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WPP

2007 INTERIM RESULTS

Billings up almost 5% at £15.085 billion

Reported revenue up 2% to £2.921 billion and up almost 8% in constant currencies

Like-for-like revenue up over 5%

Headline operating profit up over 6% to £383 million and up over 12% in constant currencies

Headline operating margin up 0.5 margin points to 13.1%

Headline profit before tax up almost 7% to £338 million and up almost 14% in constant currencies

Profit before tax up over 2% to £294 million and up almost 9% in constant currencies

Diluted headline earnings per share up over 9% at 18.2p and up almost 19% in constant currencies

Interim ordinary dividend up 20% to 4.32p per share

- Billings up almost 5% at £15.085 billion.
- Reported revenue up 2.0% to £2.921 billion and up almost 8% in constant currencies.
- Like-for-like revenue up 5.3%, gross margin up 5.7%.
- Headline operating profit up 6.1% to £383.1 million from £361.0 million and up over 12% in constant currencies.
- Headline operating margin up 0.5 margin points to 13.1%.
- Headline profit before tax up 6.9% to £338.0 million from £316.1 million and up almost 14% in constant currencies.
- Profit before tax up 2.4% to £294.1 million from £287.1 million and up almost 9% in constant currencies.
- Diluted headline earnings per share up 9.6% to 18.2p from 16.6p and up almost 19% in constant currencies.
- Diluted earnings per share up 2.8% to 14.7p and up almost 12% in constant currencies.
- Interim ordinary dividend up 20% to 4.32p per share.
- Average net debt for the first half up £26 million to £1,196 million from £1,170million, despite cash payments of £417 million for net cash acquisition payments and share repurchases in the first six months.
- Estimated net new business billings of £1.565 billion ($3.051 billion).
- Acquisition of new technology company 24/7 Real Media Inc. completed on 2 July 2007.

In this press release not all the figures and ratios used are readily available from the unaudited interim results included in Appendix I. Where required, details of how these have been arrived at are shown in note 17 of Appendix I.

Summary of Results

The Board of WPP announces its unaudited interim results for the six months ended 30 June 2007. These represent record levels of performance throughout the business and the achievement, as last year, of the Group's financial model, with like-for-like revenues growing over 5% and profits almost 10%, at the same time as earnings per share, on a constant currency basis, grew considerably faster in high double digits through a mixture of acquisitions, share buy-backs and a reduced tax charge.

Billings were up almost 5% at £15.085 billion.

Reportable revenue was up 2.0% at £2.921 billion. On a constant currency basis, revenue was up 7.7% compared with last year, with currency fluctuations, chiefly the strength of the £ sterling against the US dollar, in the first six months reducing the Group's revenue growth by almost 6 percentage points. Over the first half of the year, the US dollar declined 10% against sterling. As a number of our competitors report in US dollars and inter-currency comparisons are difficult to make, Appendix 2 shows WPP's interim results in reportable US dollars. This shows, for example, that US dollar reportable revenues were up by 12.3% to $5.764 billion, headline profits up 16.5% to $757.6 million and diluted headline earnings per share up 20.4% to 36.0¢. Further analysis is included in Appendix 2.

On a like-for-like basis, which excludes the impact of acquisitions and currency, revenues were up 5.3% (gross margin up 5.7%) in the first half, the pace accelerating with 6.2% growth in the second quarter.

Headline earnings before interest, depreciation and amortisation ("EBITDA") was up 5.5% to £452.5 million and up over 11% in constant currencies. Headline operating profit was up 6.1% to £383.1 million from £361.0 million and up 12.1% in constant currencies.

Headline operating margins rose yet again, in line with objectives, by 0.5 margin points to 13.1% from 12.6%, also in line with the full year margin target of 15.0%. Before short-term and long-term incentives (including the cost of share-based compensation), operating margins were flat with last year at 16.3%. Short and long-term incentives and the cost of share-based incentives amounted to £92.2 million or 20.2% of operating profits before bonus and taxes, down slightly on last year as a result of currency movements and the first half impact of additional space and staff costs.

On a reported basis the Group's staff cost to revenue ratio, including incentives, improved 0.5 margin points to 59.9% in the first half of 2007, compared with the same period last year, as productivity rose. On a like-for-like basis, the average number of people in the Group, excluding associates, was 81,521 in the first half of the year, compared to 77,948 in 2006, an increase of 4.6%. On the same basis, the total number of people in the Group, excluding associates, at 30 June 2007 was 82,998 compared to 79,599 in June 2006, an increase of 4.3%.

