

WPP

2006 Interim Results
London

August 2006

WPP

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2006 Interim Results

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WPP

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2006 Interim Results

2006 Interim Results

- Billings up over 27% to £14.4 billion.
- Reported revenue up over 16%. On a constant currency basis, revenue up almost 13%. Like-for-like revenue up 5%.
- Headline PBIT up over 20% to £361.0m from £299.6m.
- Operating margin up 0.5 margin points to 12.6% from 12.1%.

2006 Interim Results

- Headline PBT up over 24% to £316.1m from £254.8m.
- Diluted headline EPS up over 20% to 16.6p from 13.8p.
- Interim dividend up 20% to 3.60p per share.
- Record estimated net new business billings of over £2.2 billion (\$4.1 billion), up 15% compared with 2005.
- Rated No. 1 in almost all new business surveys for the first half of 2006.

2006 Interim Results

Unaudited IFRS Income Statement

Six months to 30 June

	2006 £m	2005 £m	Change %	Constant Currency %
Revenue	2,864.4	2,467.5	16.1	12.7
Operating Profit pre-goodwill/ intangibles	339.7	285.9	18.8	15.2
Goodwill/ intangibles charges, FA gains	(31.8)	(33.3)	4.5	5.4
Operating Profit	307.9	252.6	21.9	17.9
Income from associates	25.3	13.7	84.7	77.3
PBIT	333.2	266.3	25.1	20.9
Finance income	51.0	36.8	38.6	36.3
Finance charges	(97.1)	(81.6)	(19.0)	(17.2)
Profit before tax	287.1	221.5	29.6	24.8
Tax at 29.0% (2005 28.5%)	(91.7)	(72.6)	(26.3)	(23.7)
Profit after tax	195.4	148.9	31.2	25.4
Standard diluted EPS	14.3p	11.1p	28.8	22.7

2006 Interim Results

Unaudited Headline¹ IFRS Income Statement

	Six months to 30 June		Change %	Constant Currency %
	2006 £m	2005 £m		
Revenue	2,864.4	2,467.5	16.1	12.7
Headline operating profit	339.7	285.9	18.8	15.2
Income from associates	21.3	13.7	55.5	49.3
Headline PBIT	361.0	299.6	20.5	16.8
Net finance costs	(44.9)	(44.8)	(0.2)	1.3
Profit before tax	316.1	254.8	24.1	19.9
Tax at 29.0% (2005 28.5%)	(91.7)	(72.6)	(26.3)	(23.7)
Profit after tax	224.4	182.2	23.2	18.5
Headline diluted EPS	16.6p	13.8p	20.3	15.6
Headline operating margin	12.6%	12.1%	+0.5 ²	
Headline EBITDA	427.9	350.6	22.0	18.3

¹ Figures before goodwill and intangibles charges, fixed asset gains and write-downs, share of exceptional gains of associates and revaluation of financial instruments.

² Margin points

2006 Interim Results

Revenue by Discipline

	Revenue		% Change		
	2006 £m	2005 £m	Reported	Constant Currency	Like-for- like
Advertising, Media Investment Management	1,354.4	1,185.9	14.2	10.7	3.4
Information, Insight & Consultancy	438.9	387.5	13.3	10.9	4.1
Public Relations & Public Affairs	290.3	251.8	15.3	11.6	5.5
Branding & Identity, Healthcare and Specialist Communications	780.8	642.3	21.6	18.0	8.0
Total	2,864.4	2,467.5	16.1	12.7	5.0

2006 Interim Results

Revenue by Region

	Revenue		% Change		
	2006 £m	2005 £m	Reported	Constant Currency	Like-for- like
North America	1,135.5	973.4	16.7	11.3	4.5
UK	415.1	389.0	6.7	6.7	1.2
Continental Europe	741.4	662.3	11.9	11.4	4.5
Asia Pacific, Latin America, Africa & Middle East	572.4	442.8	29.3	22.8	9.4
Total	2,864.4	2,467.5	16.1	12.7	5.0

2006 Interim Results

Headline¹ PBIT and Margin by Discipline

	Headline ¹ PBIT		Headline ¹ margin	
	2006	2005	2006	2005
	£m	£m	%	%
Advertising, Media Investment Management	190.3	158.6	14.1	13.4
Information, Insight & Consultancy	41.5	36.1	9.5	9.3
Public Relations & Public Affairs	40.3	35.0	13.9	13.9
Branding & Identity, Healthcare and Specialist Communications	88.9	69.9	11.4	10.9
Total	361.0	299.6	12.6	12.1

¹ Headline PBIT/margin: profit before interest, taxation, goodwill and intangibles charges, fixed asset gains and write-downs, and share of exceptional gains of associates

2006 Interim Results

Headline¹ PBIT and Margin by Region

	Headline ¹ PBIT	Headline ¹ margin		
	2006	2005	2006	2005
	£m	£m	%	%
North America	176.1	151.9	15.5	15.6
UK	36.7	31.3	8.8	8.0
Continental Europe	85.8	68.9	11.6	10.4
Asia Pacific, Latin America, Africa & Middle East	62.4	47.5	10.9	10.7
Total	361.0	299.6	12.6	12.1

¹ Headline PBIT/margin: profit before interest, taxation, goodwill and intangibles charges, fixed asset gains and write-downs, and share of exceptional gains of associates

2006 Interim Results

Revenue Growth by Country

Revenue Growth ¹	Countries
20%+	Australia, Germany, Greater China, India, Poland, Sweden
15-20%	Canada, Denmark, Mexico, Norway
10-15%	USA
5-10%	Brazil, Japan, Singapore, Spain, UK
<5%	Belgium, France, Italy, Netherlands

¹Constant currency

2006 Interim Results

Revenue Growth by Category

Revenue Growth ¹	Categories
20%+	Entertainment
15-20%	Personal Care & Drugs
10-15%	Financial Services, Oil, Telecommunications
5-10%	Drinks, Food
<5%	Automotive, Computer, Retail

¹Constant currency

2006 Interim Results

Effects of Weakness of Sterling

- Sterling was weaker on average in the first half of 2006 than in 2005 by 4.4% against the dollar and by 0.2% against the euro.
- Impact of currency increased revenue growth by 3.4%, from 12.7% constant currency to 16.1% on a reportable basis.
- Headline PBT¹ of £316m would have been £307m had Sterling remained at the same levels as 2005.

¹ Headline PBT: Profit before taxation, goodwill and intangibles charges, fixed asset gains and write-downs, share of exceptional gains of associates, and revaluation of financial instruments.

2006 Interim Results

Major New Business Wins

Agency	Account	Office	Billings (\$m)
MindShare	Sprint Nextel	USA	750
<u>mec</u>	<u>Dreamworks</u>	<u>USA</u>	<u>270</u>
MindShare	Wrigley	USA	200
<u>JWT</u>	<u>Kimberly-Clark ¹</u>	<u>Global</u>	<u>200</u>
<u>MindShare</u>	<u>Sears ²</u>	<u>USA</u>	<u>190</u>
MediaCom	Nokia	Asia Pacific	150
<u>mec</u>	<u>Campbell's Soup</u>	<u>Global</u>	<u>100</u>
<u>Ogilvy</u>	<u>Easyjet</u>	<u>Europe</u>	<u>93</u>
Grey Worldwide	Morgan Stanley	UK	88
<u>mec</u>	<u>Monster.com</u>	<u>Europe</u>	<u>85</u>
Ogilvy	Quiznos	USA	80
MindShare	Six Flags	USA	75
MindShare	Unilever	Indonesia	75
MediaCom	Rogers Communications	Canada	70

(All billings figures are based on trade press estimates, where available)
Underlined figures are Q2 wins

2006 Interim Results

Major New Business Wins

Agency	Account	Office	Billings (\$m)
<u>Ogilvy</u>	<u>Chiquita</u>	<u>Europe</u>	<u>60</u>
Y&R	Hitachi	Europe	60
Brouillard	Ruby Tuesday	USA	60
Grey Worldwide	Hasbro Games	USA	55
JWT	Cadbury Adams	USA	50
<u>Y&R</u>	<u>Royal Canadian Mint</u>	<u>Canada</u>	<u>50</u>
mec	Henkel	Europe	43
Y&R	Goodyear	Latam	42
MediaCom	Digital UK	UK	35
Y&R	BT	UK	30
MindShare	Campari	Italy	30
G2	SanDisk	Global	30
<u>141 Worldwide</u>	<u>AIG</u>	<u>Global</u>	<u>27</u>

(All billings figures are based on trade press estimates, where available)
Underlined figures are Q2 wins

2006 Interim Results

Major New Business Losses

<u>Agency</u>	<u>Account</u>	<u>Office</u>	<u>Billings (\$m)</u>
<u>JWT</u>	<u>Reckitt Benckiser</u>	<u>Global</u>	<u>300</u>
<u>Ogilvy</u>	<u>Kimberly-Clark ¹</u>	<u>Global</u>	<u>200</u>
<u>MediaCom</u>	<u>Sears ²</u>	<u>USA</u>	<u>190</u>
<u>MindShare</u>	<u>Vodafone</u>	<u>Italy</u>	<u>126</u>
Ogilvy	Miller Lite	USA	88
Grey Worldwide	Panasonic	USA	60
MindShare	FritoLay	China	30
JWT	Thai Airways	Global	30

