Letter to share owners*

Dear share owner

WPP's twenty-second year was another model year, our best yet, with key measures exceeding any previous year. Our performance conformed closely to the financial model we have developed, with constant currency revenues rising 5-10% and profits 10-15%.

Despite these record results, disappointingly, total share owner return declined, with your share price falling over 6% from 690.5p to 647.0p over the year, principally due to the implications of the sub-prime crisis, but dividends rose 20% to 13.45p. Since the year end, your share price has fallen further, principally due to the chaos in financial markets, to 616.0p at the time of writing. Given the considerable management share ownership in your Company, management has shared that pain.

Billings were up over 5% to £31.7 billion. Revenues were up 5% to £6.2 billion. Operating margin was up half a margin point to 15.0%. Headline EBITDA (or headline earnings before interest, taxes, depreciation and amortisation, which is a key metric that private equity firms use for valuing companies) rose 7% to £1.1 billion. Headline PBIT – that is, profit before goodwill impairment/write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains of associates, interest, tax and investment gains and write-downs (what a mouthful!) – was up 8% to £928 million. Headline profit before tax was up almost 7% to £817 million. Profit before tax was up over 5% to £719 million. Headline diluted earnings per share were up over 9% to 46.0p and reported diluted earnings per share up 8% to 38.0p.

These results reflect growth in all regions – North America, the UK, Continental Europe, Asia Pacific, Latin America, Africa and the Middle East – although the slowest growth area remained the UK. Similarly, growth was encouraging across all communications services sectors – Advertising, Media Investment Management, Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications. As in 2004, 2005 and 2006 we were firing on all cylinders.

These results also reflected continued improvement in productivity, with like-for-like revenues up 5.0% and average headcount on the same basis up 4.6%. Free cash flow was £698 million. Average net debt rose over £300 million to almost £1.5 billion in constant 2007 exchange rates, principally reflecting acquisition expenditure of £675 million and share buybacks of £415 million. Operating margins improved significantly, too, to record levels – up one half of a margin point to 15.0%.

The rest of this letter to you is based on constant currency comparisons, which are more meaningful, given currency movements. On a like-for-like basis revenues were up 5.0% for the year, up 5.3% in the first half and 4.8% in the second half. This appears to have been above the growth in the worldwide market, with the Group increasing market share.

Revenue growth was also consistently strong in successive quarters, on a like-for-like basis up 4.3%, 6.2%, 4.7% in the first three quarters and 4.9% in the fourth quarter, our total revenues in the last quarter surpassing all competitors. The momentum continued in the first quarter of 2008, with like-for-like revenues up 4.8%. Our like-for-like revenue objective for 2008 remains a better performance than the 5.0% of 2007, well in line with, or above, forecasts for the advertising and marketing services industry and worldwide GNP growth, thus continuing growth in market share.

Strongest growth in media and public relations

By discipline, Media Investment Management led the way, together with Public Relations & Public Affairs and Specialist Communications, the latter particularly in direct, internet and interactive. Public Relations & Public Affairs continued to grow strongly, even at a late stage in the economic cycle. This seems to be driven by the increasing influence of social networking and blogging on the internet and the resultant increasing importance of editorial publicity. Advertising, Information, Insight & Consultancy, and Branding & Identity and Healthcare Communications also registered good performances.

Marketing services rose to almost 54% of our revenues in 2007, up from 52% in 2006, due to strong growth, particularly, in Public Relations & Public Affairs and Branding & Identity, Healthcare and Specialist Communications. It is no longer accurate to call us an advertising agency.

By geography, Asia Pacific, Africa and the Middle East, Latin America and Central and Eastern Europe led the way. The US showed surprisingly solid growth along with Spain. The only laggards were the UK, and to some extent France, although Germany and Italy showed some improvement. As a result, markets outside North America now account for over 62% of our revenues, up from 60% the previous year and from 58% in 2003 and 56% in 2002. The influence of the faster-growing markets outside North America is increasing rapidly. China alone, for example, will offer us, for the first time, a bigger absolute growth opportunity in 2008 than the US.