Headline profit before tax was up 6.9% to £338.0 million from £316.1 million or up 13.7% in constant currencies.

Net finance costs (excluding the revaluation of financial instruments) were flat with last year at £45.1 million compared with £44.9 million in 2006, reflecting higher interest rates, offset by improved cash management and higher investment income.

Reported profit before tax rose by 2.4% to £294.1 million from £287.1 million. In constant currencies pre-tax profits rose by 8.9%.

The tax rate on headline profit before tax was 26.9%, down 2.1 percentage points on the first half 2006 rate of 29.0%.

Profits attributable to share owners rose by 2.9% to £181.9 million from £176.7 million, or up 11.7% in constant currencies.

Diluted headline earnings per share rose by 9.6% to 18.2p from 16.6p. In constant currencies, earnings per share on the same basis rose by 18.8%. Diluted reported earnings per share were up 2.8% to 14.7p and up 11.7% in constant currencies.

The Board declares an increase of 20% in the interim ordinary dividend to 4.32p per share. The record date for this interim dividend is 12 October 2007, payable on 12 November 2007.

Further details of WPP's financial performance are provided in Appendices I and 2.

Review of Operations

Revenue by Region

The pattern of revenue growth differed regionally. The table below gives details of the proportion of revenue and revenue growth by region for the first six months of 2007:

Region	**Constant Currency[1] Revenue as a % of Total Group**	**Reported Revenue Growth 07/06**	**Constant Currency[1] Revenue Growth 07/06**	**Like-for-like[2] Revenue Growth 07/06**
		%	**%**	**%**
North America	38.5	-2.1	8.3	5.1
United Kingdom	14.8	3.7	3.7[3]	2.3[4]
Continental Europe	26.1	4.1	6.0	3.1
Asia Pacific, Latin America, Africa & Middle East	20.6	6.1	11.9	10.9
TOTAL GROUP	100.0	2.0	7.7	5.3[5]

[1] Constant currency growth excludes the effects of currency movements.
[2] Like-for-like growth excludes the effects of currency movements and the impact of acquisitions.
[3] Gross margin up 4.9%
[4] Gross margin up 4.1%
[5] Gross margin up 5.7%

On a constant currency basis, the Group grew at almost 8% and all regions showed good growth. Again, the world grew at three speeds. The faster growing markets of Asia Pacific, Latin America, Africa, the Middle East and Central and Eastern Europe were at one end of the spectrum and the United Kingdom and Western Continental Europe at the other, with North America and Spain in between. Growth in all regions improved over the first quarter growth.

The United States continues to grow, with the rate in the first half up over 8%, on a constant currency basis, compared with 6.5% growth in the first quarter. As in the first quarter Asia Pacific, Latin America, Africa and the Middle East, continues to be the fastest growing region, with revenues up almost 12%. Asia Pacific remains strong, with revenues up almost 11%. Mainland China and India continued the rapid growth seen in 2006 and the first quarter of 2007, with first half like-for-like revenues up almost 29% and 22% respectively. Continental Europe was up 6.0%, an improvement over the 4.4% growth in the first quarter, with Central and Eastern Europe particularly strong at almost 19%. The United Kingdom remains the slowest growing region with revenues up 3.7%, with gross margin up 4.9% reflecting the relative scale of our market research revenues in the United Kingdom. As more market research is executed on the web, both revenue and direct costs are reduced. As a result, gross margin is probably the better measure of performance.

Estimated net new business billings of £1.565 billion ($3.051 billion) were won in the first half of the year and the Group continues to benefit from consolidation trends in the industry, winning several assignments from existing and new clients.

The faster growing geographical markets of Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, accounted for 23% of the Group's revenues in the first half of 2007.

Revenue by Communications Services Sector and Brand

The pattern of revenue growth also varied by communications services sector and company brand. The table below gives details of the proportion of revenue and revenue growth by communications services sector for the first six months of 2007:

Communications Services Sector	**Constant Currency[1] Revenue as a % of Total Group**	**Reported Revenue Growth 07/06 %**	**Constant Currency[1] Revenue Growth 07/06 %**	**Like-for-like[2] Revenue Growth 07/06 %**
Advertising, Media Investment Management	46.5	0.7	6.0	5.2
Information, Insight & Consultancy	14.8	-1.6	3.3[3]	1.3[4]
Public Relations & Public Affairs	10.8	7.8	14.8	7.7
Branding & Identity, Healthcare and Specialist Communications	27.9	4.0	10.5	6.8
TOTAL GROUP	100.0	2.0	7.7	5.3[5]

[1] Constant currency growth excludes the effects of currency movements.