*(All billings figures are based on trade press estimates, where available)
Underlined figures are Q2 losses*

¹ Switch to JWT

² Switch to MindShare

2006 Interim Results

Net new business wins in the first six months of 2006¹

US \$ millions	Creative	Media	Total
Advertising	625	2,879	3,504
Other Businesses	574	-	574
Total 2006	1,199	2,879	4,078

¹ Estimated billings

2006 Interim Results

Major new business wins/(losses) since 1 July

	Agency	Account	Office	Billings (\$m)
WINS	mec	Ikea	USA	86
	MindShare	LVMH	Japan	88
	MediaCom	RBS ¹	UK	45
	MindShare	Nike	Japan	35
LOSSES	mec	RBS ¹	UK	45
	Wunderman	Star Alliance	Europe	27
	Grey Worldwide	Bridgestone	USA	20

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

¹ Transferred from mec to MediaCom

2006 Interim Results

Cash Flow

	2006 £m	2005 £m
Operating profit	308	253
Non-cash compensation	38	30
Depreciation and goodwill charges	103	84
Net interest paid & similar charges	(37)	(36)
Tax paid	(69)	(57)
Net cash generation	343	274

2006 Interim Results

Uses of Cash Flow

	2006 £m	2005 £m
Net cash generation	343	274
Capital expenditure	(74)	(70)
Acquisition payments:		
– Net initial payments ¹ - Grey	-	(243)
- Other	(32)	(21)
– Earnout payments	(81)	(69)
– Loan note redemptions	(12)	(3)
	(125)	(336)
Share repurchases	(162)	(75)
Other	50	14
Net cash inflow/ (outflow) before NWC changes	32	(193)

¹ Net initial payments are net of disposal proceeds

2006 Interim Results

Net Finance Costs/(Income)

£'m	2006	2005	B/(W)
Net bank interest	34.3	27.0	(7.3)
A/R interest/fees	-	4.2	4.2
Net bank and A/R interest	34.3	31.2	(3.1)
Investment income	(0.5)	-	0.5
IAS 19 (Pensions)	3.5	4.0	0.5
Earnout interest	1.2	2.5	1.3
IAS 32 (Convertibles)	6.4	7.1	0.7
	10.6	13.6	3.0
Headline finance costs	44.9	44.8	(0.1)
IAS 39 (Financial Instruments)	1.2	-	(1.2)
Net finance costs	46.1	44.8	(1.3)

2006 Interim Results

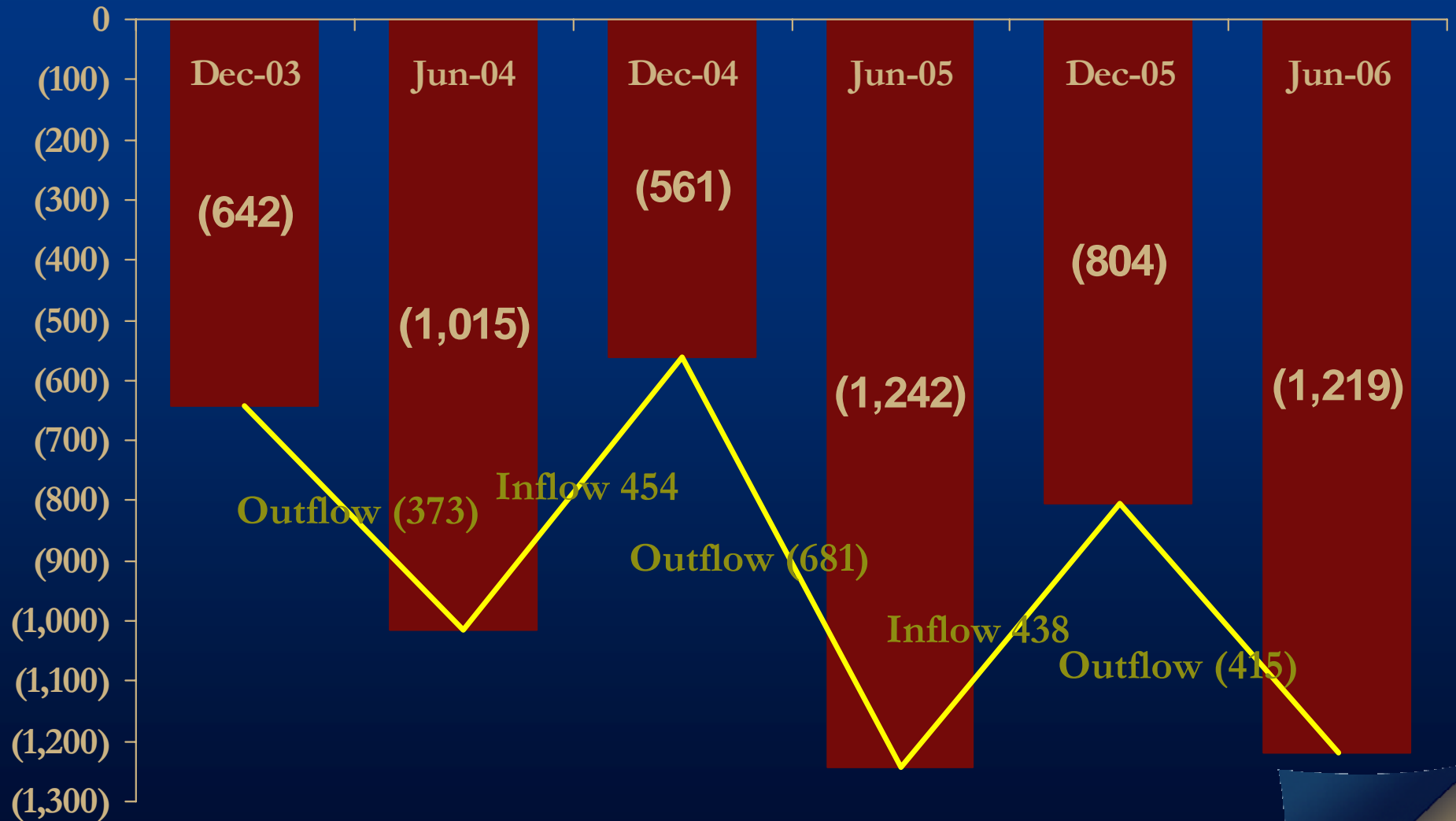
Net Debt – 30th June 2006

	2006 £m	2005 £m	% Variance
Net debt at 30 June	(1,219)	(1,242)	2%
YTD average net debt on constant currency basis	(1,170)	(1,020)	(15%)
Headline finance costs	(45)	(45)	-
Interest cover on Headline PBIT ¹	8.0x	6.7x	

¹ Headline PBIT: profit before interest, taxation, goodwill and intangibles charges, fixed asset gains and write-downs, and share of exceptional gains of associates

Net Debt

Half Yearly Position £m



2006 Interim Results

Ordinary Shares – Basic

No. of Shares (million)	June 2006 Actual	June 2005 Actual
1 January	1,252	1,185
Share buyback ¹	(18)	(10)
Option exercise	15	10
Grey	-	78
30 June	<hr/> 1,249	<hr/> 1,263
Weighted Average	1,252	1,240
ESOP	(47)	(47)
Basic Reported	<hr/> 1,205	<hr/> 1,193

¹ Buyback for cancellation

2006 Interim Results

Ordinary Shares – Diluted

No. of Shares (million)	June 2006 Actual	June 2005 Actual
Average Basic	1,205	1,193
Potentially Issuable Shares	29	26
Convertibles: WPP £450m	anti-dilutive	anti-dilutive
Grey \$150m ¹	9	-
Fully Diluted Shares	<u>1,243</u>	<u>1,219</u>

Income Adjustment Attributable to Convertibles (per annum):