Profits up; cash flow strong

Headline PBIT margins rose to 15.0%, (a record and equivalent to almost 16% under old 2004 UK GAAP) from 14.5%, in line with our objective. This was particularly encouraging, as our income statement again reflected very large incentive pools for record performance. Pre-incentive headline PBIT margins were flat at 18.7%. Incentive payments fell slightly to £231 million from £247 million, principally reflecting the decline in option issuance, as we switch incentives from options to restricted stock. Total incentive payments (including share-based payments) were almost 21% of headline operating profits before bonuses, taxes and income from associates. Our objective remains to pay out approximately 20% at maximum and 15% at target, excluding share option costs.

Variable staff costs (freelance, consultants and incentive payments, including share option charges) now account for 7.4% of revenues, almost the same as the peak of 7.8% in 2004. This will provide a useful shock absorber for operating margins, should revenues again come under pressure. In a slowdown or recession, approximately half of these costs can be used to protect margins.

As a result of all this, headline PBIT rose to £928 million, well over $1 billion for the fourth year in a row and approaching $2 billion, up over 10% in constant currencies. Although 2007 was a strong year, some of our first-generation businesses continued to suffer and a non-cash impairment charge reflecting accelerated amortisation of goodwill of almost £44 million was taken, compared to £36 million in 2006. Pre-tax profits, therefore, rose by over 7% in constant currency to £719 million, more than $1 billion for the third time, and diluted headline earnings per share by almost 14% in constant currency to 46p. Free cash flow remained strong at £698 million. Cash flow strengthened as a result of improved working capital management and cash flow from operations.

Liquidity improved as well, and your Company remains comfortably geared. Net debt averaged £1.458 billion – up £305 million (at 2007 exchange rates). So far, in the first quarter of 2008, liquidity has continued to remain strong, with average net debt at £1,669 million. Headline interest cover in 2007 was over 8 times. Equity analysts appear comfortable with average net debt levels of more than twice EBITDA, which would be more than £2 billion based on our 2007 headline EBITDA.

Industry prospects

In theory, 2007 should have been a weaker year, since it is one of the two years in the quadrennial cycle that has no notable events. It did not prove to be so, as two major opportunities continued to drive our business – the faster-growing geographic markets such as Brazil, Russia, India and China, (the BRICs) and the new Goldman Sachs' 'Next 11' (Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Nigeria, Pakistan, the Philippines, Turkey and Vietnam); and the growing impact of new technologies on our media consumption habits, such as personal computers, mobile and, most important of all, video.

In addition, clients also realised that like-for-like growth could be stimulated by increased spending on differentiation of products and services, as in 2006. The industry will probably grow at more than 4% in 2008, and probably faster than 2007, with marketing services outpacing advertising, driven primarily by growth in direct, interactive and internet marketing.

2008 should again be a good year, despite the sub-prime, insurance monoline, house prices and private equity crises, reflecting three major events which drive client spending and normally add 1-2% to worldwide spending – the Beijing Olympics, the 2008 US presidential election and the European Football Championships. As we know, the political campaigns have started early, as far back as the summer of 2006, and the tight race for the Democratic nomination will continue to drive above-the-line spend towards $3 billion. Goodness knows what it would have been if Mayor Bloomberg had entered the race. 2008 may see growth stronger than 2007, with 2009 slowing to 3-4%, as the real world catches up with the financial markets and the disconnect disappears.

In early 2009, a new US president may have to deal with part of President Bush's legacy – a fiscal deficit, a trade deficit and a weak dollar. In a way, we are back to where we were almost 16 years ago, when President Clinton entered the White House. Faced with Congressional mid-term elections in 2010, the new president may want to kitchen-sink the economic situation, (as any new CEO does in any company to lower expectations), call foul and claim the books were in worse shape than he or she ever imagined because of over-spending – which may be true in this case, as the US government continues to hire, despite falling overall employment. Withdrawal from Afghanistan and/or Iraq would also be deflationary.

