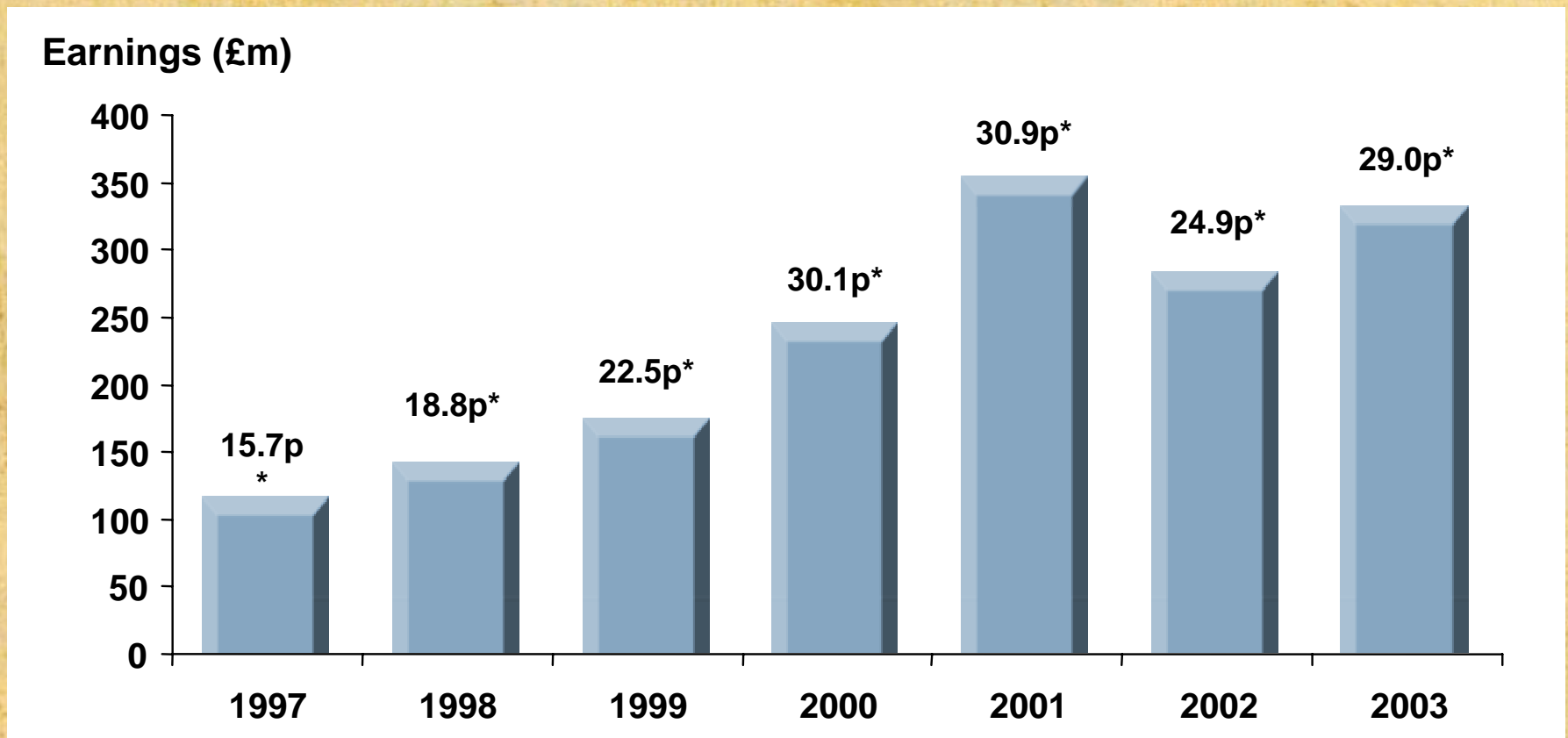
* 2001, 2002 and 2003 EBIT excludes goodwill and impairment, fixed asset gains and investment write-downs

Financial Model

- **Organic revenue growth 0-5%**
- **Margin growth in line with objectives**
- **Operating profit growth of 5-10%**
- **Incremental profit growth from acquisitions of up to 5%**
- **Overall growth in EPS of 10-15%**