1 £1.3m

WPP

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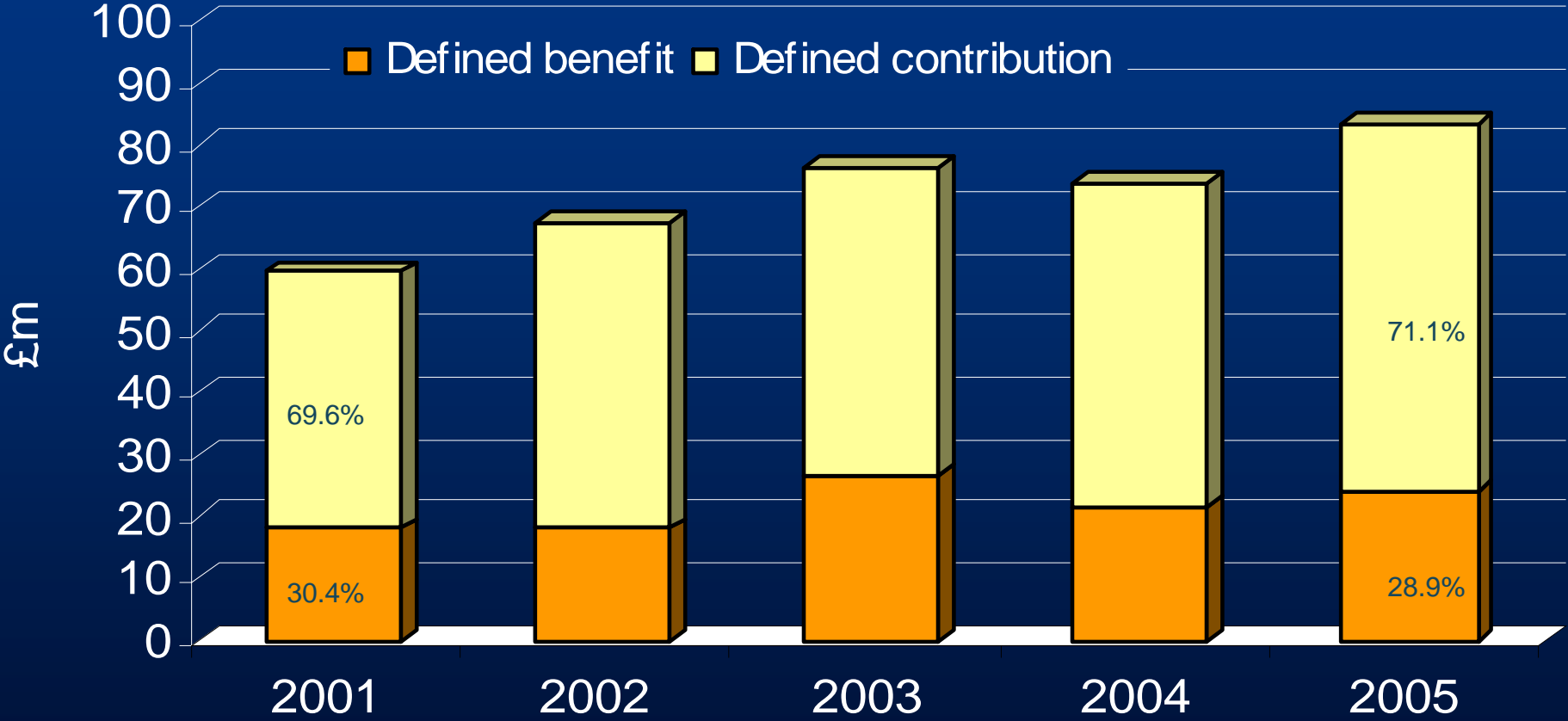
Pensions Update

WPP Pensions Overview

- WPP has been an early adopter of steps taken to mitigate liabilities from post employment plans.
- 71% of contributions are paid to “Defined Contribution” (DC) plans.
- The balance sheet has liabilities for post employment benefits of £231m:
 - £103m deficit for “funded” plans
 - £128m liability resulting from “unfunded”* plans
- The environment is changing with the introduction of minimum funding requirements in many countries.

* “Unfunded” plans are post employment arrangements with no separately defined pension assets.

Defined Benefit & Contribution Plans P&L Expense

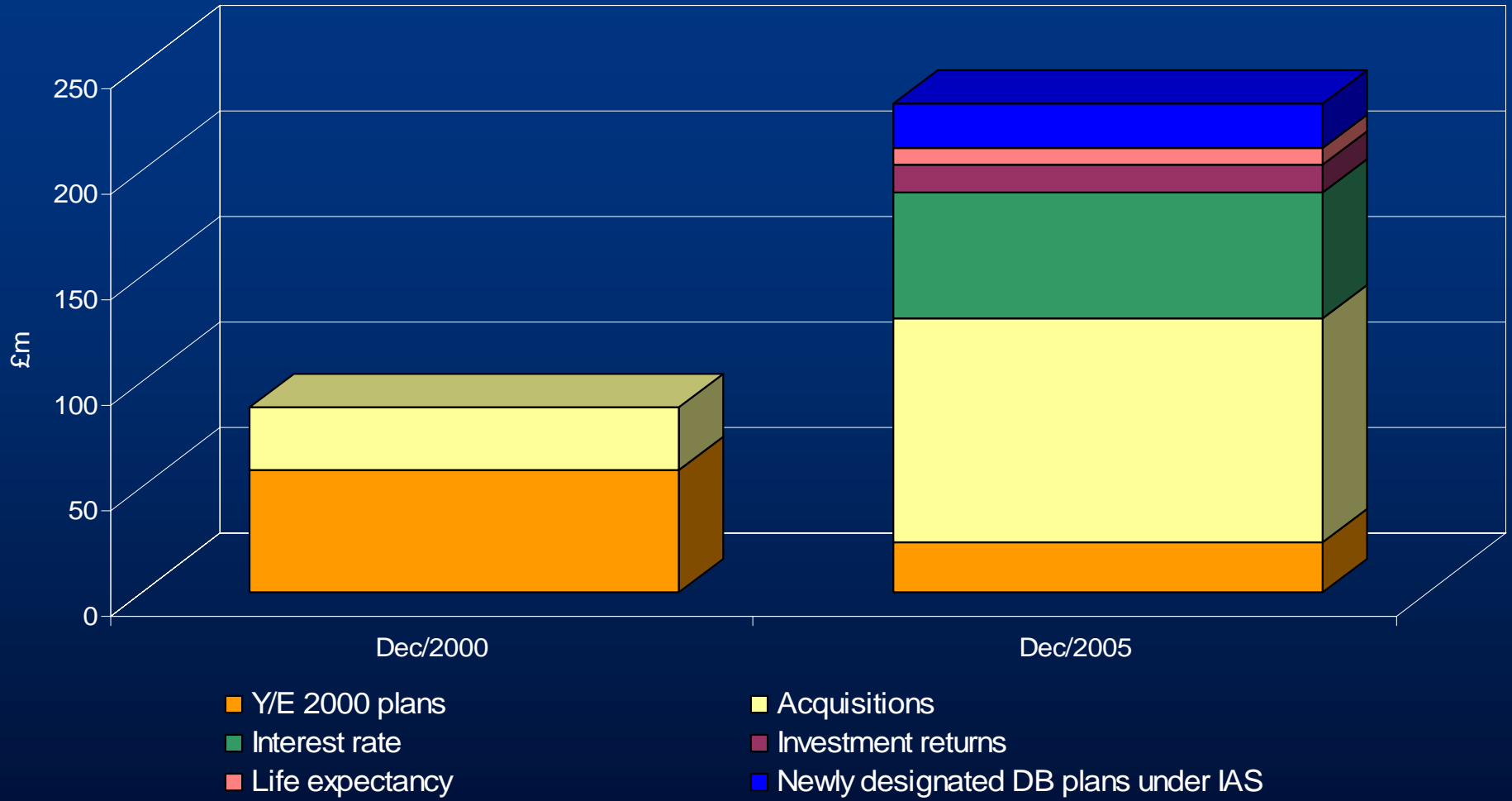


- Defined Contribution (DC) Plans account for most of the Company's ongoing pension expense.
- No residual risk remains with the Company in a DC plan

Balance Sheet Liability

- Balance sheet liabilities have increased due to:
 - Under-funded defined benefit plans from acquisitions: (Y&R in 2000, Cordiant in 2003 and Grey in 2005).
 - Falling interest/discount rates leading to higher present value of liabilities.
 - US: 8.0% to 5.5%
 - UK: 5.5% to 4.7%
 - Investment returns falling short of reduced equity expectations.
 - US: 10% to 7.9%
 - UK: 10% to 7.3%
 - Increase in life expectancy.
 - Newly designated defined benefit plans under IAS (£21m).