Faced with all this, any unpleasant electoral news, such as increased taxes or decreased government spending, will be delivered quickly. In addition, China cannot continue to grow its GNP at 10% per annum forever. There must be some cyclicality, although the long-term prospects are still very good and we remain bulls on China. There must be some relaxation and the post-Olympic year of 2009 will probably be that year.

2010, a so-called mini-quadrennial year, should see a return to growth for the industry at 4%-plus, as we see the impact on client spending of the Winter Olympics in Vancouver, the FIFA World Cup in South Africa and the mid-term Congressional Elections in the US. China, also, is likely to see stronger growth due to the impact of the Shanghai Expo and the Asian Games in Guangzhou.

2007 was an excellent year; 2008 has started well. The Company continues to be in its most robust position since 2000. Revenue growth, cost management, productivity, liquidity and balance sheet strength all continued to improve over last year and continue to do so in 2008. Most important, our talent base continues to strengthen, particularly as we invest in increasing headcount in 2007 and in 2008, adding almost 10,000 people to our over 100,000 people each year.

As for 2008, there may be two principal concerns: America's twin deficits, and Western Europe's stagnation. How long growth can continue when the US government continues to run current account and fiscal deficits remains to be seen. The American consumer remains under pressure from the financial crisis and declining house prices and chairmen and CEOs do not seem willing as yet to raise corporate capital spending consistently to bolster the economy, which – in our view – remains patchy.

> 2007 was an excellent year; 2008 has started well. The Company continues to be in its most robust position since 2000

The 2000 recession was stimulated by a sharp decline in corporate capital spending, which was then ameliorated by stronger consumer spending. The reverse has not happened yet, notwithstanding the absolute levels of corporate profitability, liquidity and margins. Profits as a proportion of GNP are at a 50-year high. At the same time, inflation stimulated by commodity price inflation, in oil and steel in particular, has returned, and the dollar has weakened. Perhaps this is an old-fashioned approach, but operating beyond one's means seems perilous to us. And a country's currency, we think, comes close to representing its 'stock price'.

Our second worry is that Western Europe continues to stagnate, although there have been signs of improvement. France, Germany, Italy and, to a lesser extent the UK, resemble a mature company in a mature industry. There is little top-line growth. With healthcare and pension costs becoming an increasing burden, unless relative interest rates decline and growth is stimulated by further broadening of the European Union, for example by the early entry of Turkey or by more liberal corporate and social tax policies, Western Europe may be trapped in a sluggish, lack-of-growth scenario, falling further behind the US and Asia Pacific. Social and structural costs are significant elements of this concern. The recent extension of transfer of undertakings legislation in the EU (TUPE), for example, represents another burden to bear. In certain circumstances, it is possible that having won an account, the winning agency would have to take on the losing team or pay severance.

Despite these issues, there is evidence – particularly in 2005, 2006, 2007 and the early part of 2008 – of a growing focus on top-line growth. Given a low-inflationary environment, limited pricing power and more concentrated retail distribution, clients are increasingly coming to the view that there is only one way to compete – through innovation and branding. Promote on price and you create commodities. Innovate and differentiate, you create brands and the right to demand a premium from the consumer.

There is a growing realisation that cutting costs alone will not deliver growth targets promised to Wall Street and the City of London. There is a limit to cost reduction, but no ceiling on top-line growth – at least until you reach 100% market share. Reinforcing this trend, strategic advisors, such as management consultants like McKinsey and Bain, counsel a switch in focus from costs to revenues. Corporate strategic plans are increasingly concentrating on managing for growth, instead of managing for value.

Furthermore, in recent months there has been growing inflation in commodity prices and a resulting increase in input costs. In an increasingly inflationary environment, clients have more pricing flexibility. As a result, package-goods clients or fast-moving consumer goods companies, which account for 20-25% of our business, have been forced and have been able to pass on price increases to retailers, who have chosen to pass these increases on to consumers or absorb them. Consequently, steep price increases have been obtained even in commodity categories, such as paper towels and toilet tissue. The danger is that the manufacturers price themselves out of categories, against private label or in faster-growing markets, where domestic competitors brand less and price-promote more.