[2] Like-for-like growth excludes the effects of currency movements and the impact of acquisitions.

[3] Gross margin up 5.9% [4] Gross margin up 4.2% [5] Gross margin up 5.7%

Media investment management continues to show the strongest growth of all our communications services sectors, along with direct, internet and interactive. Direct and digitally-related activities now account for approximately 23% of the Group's total revenues, which are running at the rate of approximately $12 billion per annum. Brand advertising, particularly in the new faster growing markets, along with information, insight & consultancy and branding & identity, healthcare and specialist communications, show consistent growth.

Public relations and public affairs also continues to show significant improvement over last year, following a strong year in 2006, with constant currency revenues up almost 15%, reflecting the positive impact on the sector's growth of social networking on the web, which demonstrates the increased effectiveness of editorial publicity over paid for publicity.

Over 53% of the Group's revenues came from outside advertising and media investment management, in the first half of 2007.

<u>Advertising and Media Investment Management</u>

On a constant currency basis, advertising and media investment management revenues grew by 6.0%, with like-for-like revenue growth of 5.2%. Operating margins improved by 0.6 margin points in the first half.

These businesses generated estimated net new business billings of £1.276 billion ($2.489 billion).

<u>Information, Insight and Consultancy</u>

The Group's information, insight and consultancy businesses growth improved in the second quarter, with first half revenues, on a constant currency basis, up 3.3% and gross margin up 5.9%. Operating margins improved 0.2 margin points in the first half.

<u>Public Relations and Public Affairs</u>

In constant currencies, the Group's public relations and public affairs revenues rose by 14.8%, with like-for-like growth of 7.7%. Operating margins improved 0.8 margin points in the first half.

<u>Branding and Identity, Healthcare and Specialist Communications</u>

The Group's branding and identity, healthcare and specialist communications constant currency revenues were up 10.5%, with operating margins up 0.2 margin points. Particularly good performances were registered by several companies in this sector in the first half - including, in promotion and direct marketing Ogilvy Activation, Wunderman, VML, G2, Bridge Worldwide, Mando, EWA, the Forward Group; in branding and identity Enterprise IG, Addison and The Partners; in healthcare Ogilvy Healthworld; and in specialist communications Geppetto, Spafax, the Farm, MJM, the Food Group, BDG, Global Sportnet and Headcount.

Cash Flow and Balance Sheet

A summary of the Group's unaudited cash flow statement and balance sheet and notes as at 30 June 2007 are provided in Appendix I.

In the first half of 2007, operating profit was £320 million, depreciation, amortisation and impairment £117 million, non-cash based incentive charges £33 million, net interest paid £67 million, tax paid £76 million, capital expenditure £72 million and other net cash inflows £24 million. Free cash flow available for working capital requirements, debt repayment, acquisitions and share re-purchases was, therefore, £279 million. This free cash flow was absorbed by £208 million in net cash acquisition payments and investments (of which £141 million was for initial acquisition payments net of disposal proceeds, £65 million was for earnout payments and the balance of £2 million related to prior year loan note redemptions), and £209 million by share re-purchases, a total outflow of £417 million. This resulted in a net cash outflow of £138 million, before any changes in working capital.

Average net debt in the first six months of 2007 rose by £85 million to £1,196 million, compared to £1,111 million in 2006, at 2007 exchange rates. On 30 June 2007 net debt was £1,264 million, against £1,219 million on 30 June 2006, an increase of £45 million. Your Board continues to examine ways of deploying its EBITDA of over £1billion (over $2 billion) and substantial cash flow of over £700 million or over $1.4 billion per annum, to enhance share owner value, given that interest cover remains strong at 8.5 times in the first half of 2007, in comparison to 8.0 times on a comparable basis, in the first half of 2006. As necessary capital expenditure, mainly on information technology and property, is expected to remain equal to or less than the depreciation charge in the long term, the Company has continued to concentrate on examining possible acquisitions or returning excess capital to share owners in the form of dividends and/or share buy-backs.