Balance Sheet Liability



Current Funding Strategy

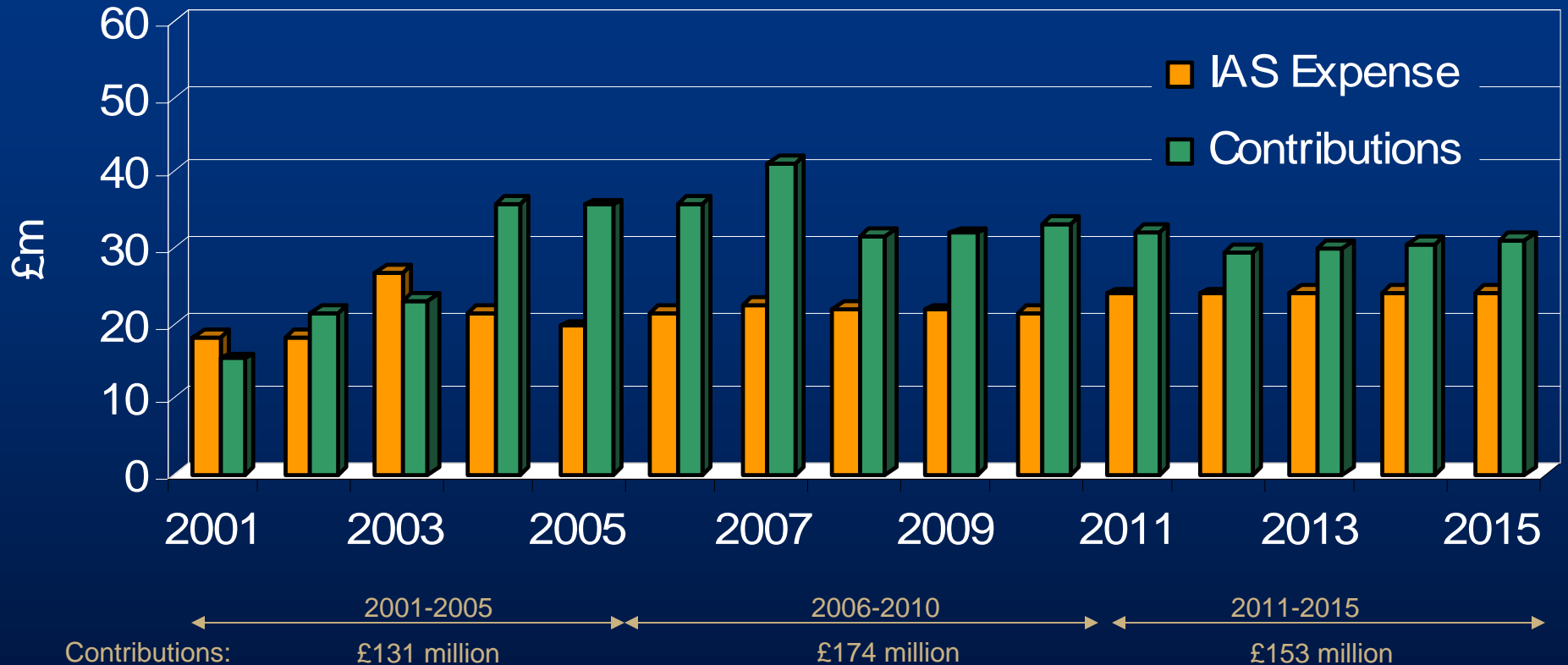
Defined Benefit Plans

- Contributions of £174m in the 5 years 2006 to 2010 (in line with all regulations/requirements).
- Funded deficit reduced from £103m to £65m in 2010.
- No requirement/obligation to match fund the “unfunded” plans.

The following analysis excludes certain arrangements that were reclassified as retirement plans for accounting purposes at 31 December 2005 totalling £21m.