Finally, managements may be just plain tired of grappling with debilitating cost-management programs. For the past three or four years, there has been an inexorable focus on cost. It is much more fun to focus on growth – perhaps this partially explains the surge in merger and acquisition activity before the sub-prime crisis.

> Our acquisition focus… has been on the twin opportunities of faster-growing geographic markets and technologies

Our acquisition focus in 2007 has been on the twin opportunities of faster-growing geographic markets and technologies, totally consistent with our strategic objectives in the areas of geography, new communication services and measurability.

Our largest acquisition in 2007 was 24/7 Real Media. It was much commented on for two main reasons. First, it was a radical departure from digital agency acquisitions in our industry and followed Google and later Microsoft into the application of technology in our industry. We believe that the nature of our business is changing radically. Whilst talent and creativity remain central and we do invest $7 billion a year in talent, versus only $350 million in capital expenditure, given the rise of new media, which is more targeted, technical and precise, we are having to hire different talents and build new capabilities – involving more detail, engineering and measurability. Second, the pricing, at approximately three times revenues and over 20 times EBITDA, was expensive – although not as expensive as others. We felt that strategically this was an important move and it has proved to be so, offering us interesting opportunities and flexibility in competition with non-traditional competitors.

24/7 Real Media's search business has been merged with GroupM to create a new leader in search marketing. Its technology business continues to thrive and grow. The only area where there is a need to grow faster is in media sales, particularly in Europe.

Our competitive world is becoming more complicated and 24/7 Real Media clearly differentiates us from our traditional competition and was a contributory factor to our unprecedented run of new business in 2007.

Margin objectives

Our 2008 budgets indicate organic revenue growth greater than the 4% of last year at this time, equally balanced between first and second halves, and skewed to greater growth in marketing services. The operating margin objective for 2008 is 15.5% and 16.0% for 2009. In 2009 we will announce objectives for 2010 and 2011.

2008 should, in theory, be an even better year for the industry, despite the financial climate. In February, when we announced our results for 2007, we gave guidance on life beyond 15%, to 16.0% in 2009 and how we might improve further our margin to 19%, or 20% under 2004 UK GAAP. This is not so outrageous as some believe, given that our best-performing companies in each services sector already perform at a combined Group margin of 17%.

Our top priorities

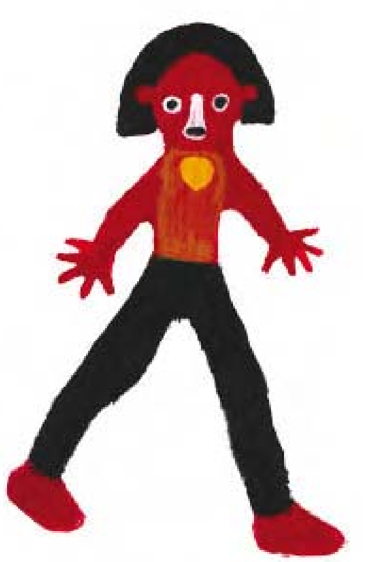
Our reason for being, the justification for WPP's existence, continues to be to add value to our clients' businesses and our people's careers. Our goal remains to be the world's most successful provider of communications services to multinational and local companies. To that end, we have three top strategic priorities.

- First, in the short term, having weathered the internet bust successfully, we need to build on the solid base we have established and prepare for any deterioration in the real economy, which we believe will be more severe in 2009, following the recent financial crisis. Our people are stronger: they are better resourced, motivated and incentivised than when we exited the last recession in the early 1990s. The Company is also more profitable, more liquid, less leveraged and better structured. In the most recent economic cycle, margins peaked at 14.5% and bottomed at 12.3%, as opposed to 10.5% and 5.6% the previous time.
- Second, in the medium term, to build upon the successful base we have established with the acquisitions of Young & Rubicam Brands and Grey. At Grey, the new management structure is now in place and the planned integration is now completed. Grey Advertising still needs to raise its game

> We believe that the nature of our business is changing radically

in terms of revenue growth and GHG needs to overcome the impact of FDA non-approvals on products that clients have assigned to them. At Young & Rubicam Brands, our plans are also largely implemented, the one remaining task being to continue to strengthen the Y&R advertising agency, although the business is showing increased strength, following the recent change in leadership.