Historic financial record

Earnings and EPS* 1997-2003



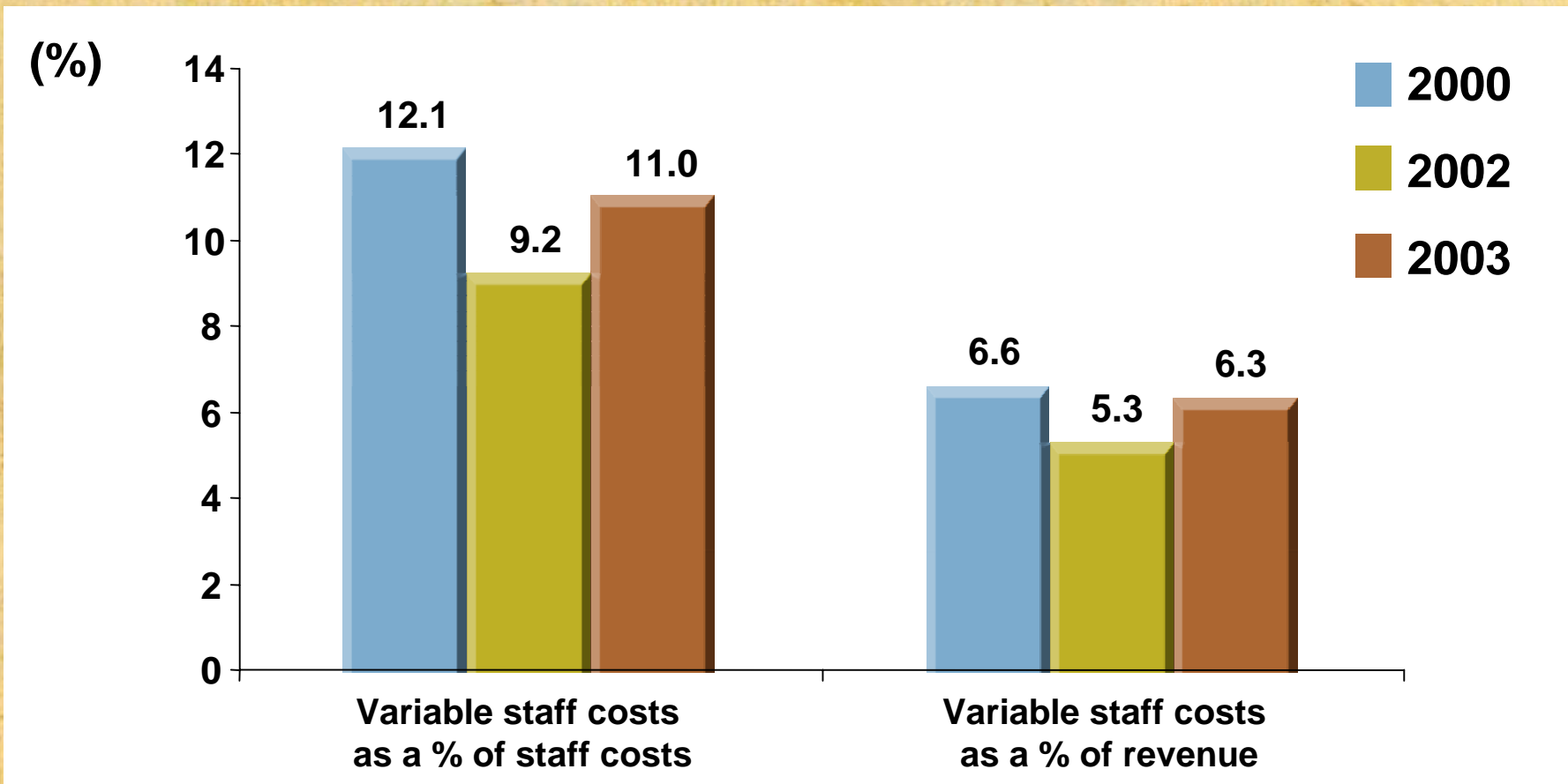
* Diluted EPS (2000 and 2001 restated to exclude goodwill and impairment, fixed asset gains, investment write-downs and FRS 17 interest)

Increasing flexibility in the cost base

- 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 staff costs



Using Free Cashflow to Enhance Share Owner Value

Acquisitions

- **Cordiant acquired with effect from 1 August 2003**
- **Continued focus on small strategic acquisitions
- a number completed during the first five months**
- **Major focus continues to be on Information, Insight & 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 US**

Using Free Cashflow to Enhance Share Owner Value

Dividends and share purchases

- 2003 dividend raised by 20% to 6.48p per share
- Share repurchases and buy-backs

	<u>Shares</u>	<u>Amount</u>	<u>% of Share Base</u>
1997	7.2m	£ 31.2m	1.0%
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	1.2%
2002	12.8m	£ 76.0m	1.1%
2003	6.3m	£ 23.1m	0.5%
2004 (to date)*	12.2m	£ 67.6m	1.0%

- 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

* 12.175 million shares purchased to date, at a cost of £67.6m (average £5.55 per share).