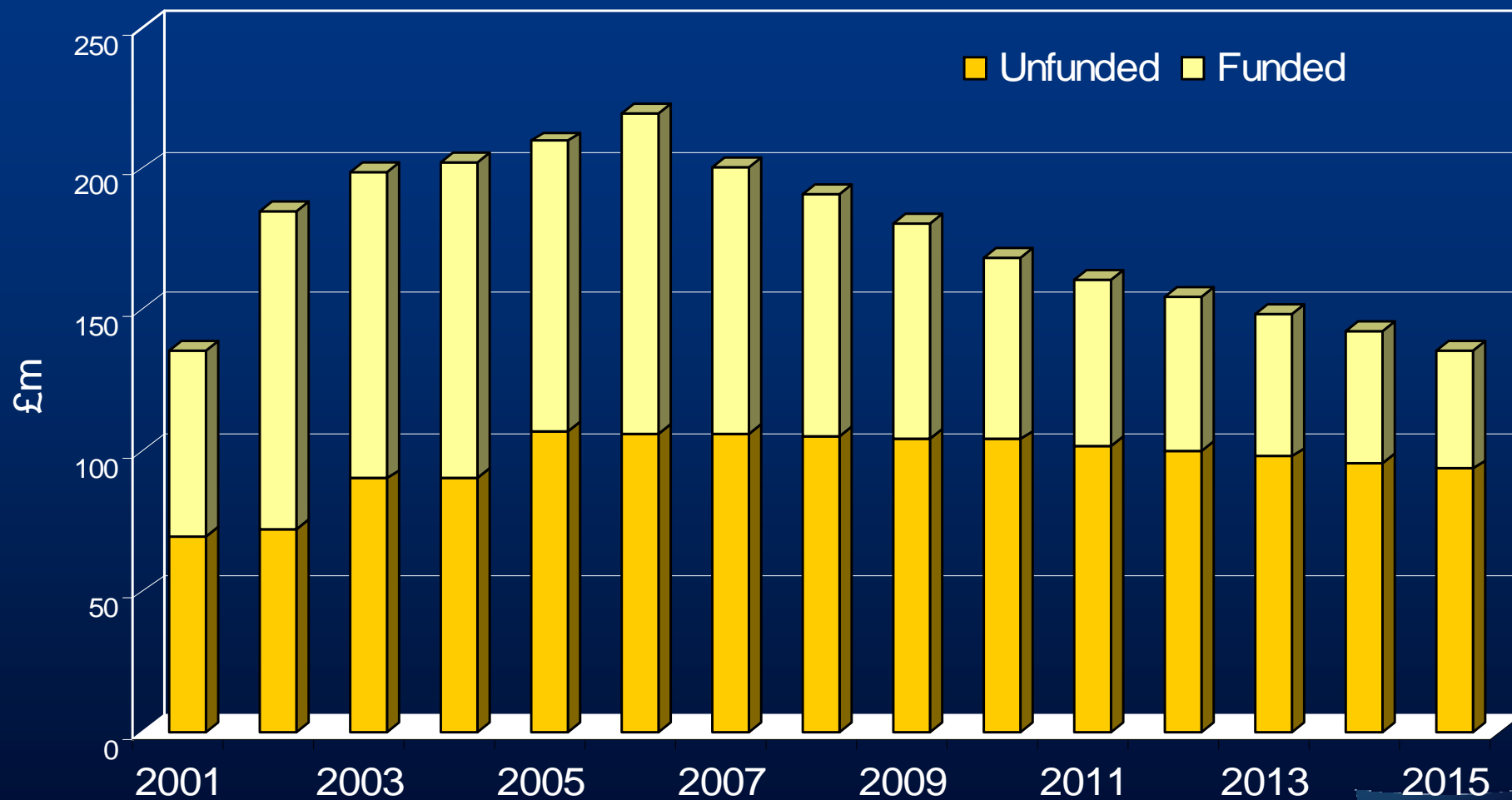
Current Funding Strategy

Defined Benefit Plans P&L Expense and Contributions



Current Funding Strategy

Projected Balance Sheet Position



Revised Funding Strategy

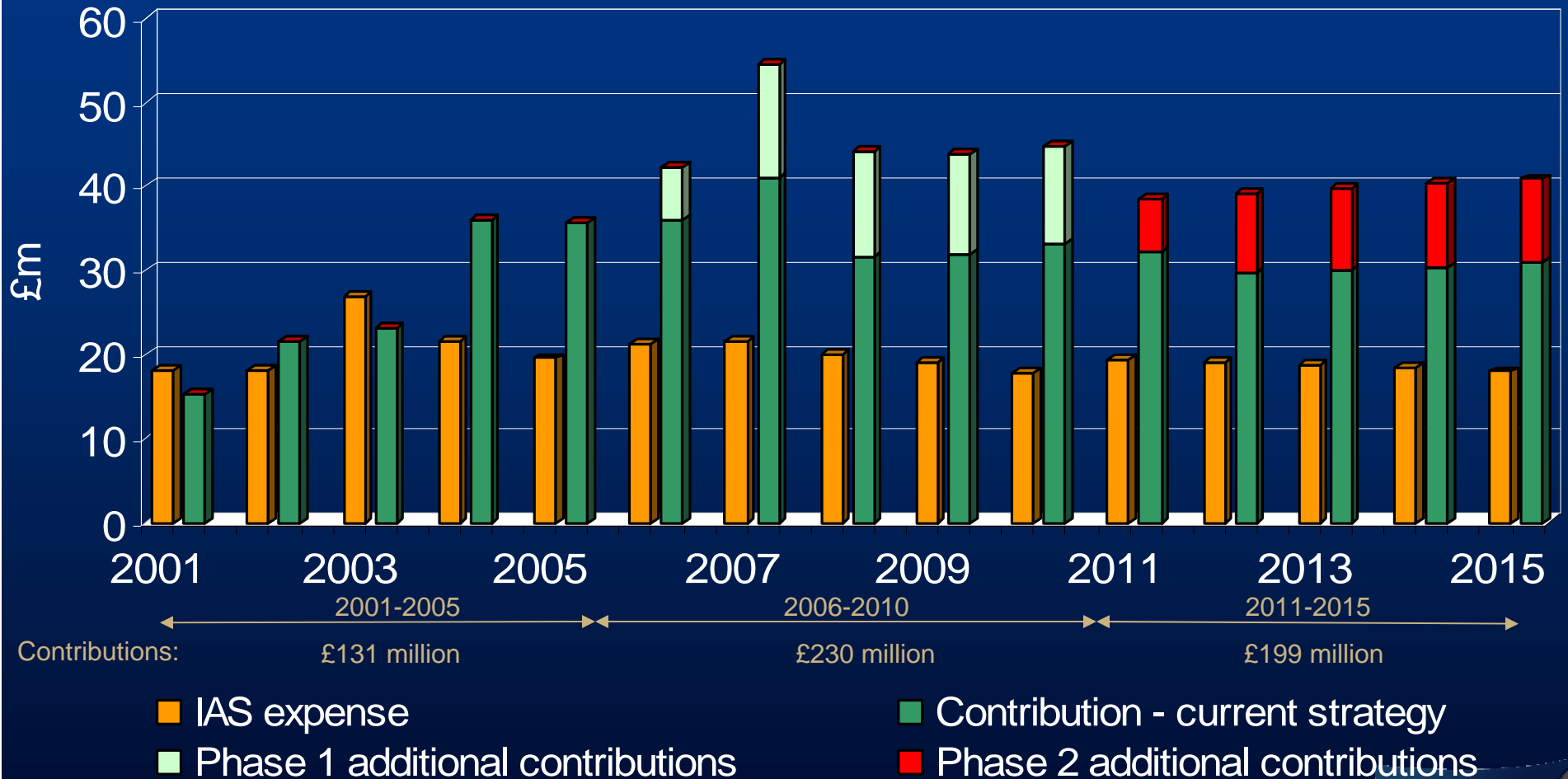
Defined Benefit Plans

- Phase 1: Eliminate the deficit for funded plans by 31 December 2010. This requires an additional £56m of contributions* compared to current funding strategy.
- Phase 2: Eliminate/match fund the liabilities for “unfunded” plans by 31 December 2015. This requires an additional £46m compared to current funding strategy.
- The funding of “unfunded” plans requires further analysis of taxation and other issues in the relevant jurisdictions.

* This assumes current assumptions are maintained for discount rates, investment returns, life expectancy etc.

Revised Funding Strategy

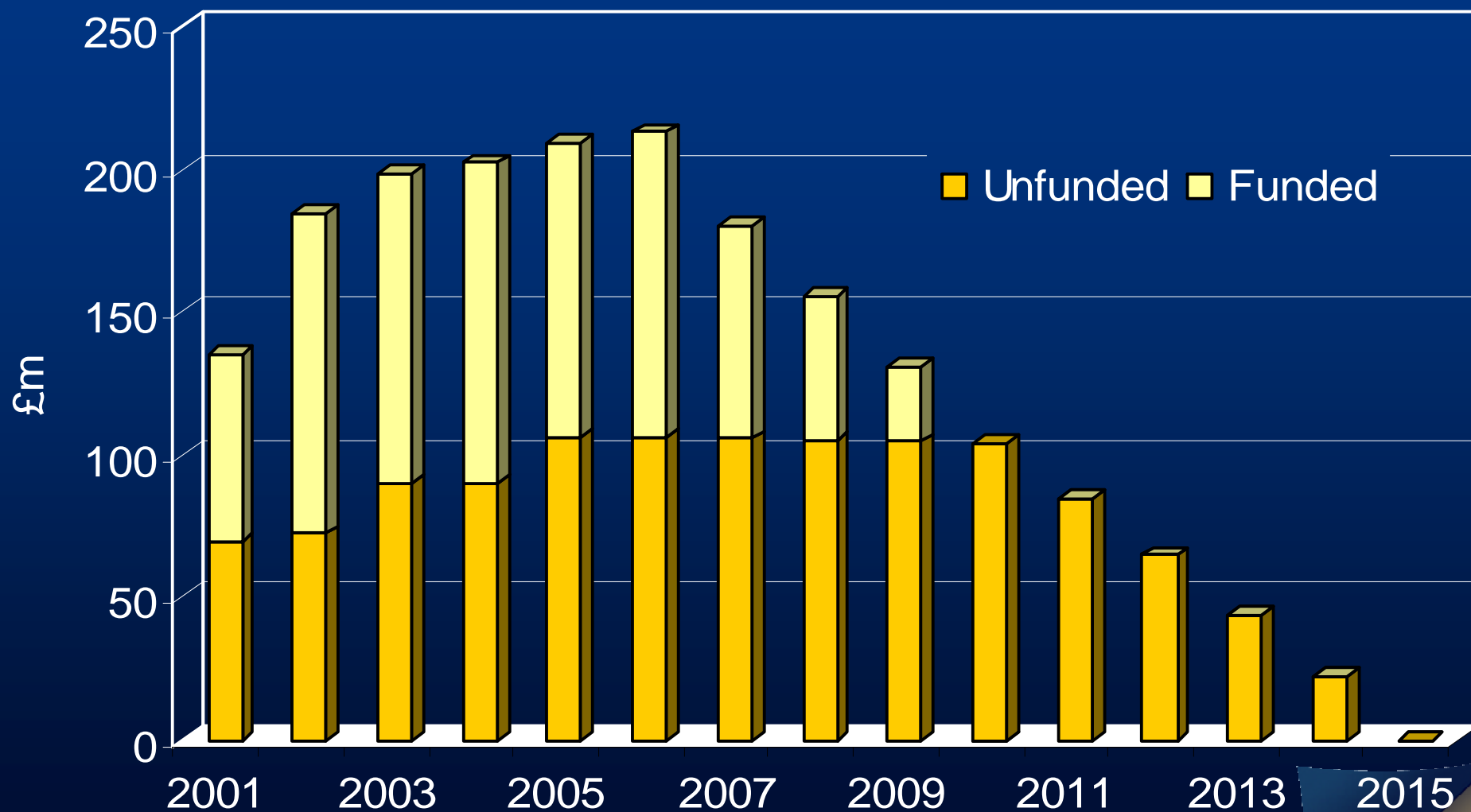
Defined Benefit Plans P&L Expense and Contributions



Eliminate deficit for funded plans by 31 December 2010, and for unfunded plans by 31 December 2015.

Revised Funding Strategy

Projected Balance Sheet Position



Eliminate deficit for funded plans by 31 December 2010, and for unfunded plans by 31 December 2015.

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, Africa and Middle East, and Central and Eastern Europe
- Use of the web for direct, digital and search related marketing
- Quantitative research, direct marketing and interactive growing strongly

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

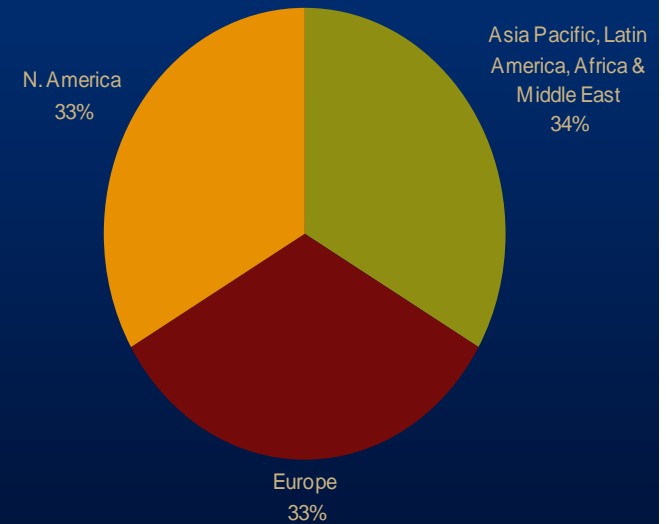
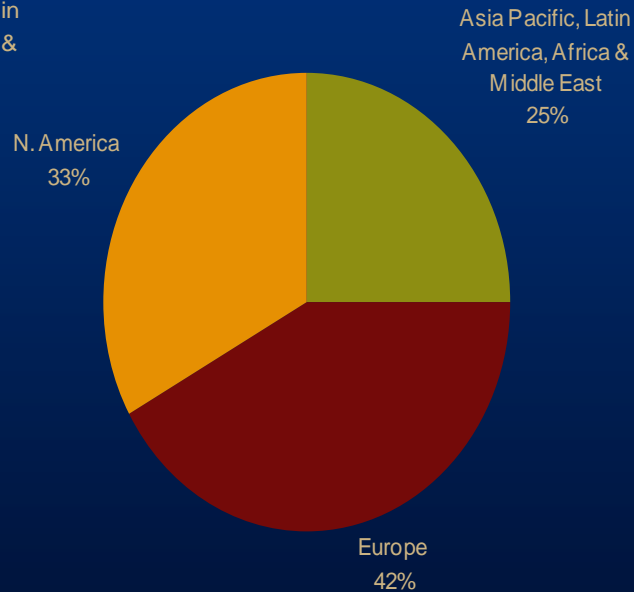
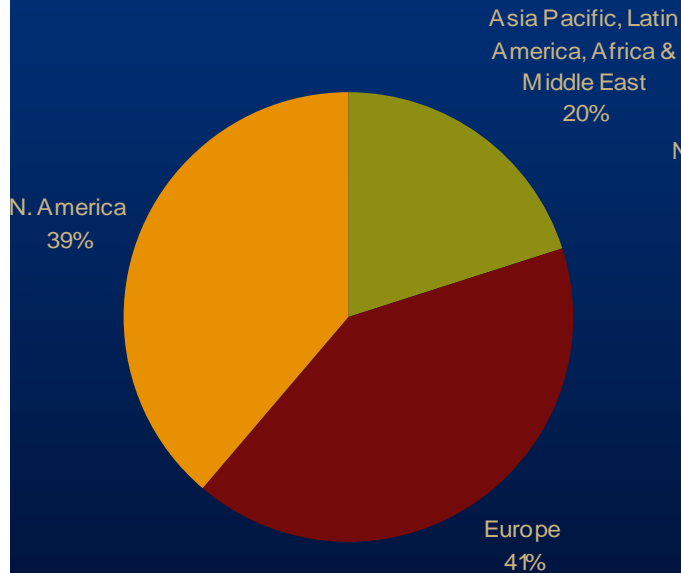
Key Priorities, Objectives and Strategy