> Our goal remains to be the world's most successful provider of communications services to multinational and local companies



Our third priority, in the long term or over the next five to 10 years, is to:

- increase the combined geographic share of revenues of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe, from around 25% to one-third.
- aim to increase the share of revenues of marketing services from 54% to two-thirds.
- increase the share of more measurable marketing services – such as Information, Insight & Consultancy, and direct, interactive and internet – from around 40% of our revenues to 50%.

Our six objectives

Our six objectives remain as follows:

1 First, to continue to raise operating margins to the levels of the best-performing competition. Almost 16% (under 2004 UK GAAP) has already been achieved or 15% under IFRS. 20%, or 19% under IFRS, is much tougher, but not out of the question. BBDO, Dentsu and McCann have done so historically, although the pressure became too great in some instances.

2 Second, to continue to increase flexibility in the cost structure. Great strides were made in 2005, 2006 and 2007 on this. Peak flexibility historically was in 2000, at 6.6% of revenues in variable staff costs. Now at 7.4% in 2007, 7.7% in 2006, 7.6% in 2005 and 7.8% in 2004, we have seen new peaks; and once again we have a sufficient 'shock absorber' in our cost structure, if revenue growth weakens, as it may well do following the financial crisis.

3 Third, to improve total share owner return by maximising the return on investment on the Company's almost £700 million (or over $1 billion) free cash flow. There are broadly three alternative uses of funds:

- Capital expenditure, which usually approximates the depreciation cost. Pressure here has eased as technology pricing has fallen, although we are investing more in real estate following lease renewals, particularly in the US, to secure greater efficiencies.
- Mergers and acquisitions, which have historically taken the lion's share of free cash flow. Here we have raised the hurdle rate on capital utilised so that our return on capital employed may be increased. Even so, there are still interesting opportunities, particularly outside the US, where pricing remains lower, despite the recent financial crisis, and where there is a closer fit with the Company's strategic objectives.

Private transactions remain more attractively priced at single-digit price-earnings multiples. Happily, return on capital from Grey exceeded our cost of capital in the first, second and third years, and the return from Young & Rubicam Brands is rising satisfactorily and is now close to the cost of capital.

- Dividends or share buy-backs. We have been the only FTSE 100 company to increase its dividend by 20% per annum over the past 10 years. Given dividend cover of more than four times headline earnings and a dividend yield of over 1%, we can continue to increase the dividend. However, a rolling share buy-back program appears to offer a more significant benefit to total share owner returns, and we have boosted the target level of the share buy-back program from 2-3% of the outstanding share capital to 4-5%. In the first quarter of 2008, we were buying back shares at an annualised rate of over 5%.

4 Fourth, we will continue to enhance the contribution of the parent company. WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add value to our clients and our people. We will continue to do this through a limited group of 300 or so people at the centre in London, New York, Hong Kong and Shanghai. This does not mean that we seek to diminish the strength of our operating brands. Our objective is to maximise the added value for our clients with their businesses and our people with their careers.

Many of our initiatives are possible because of the scale on which we now operate. In the optimum use of property, in information technology and in procurement generally, we are able to achieve efficiencies that would be beyond the reach of any individual operating company.

But it is also clear that there is an increasing requirement for the centre to complement the operating companies in professional development and client co-ordination. It is a relatively recent development for certain multinational marketing companies, when looking to satisfy their global communications needs, to make their initial approach not to operating companies but directly to parent companies.

Such assignments present major, and increasingly frequent, opportunities for the few groups of our size. It is absolutely essential that we have the professional resources and the practice development capability to serve such clients comprehensively, actively and creatively. The recent high-profile, high technology pitch (that we won against all our competitors), to build a totally new agency for that client's needs, is the most extreme and exciting example of this. Similar initiatives involving some of the world's largest marketers will follow.

All our clients, whether global, multinational or local, continue to focus on the quality of our thinking, co-ordination of communications, and price. In response, we focus on talent, structure and incentives.