In the first half of 2007, the Group continued to make small to medium-sized acquisitions or investments in high growth geographical or functional areas. In the first six months of this year, acquisitions and increased equity stakes have been concentrated in advertising & media investment management in the United States (including digital), the United Kingdom, Austria, France, Germany (including digital), the Netherlands (including digital), Russia, Spain, South Africa, Brazil, Colombia, Australia, China and Japan; in information, insight & consultancy in the United States and the United Kingdom; in public relations & public affairs in the United States; in healthcare in the United Kingdom; in branding and identity in Ireland and in direct, internet & interactive in the United States, Belgium, Germany, South Africa, the Middle East, Chile, Mexico, Korea and Singapore. The acquisition of 24/7 Real Media Inc., was completed after the half-year end on 2 July 2007. This represents the company's first (and the communications services industry's first) major investment in the application of modern media technology to advertising and marketing services.

In addition to increasing the interim dividend by 20% to 4.32p per share, the Company continues to focus on examining the alternative between increasing dividends and accelerating share buy-backs, and completed a review of its share buy-back policy in 2006. As a result, the Group accelerated its share repurchase programme and now aims to buy-back up to 4-5% of its share capital each year, as compared to 1-3% historically. In the first half of the year, 27.906 million ordinary shares equivalent to 2.3% of the share capital, were purchased at an average price of £7.51 and total cost of £209 million. All of these shares were purchased in the market and subsequently cancelled.

Client Developments in the First Half of 2007

Including associates, the Group currently employs over 102,000 full-time people in over 2,000 offices in 106 countries. It services over 300 of the Fortune Global 500 companies, over one-half of the Nasdaq 100, over 30 of the Fortune e-50, and approximately 330 national or multi-national clients in three or more disciplines. More than 230 clients are served in four disciplines and these clients account for over 50% of Group revenues. This reflects the increasing opportunities for co-ordination between activities both nationally and internationally. The Group also works with nearly 200 clients in 6 or more countries.
The Group estimates that more than 35% of new assignments in the first half of the year were generated through the joint development of opportunities by two or more Group companies.

Current Progress and Future Prospects

The Group's performance in the first half of the year mirrored the continuing good economic conditions in the United States, Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, reinforced by a continued improvement in Western Europe, although the United Kingdom remains relatively weak, even against Western Continental Europe. In the last few months, Spain has shown continued strength and France slower growth, with the rest of Western Europe showing progress in Quarter 2 over Quarter 1. Like-for-like revenue was up over 5% in the first half of 2007. This trend continued into the second half, with July like-for-like revenues up strongly over 7%. Experts forecast that the industry will grow at 4-5% this year, which, so far, the group has exceeded, growing market share. An operating margin of 13.1% was achieved in the first half, in line with the Group's revised margin target for 2007 of 15.0%.

The first half of 2007 saw another significant improvement in activity, even against the strong performance of 2006. Levels of activity in 2007 should match, or surpass, those seen in 2006 and there are significant new business opportunities at both the network and parent company levels. As long as the United States economy holds up, 2008 should be a good year too, buoyed by the build up to Beijing 2008 and heavy United States political spending, in advance of a Presidential election, which may see Hillary Clinton nominated and elected. 2008 should be a bumper year, with the culmination of these two major events and the European Football Championships in Austria and Switzerland. 2009 may see slower growth, following the anticipated strength of 2008 and as the new United States administration wrestles with the country's fiscal and trade imbalances.

Corporate profitability remains strong on both sides of the Atlantic, in fact, at the highest levels as a proportion of GNP for almost 50 years and, as a result, advertising and marketing services spending does too, if anything continuing to strengthen. However, in a low inflationary environment, which remains a government and central bank priority and which has been with us continuously for almost 16 years, significant, repeated, like-for-like sales gains remain difficult to achieve. Overcapacity, disintermediation via the web, slowing population growth and concentrating distribution result in limited pricing power. This pressure is at its most intense in the slower growth, but large, mature markets of the United States and Western Europe. Concerns remain of stagflation, as the United States and other nations wrestle with increasing oil prices, twin fiscal and trade deficits and the potential impact of changes in interest rate policy.

The consumer remains under pressure on both sides of the Atlantic from increasing levels of debt, low savings ratios and house prices. Any slack in consumer spending has not to date been taken up by significant increases in corporate capital spending, beyond replacement spending. Company boards remain cautious, perhaps cowed by regulatory measures and fear of failure. The average life of a Chief Executive Officer, remains around four years and apparently under two years for a Chief Marketing Officer in the United States.