Faster Growing Markets To Be One Third of Total Group

WPP Today¹

WPP Today Incl. Associates¹

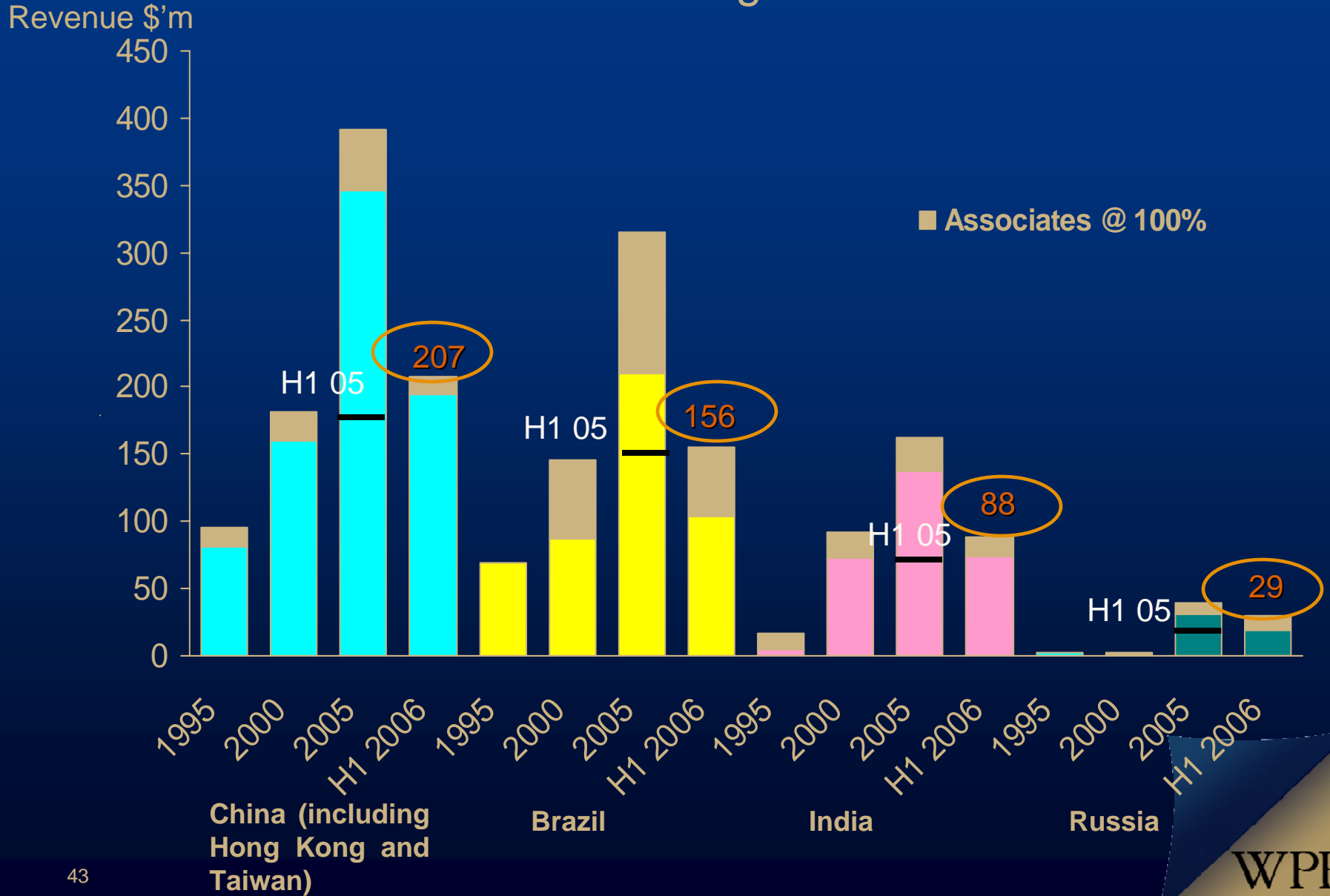
WPP Tomorrow incl. Associates



¹ Based on full year 2005 revenue

Key Priorities, Objectives and Strategy

WPP's Performance Strong in BRIC Markets



Key Priorities, Objectives and Strategy

WPP in Faster Growing Markets

Region	Market	Billings ¹ \$bn	% Share ¹	Rank ¹	12 month ² Revenue \$bn	Headcount ² '000
Asia	Greater China ³	2.4	37%	1	0.4	6.7
	India	0.8	55%	1	0.2	4.8
	Thailand	0.3	37%	1	0.1	1.2
LatAm	Brazil ⁵	1.1	25%	1	0.3	3.6
	Mexico	0.8	27%	1	0.1	1.5
	Argentina	0.2	19%	3	0.1	0.9
Other	Africa/Middle East ⁴	0.9	40%	1	0.2	2.1
	Poland	0.7	29%	1	0.1	0.9
	Russia	0.8	27%	1	0.1	0.8

1. Source RECMA 2006 projection, share of networks.
2. 12 months to 30 June 2006 including associates, headcount at 30 June 2006.
3. Greater China is China, Hong Kong and Taiwan.
4. Africa/Middle East has large independents with over 50% of the market.
5. WPP estimate.

Key Priorities, Objectives and Strategy

Revenue by Geography

	N. America %	Europe %	ROW \$'bn	ROW %	Total Revenue \$'bn
WPP	39%	41%	1.9	20%	9.8
OMC	56%	36%	0.9	8%	10.5
Havas	42%	50%	0.2	8%	1.9
Publicis	43%	40%	0.9	17%	5.1
IPG	57%	28%	1.0	15%	6.4

Source: 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.

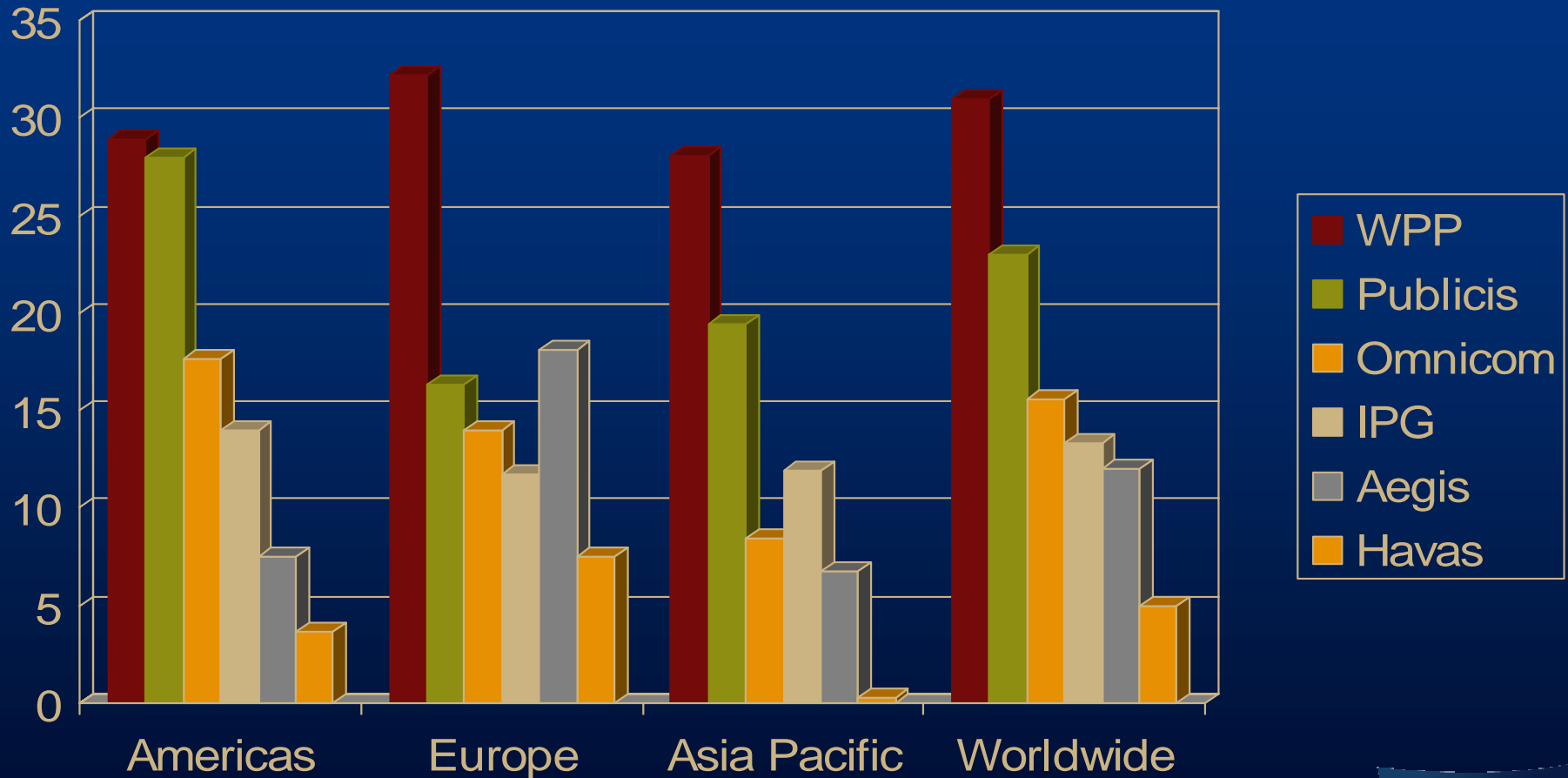
OMC: Assumes "non Euro currency" Europe, ie Switzerland, Turkey, Norway, Denmark, Sweden and Eastern Europe are ca 4.5% of revenue and Canada is 1.5% of revenue.