Training and development

Talent and its management therefore remain the lynchpin of our reason for existence: that is what our clients pay us for. Development of our people and the way we manage that talent is a critical determinant of performance; and on that critical dimension, we continue to make significant progress.

In the creation of extremely attractive working environments, with highly competitive incentives, we increasingly differentiate ourselves from our competitors and improve the attraction of WPP companies as destinations for talent.

Our quarterly reviews with the operating companies have been restructured, consequently, to give more time and attention to talent and to clients. Our recruiting efforts throughout 2007 were especially fruitful as we successfully targeted and attracted top talent within and beyond our industry, often competing with investment banking, management consulting and private equity offers. The war for talent is fierce, and there is more to be done.

The blueprint for our executive development curriculum has been completed, and our new client leadership training program has been successfully introduced. The parent company and each of our operating companies installed its own approach to performance assessment and succession planning, aimed at developing the careers of their people, improving the quality of feedback, coaching and mentoring they receive and providing for orderly succession.

We continued to scrutinise and modify our compensation practices: both to offer competitive and justly-based rewards to our people and to attract outstanding talent from elsewhere.

Communications

A communications services company must be a model of excellent external and internal communications. To that end, we accelerate the understanding of the Group's vast resources with a raft of regular communications through our websites and in print: our online *FactFiles* profiling Group resources/companies/products; our monthly public online news bulletin, *e.wire*; our award-winning global newspaper, *The WIRE*; our annual *Atticus Journal* of original marketing thinking; and our annual Corporate Responsibility Report. In 2007, we also developed a basic and simple explanation of our carbon neutrality program for all our people, which was enthusiastically received.

Property management

In property management, we continue to improve the return on our investment in real estate through the award-winning WPP Space Program, with planned investment in property databases and systems, innovative design and continuous review of key locations.

Better use of space has enabled us to hold the increase in square footage in our portfolio to less than 10% per annum over the last three years, while for the same period revenue increased by nearly 13%. As a result, square footage per head was down 10%, from 248 sq ft in 2004 to 222 sq ft in 2007, and the ratio of establishment cost to revenue was reduced from 7.6% in 2004 to 6.9% in 2007, equivalent to a saving of £43 million. We have achieved the medium-term objective of a 7% establishment cost-to-revenue ratio set in 2002, when the same ratio was 8.4%.

We have shed the surplus space taken on in recent acquisitions, and our future priority in managing the property portfolio of approximately 19 million sq ft worldwide is to ensure growth in additional square footage is less than the growth in revenues and headcount. Our new objective is to achieve greater space utilisation to more than offset the impact of the current surge in commercial property rentals, particularly in the faster growing markets of Asia and Eastern Europe, to enable us to maintain the establishment cost at the 7% level.

Procurement

In procurement, we continue to set ourselves the goal of being the undisputed leader of procurement practice in the global advertising and marketing services industry. We aim to regularly benchmark ourselves against our competitors and our clients. Through intensified investment in procurement people, processes and technology, our goal is to maintain the ratio of bought-in costs to revenue at around 15%, by leveraging Group scale across our all of our major markets, and focusing on those spend categories most favourable for global, regional and local supply contracts, such as in IT, telecoms, travel, professional services, facilities and production.

IT

In IT we continue to consolidate our core technology infrastructure with the objectives of reducing cost and improving quality. This enables our operating companies to concentrate their efforts on client-related developments and other internal business-focused applications. The convergence of mobile, voice and data communications has allowed us to take advantage of new offerings in the telecommunications sector to drive efficiencies and to provide enhanced support to our increasingly mobile workforce.

Practice development

Finally, in practice development we continue to develop horizontal initiatives in a focused set of high-potential areas across our vertical operating brands: in media, healthcare, new technologies, new faster-growing markets, internal communications, retail, entertainment and media, financial services, hi-tech and telecommunications and corporate responsibility. Specifically, we continue to invest in sharing insights and developing initiatives through The Channel (in media and research) and The Store (in distribution and retail).