Strategy

Emphasise revenue growth more as margins improve

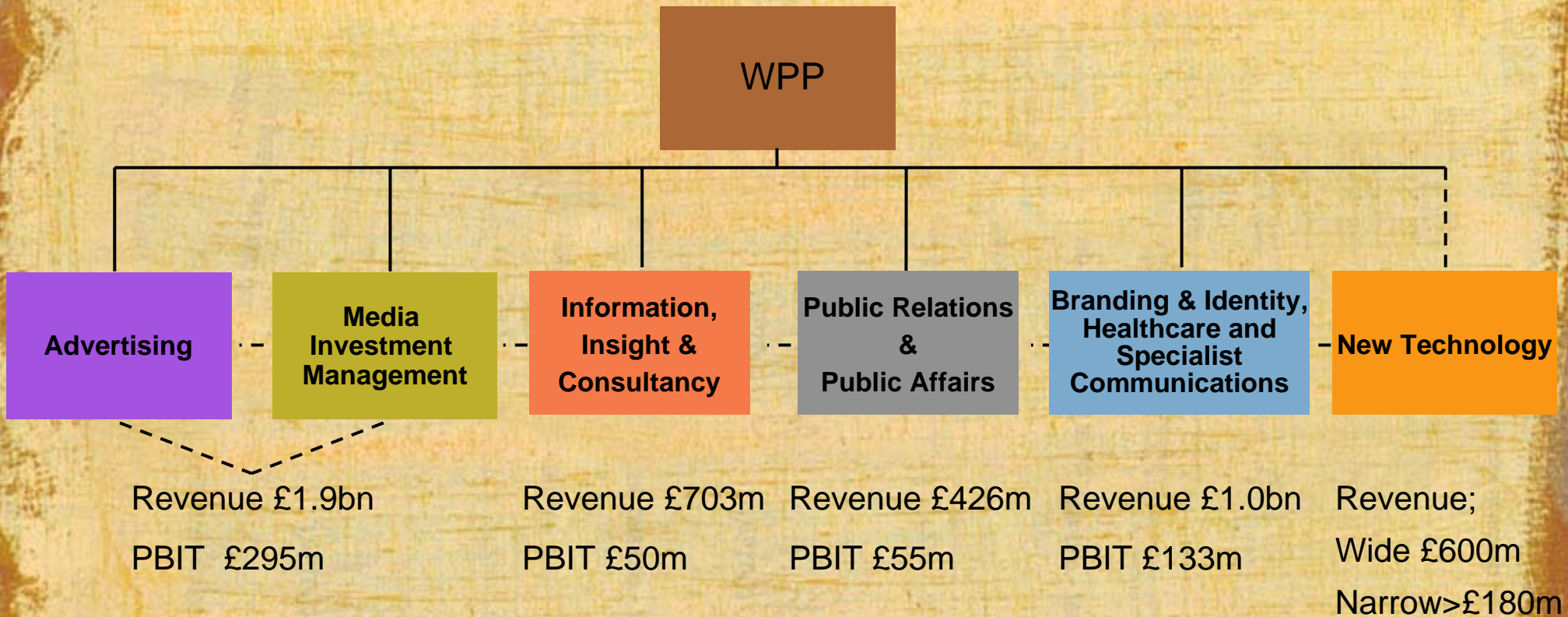
- Continue to focus on delivering above average revenue growth by:**
 - Expanding networks to take advantage of faster growing geographical markets**
 - Re-enforcing competitive advantage in segments where growth is expected to remain higher, eg Market Research, Direct, Internet, Interactive, Hi-tech, Retail, Healthcare, etc**
 - Taking advantage of consolidation trends to gain market share**

Strategy

Improving creative capabilities and reputation of all our businesses

- Greater emphasis on recruitment**
- By recognizing creative success tangibly and intangibly**
- By acquiring highly regarded creative businesses**
- By placing greater emphasis on awards**

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Revenue and PBIT figures are 2003 reported sterling actuals. PBIT is stated before goodwill and impairment, fixed asset gains and investment write-downs

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