IPG: Assumes Canada is ca 1.5% of revenue

Key Priorities, Objectives and Strategy

Media Billings by Geography

Worldwide ranking by Group as % of the Six Groups

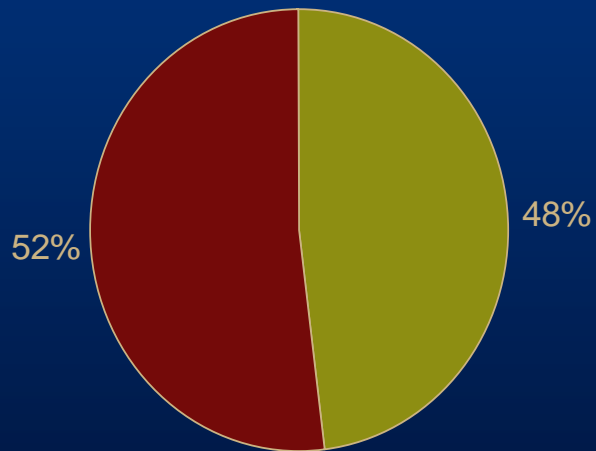


Source: RECMA Billings report – May 2006, networks projected 2006 key data, table 1b

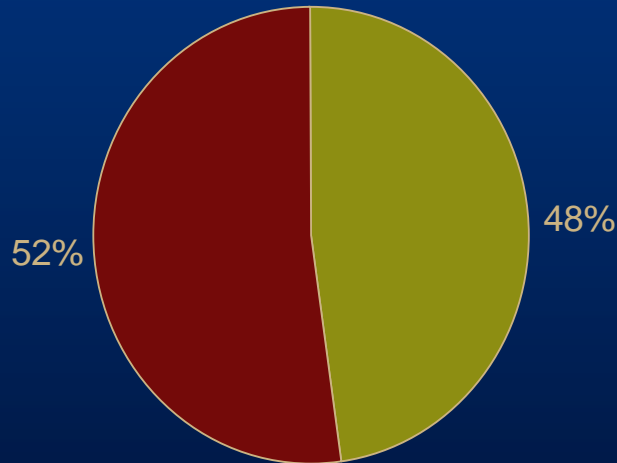
Key Priorities, Objectives and Strategy

Marketing Services To Be Two Thirds of Total Group

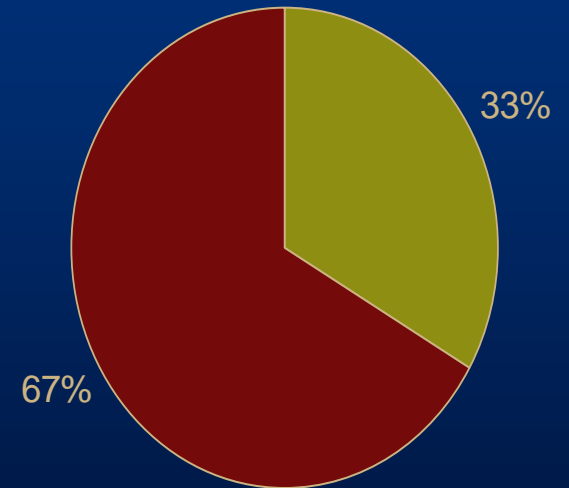
Today¹



Today including associates¹



Tomorrow



■ Advertising & Media Investment Management ■ Marketing Services

¹ Based on full year 2005 revenue

Key Priorities, Objectives and Strategy

Revenue by Discipline

	Advertising & Media		Marketing Services	
	\$'bn	% Revenue	\$'bn	% Revenue
WPP	4.7	48%	5.1	52%
OMC ¹	4.6	44%	5.9	56%
Havas ¹	1.1	56%	0.8	44%
Publicis ¹	3.7	72%	1.4	28%
IPG ^{1,2}	3.8	60%	2.6	40%

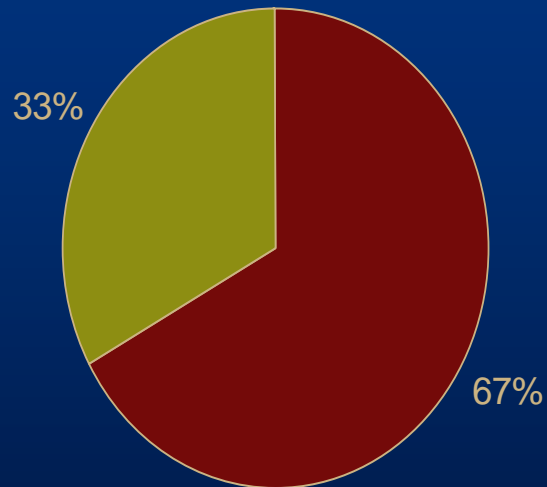
Source: ¹ 2005 Company Presentations

² Split based on Bear Stearns "Advertising and Marketing Services" (January '06)

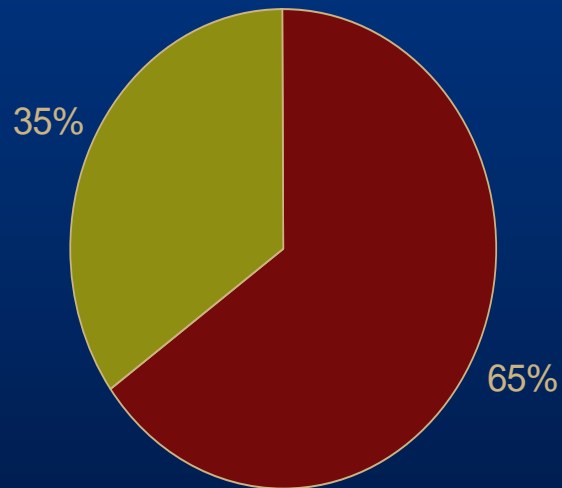
Key Priorities, Objectives and Strategy

Quantitative Disciplines To Be One Half of Total Group

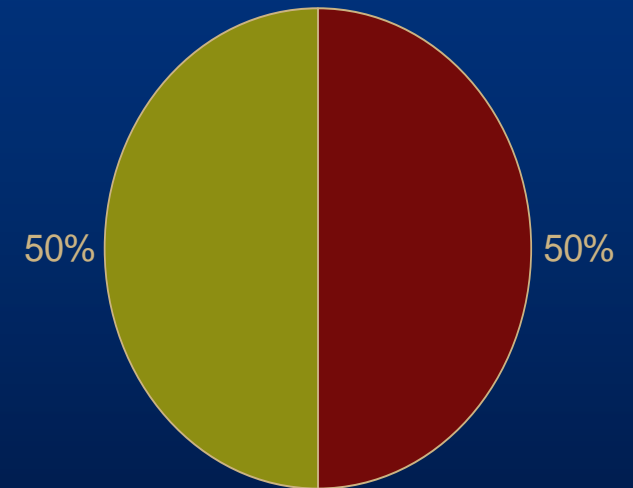
Today¹



Today including associates¹



Tomorrow



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

¹ Based on full year 2005 revenue

Key Priorities, Objectives and Strategy

WPP position in CRM/Direct and Digital

	H1/06	v H1/05
	\$'m	
Direct/Digital networks (OgilvyOne, Wunderman, RMG Connect and G2)	850	+10%
% of Group revenues	17%	
Other Digital/Interactive resources:		
- Information, Insight & Consultancy (Millward Brown, RI and Lightspeed)	126	
- GroupM	57	
- Healthcare (CommonHealth, S&H, Grey Healthcare)	7	
- Other	14	
	<hr/>	
	1,054	+15%
% of Group revenues	20%	