In key geographic markets we are increasingly coordinating our activities through WPP Country Managers. We continue to believe that increasing co-ordination is required between our brands at the country and global levels, as the arguments for investment in regional management become weaker. As experience in Italy has demonstrated, however, the activities of Country Managers must be closely aligned and monitored. In addition, we are appointing an increasing number of WPP

Global Client Leaders to co-ordinate our efforts on behalf of clients and to ensure they get maximum benefit from their relationships with WPP operating brands.

Furthermore, we continue to encourage internal strategic alliances and promote co-operation. Practice development initiatives have therefore been reinforced in such areas as healthcare, retail, internal communications and media and entertainment. This has been especially important to manage our portfolio of direct investments in new media, including 24/7 Real Media, under the re-branded WPP Digital, and where our investments are working with our agencies and people to bring new technology capabilities and understanding to our clients. All these initiatives are designed to ensure that we, the parent company, really do (as well as being perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

Growing our revenues

5 Fifth, as we move up the margin curve, we intend to place greater emphasis on revenue growth. One legitimate criticism of our performance against the best-performing competition is our comparative level of organic revenue growth. 2000 was a bumper year but unsustainable. In 2001, we disappointingly moved back into the middle of the pack. But there was a significant revival in 2002 and 2003, when we were one of only two of the major companies that showed revenue growth. 2004 was punctuated with a number of high-profile wins, resulting in the second strongest organic growth performance in the industry, and 2005 and 2006 saw strong growth again among the leaders in the industry.

Our run of new business wins in 2007 was unprecedented in the 22-year history of WPP, and revenue growth again impressed against the competition, particularly the Big Four. Our practice development activities are also aimed at helping us position our portfolio in the faster-growing functional and geographic areas. So far in 2008, the Group has made acquisitions or increased equity interests in Advertising and Media Investment Management in China, the UK, the Netherlands and the Middle East; in Information, Insight & Consultancy in China and the US; in Public Relations & Public Affairs in China, India and the UK and in direct, internet and interactive in China, the US, Israel and Belgium.

These acquisitions continue to move us forward to our previously described strategic priorities; expanding the market shares of our businesses in Asia Pacific, Latin America, Africa and the Middle East to one-third; in marketing services to two-thirds; and in Information, Insight & Consultancy, direct and interactive, to one-half.

We intend to expand our strong networks – Ogilvy & Mather, JWT, Y&R, Grey, United Group, Bates 141, MindShare, Mediaedge:cia, MediaCom, Research International, Millward Brown, KMR, Hill & Knowlton, Ogilvy Public Relations Worldwide, Burson-Marsteller, Cohn & Wolfe, GCI, OgilvyOne, Wunderman, OgilvyAction, G2, CommonHealth, Sudler & Hennessey, Ogilvy Healthworld, GHG, The Brand Union, Landor and FITCH – in high-growth markets or where their market share is insufficient.

In 2007, we strengthened our position in Advertising and Media Investment Management in the US (including digital), the UK, Austria, France, Germany (including digital), Hungary, the Netherlands (including digital), Russia, Spain, South Africa, Brazil, Colombia, Australia, China and Japan; in Information, Insight & Consultancy in the US and the UK; in Public Relations & Public Affairs in the US; in Branding & Identity in Ireland and Dubai; in Healthcare Communications in the UK and in direct, internet and interactive in the US, Canada, Belgium, Germany, South Africa, the Middle East, Brazil, Chile, Mexico, Korea and Singapore.

We will also enhance our leadership position in Information, Insight & Consultancy by further development of our key brands with particular emphasis on North America, Asia Pacific, Latin America and Continental and Eastern Europe. We will accelerate our growth of research panels and have established a Kantar-wide operational capability. We will reinforce our growing position in media research through KMR, which includes our investments in television audience research through IBOPE, AGBNielsen Media Research and Marktest, which, combined, are the market leaders outside North America.

> Our run of new business wins in 2007 was unprecedented in the 22-year history of WPP

In addition, we intend to reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as OgilvyOne, Wunderman, G2, RMG Connect, Blanc & Otus and Lightspeed. Although the early 2000-2001 compressions in financial valuations initially offered significant opportunities, we will now also invest directly in the new channels through start-ups, particularly as US and French valuations in search, for example, have become prohibitive, despite the financial crisis. Other opportunities will be sought to enhance our online capabilities.

Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high-growth areas.

Creativity remains paramount

6 Our sixth objective is to improve still further the quality of our creative output. Despite the growing importance of co-ordinated communications and price effectiveness, the quality of the work remains and will remain paramount. If you drew a graph plotting creative awards (as a proxy for creativity) against margins for

any group of agencies, there would be a very strong correlation. The more awards, the stronger the margins. The client's procurement department fades into the background when the work is strong. Of the three things we do – strategic thinking, creative execution and co-ordination – creative execution is undoubtedly the most important, and that means creativity in its broadest sense.

Clients look for creative thinking and output not just from advertising agencies, public relations and design companies, but also from our media companies and our research companies. Millward Brown remains arguably one of our most creative brands. Witness the *BrandZ™ Top 100 Most Powerful Brands Study* published annually with the *Financial Times*.

We intend to achieve this objective by stepping up our training and development programs; by recruiting the finest external talent; by celebrating and rewarding outstanding creative success tangibly and intangibly; by acquiring strong creative companies; and by encouraging, monitoring and promoting our companies' achievements in winning creative awards. For additional leadership in this regard, Robyn Putter, as well as serving as worldwide creative director at Ogilvy, continues to hold the additional role of WPP's worldwide creative head and inaugurated our internal award scheme for outstanding work across the Group, the WPPED Cream awards, in 2007.

We are committed to achieving these objectives as a significantly responsible corporate citizen of the world at large and the communities in which we operate.

The future

A colossal amount remains to be done – challenging our clients, and therefore us. It seems certain that once these objectives are achieved, they will be replaced by new ones.

As companies grow in size, most chairmen and CEOs become concerned that their organisations may become flabby, slow to respond, bureaucratic and sclerotic. Any sensible business leader aggressively resists this phenomenon; we all seek the benefits of size and scale without sacrificing the suppleness and energy of a smaller firm. And, for the first time, new technologies now make this possible on a global platform.

WPP wants the scale and resources of the largest firm together with the heart and mind of a small one. As a parent company, we continue to develop practical principles and policies for our companies' charitable giving and services to the environment, education, the arts and healthcare based on best-practice guidelines. We conservatively calculate that the WPP organisation contributed an estimated £16.3 million worth of time, skills, materials and money to social and community causes in 2007. A summary of the Group's approach to corporate responsibility can be found on pages 120 to 127.

‘There cannot be a company in the world that contains a more varied, more intelligent, more talented (and more opinionated) group of people than those who work for WPP companies’

And finally…

We never allow ourselves to forget, and we hope our share owners never forget, that any success achieved by WPP is not the result of some majestic, top-down management process: a setting up of goals and procedures that are then obediently met and followed by an army of dutiful clones.

There cannot be a company in the world that contains a more varied, more intelligent, more talented (and more opinionated) group of people than those who work for WPP companies. Among our 110,000 people you will find writers and architects and artists and statisticians and scientists and sociologists and web designers and group leaders and event inventors and futurologists and brand planners and research analysts and software programmers and representatives of at least another 20 skills and disciplines. If 2007 was a best-ever year for WPP, and one which registered our best-ever new business record, it is down to the individual achievements of that remarkable and disparate family. Theirs are the talents that our clients come to us for.

So, on behalf of all our share owners, we'd like to end this letter with grateful recognition of the brains, professionalism and commitment of our people. 2007 was a formidable achievement; they are the people who made it happen; we thank them all.

For 2008 and beyond, whatever challenges that global conditions may spring on us, we have no doubt that the same group of people will continue to outperform the highly competitive market in which we operate.

Philip Lader
Chairman

Sir Martin Sorrell
Group chief executive

* This Letter to share owners should be read in conjunction with and as part of the management report set out in the section headed Directors' report on pages 111 to 127. The statements made in the Forward looking statements in the Review of operations on page 151 apply equally to this letter to share owners.