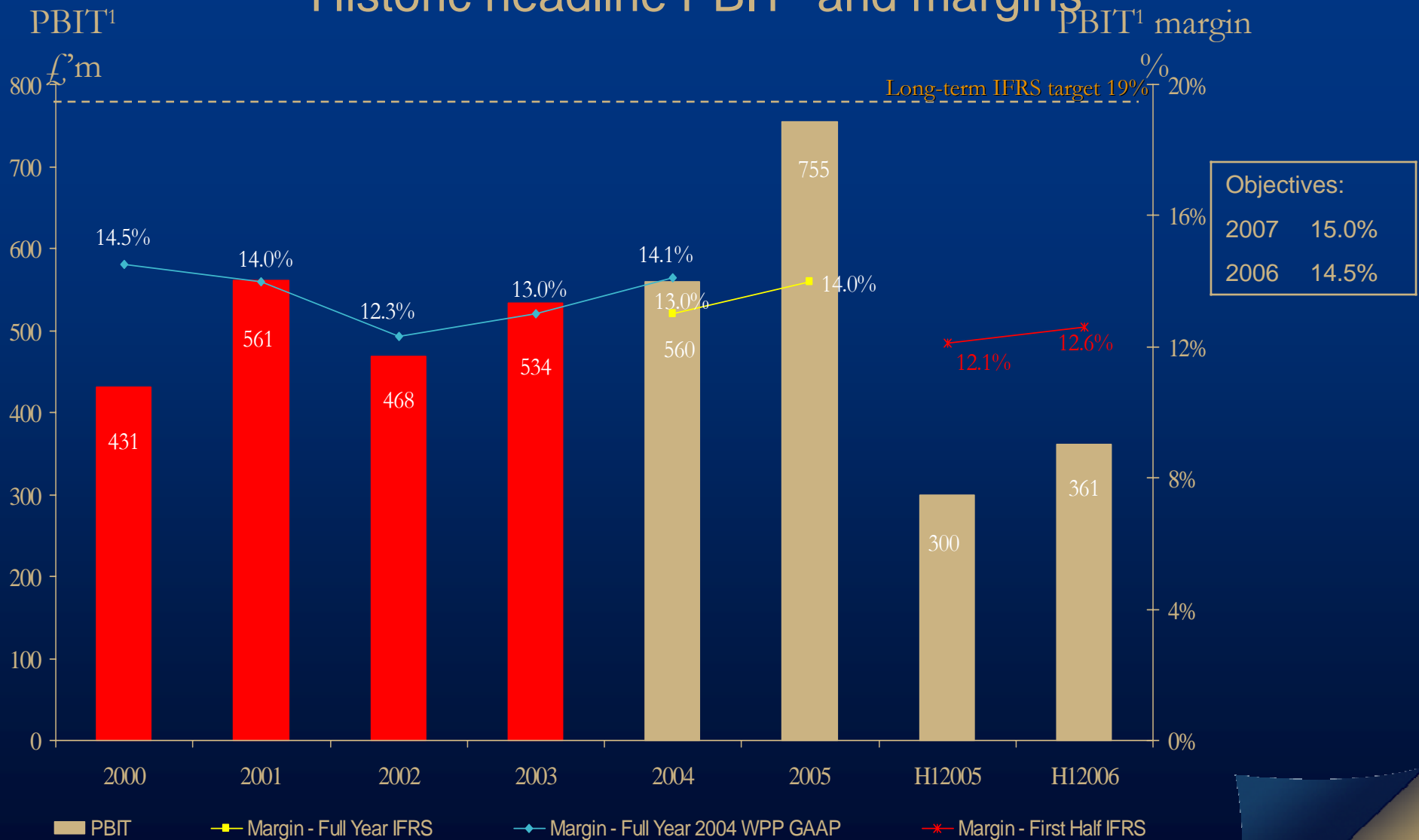
Key Priorities, Objectives and Strategy

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

Historic headline PBIT¹ and margins

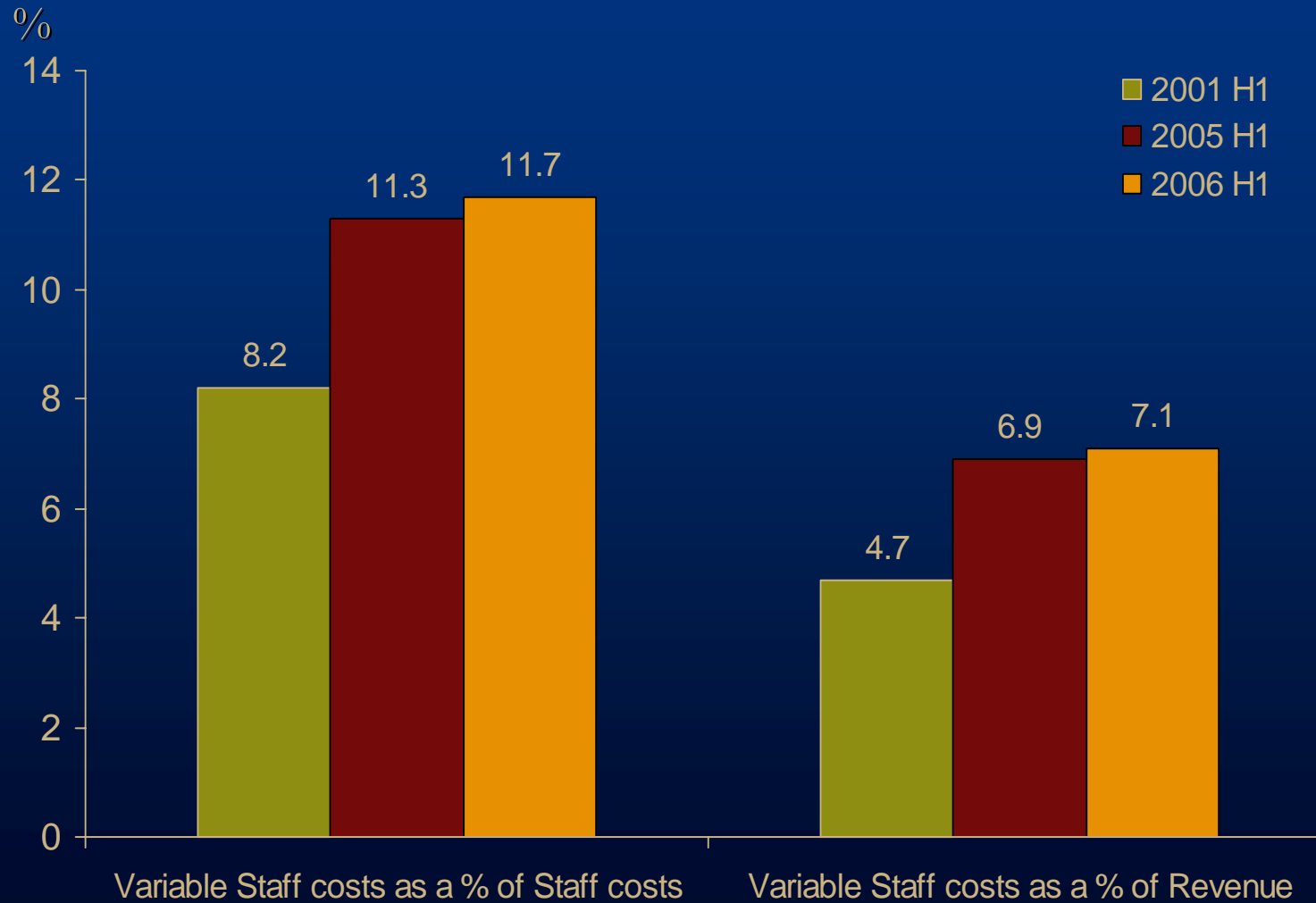


1. Headline PBIT excludes goodwill and intangibles charges, write offs of fixed asset investments and share of exceptional gains of associates. For 2004 onwards, Headline PBIT has been prepared under IFRS. 2003 and prior periods are in accordance with previous UK GAAP.

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

- 2006 interim dividend raised by 20% to 3.60p 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%
2006 H1	24.0m	£161.5m	1.9%

- The Group will accelerate its share repurchase programme and will now aim to buy-back up to 2-3% of its share capital each year, as compared to 1-2% historically.

Key Priorities, Objectives and Strategy

Using Free Cash Flow to Enhance Share Owner Value

Acquisitions

- Continued focus on small and mid-sized strategic acquisitions - a number completed in the first half
- 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 outside the USA

Key Priorities, Objectives and Strategy

Use of Free Cash Flow on Acquisitions² in 2006

Faster Growing Market

Quantitative and Digital

Always (China)
Beyond (Hong Kong)
Enterprise Nexus (India)
Genesis (India)

ACSR (China)
HYLZ (China)

Bridge (USA)
Emerge (Denmark)
IEG (USA)
Leopard (USA)
M80 (USA)
Planetactive (Germany)
Catalyst (USA)¹
LiveWorld-WPP (USA, JV)¹
Visible Technologies (USA)¹
Wild Tangent (USA)¹
ZAAZ (USA)¹

¹ Acquired after 30 June 2006

² Excludes equity step ups

Key Priorities, Objectives and Strategy

Use of Free Cash Flow on Acquisitions in 2006

Public Relations

Dewey Square Group (USA)¹

Public Strategies Inc. (USA)¹

Result Inc. (Canada)¹

Other

DMX Inflight (USA)

¹ Acquired after 30 June 2006

² Excludes equity step ups

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

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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, and 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.

WPP

2006 Interim Results
London
August 2006