In this environment, clients are seeking new ways of reaching the consumer and finding new geographic growth opportunities. Satellite and cable television, outdoor and out-of-home advertising and radio in the traditional media and, more importantly, direct, internet and interactive (including mobile and video) are taking a growing share of client spending, albeit from lower absolute and relative levels. Similarly, but geographically, Asia Pacific (particularly but not exclusively China and India and including the new tigers of Indonesia, Pakistan and Vietnam), Latin America, despite some political volatility and some growth of populism and protectionism, Africa, the Middle East and Central and Eastern Europe are becoming more and more significant, again from lower absolute and relative levels.

We are finding that our industry is becoming more and more multi-paced. Slow growth in traditional media, such as network television, newspapers and magazines, more rapid growth in new media, such as direct, internet and interactive, driven by new technology. Slower growth in the mature markets of the United States and Western Europe, more rapid growth in, Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe. Growth patterns even vary within regions – for example, slow growth in Western Europe alongside rapid growth in Central and Eastern Europe.

In these market conditions, the prospects for our industry remain very good, as the need for differentiation through innovation and branding and global expansion grow. The two critical strategic opportunities for our clients, media owners and ourselves, remain geographical expansion across the globe and assessing and dealing with the implications of new technological developments – which could be glibly described as “China and the internet”. Clearly, it is more complex than this, with China an icon for Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe and the internet an icon for mobile, iPods™, video iPods™, iPhones™, PVRs, HDTV, IPTV, gaming and social networks, amongst others. Geographical development remains relatively easy to manage. Technological development remains relatively difficult to manage as it is taxing to forecast the impact of such changes, although increasing complexity makes us more valuable to our clients. It is difficult to imagine what those half-a-dozen PhDs might now be cooking up in Beijing or Bangalore, let alone Silicon Valley.

Since the birth of WPP in 1985, some 22 years ago, our industry has, so far, seen three distinct phases. The first, some 15-20 years ago, as David Ogilvy would, perhaps, have phrased it, the era of the Big Idea. This is just as critical today, as big creative ideas need to differentiate clients products and services, either tangibly or intangibly in an increasingly undifferentiated world.

Secondly, around 10 years ago, we saw the beginning of the growth and concentration of media planning and buying or what we call media investment management. According to industry research sources, approximately 1-in-4 advertisements you may see anywhere in the world may have been planned or bought by WPP's GroupM and its constituent operating brands MindShare, Mediaedge:cia, MediaCom or Maxus. GroupM increasingly provides one buying point in each country to give clients increased cross-platform content opportunities, buying leverage and consumer and research insights. Inside WPP, there is, therefore, an almost $40 billion (the level of our gross media billings and turnover) media engine that mirrors the importance of media in the Japanese or Dentsu model. As a result, traditional media faces increased buying concentration, as well as the challenges of new media and technology.

Finally, we are witnessing, the third era – the application of technology, where high science is being increasingly applied to advertising and marketing services industries. This kicked off with a major land-grab by Google, with its proposed $3.1 billion purchase of DoubleClick, our own $650 million purchase of 24/7 Real Media Inc. and Microsoft's $6.1 billion purchase of aQuantive. It does not include, as some have suggested, the purchase of digital agencies.. DoubleClick, 24/7 Real Media Inc. and aQuantive represent, for the first time, the applicaton of modern technology to provide advertising and marketing solutions for clients. Whilst also about talent, these initiatives really concern the deployment of detailed and precise technology in our industry for the first time. This land-grab has also set off a related wave of agency consolidations.

The prospects for trading performance improvements at WPP remain good too. Six months ago the Group increased its margin target for 2009 to 16.0% and for 2010 to 16.5%. The Group is on track to achieve this accelerated timetable. Our long term operating margin target remains 19%.

Plans, budgets and forecasts will continue to be made on a conservative basis and considerable attention is still being focused on achieving margin and staff cost to revenue or gross margin targets. Margins continue to be strong in important parts of the business. In addition to influencing absolute levels of cost, the initiatives taken by the parent company in the areas of human resources, property, procurement, information technology and practice development continue to improve the flexibility of the Group's cost base.

The Group continues to improve co-operation and co-ordination between companies in order to add value to our clients' businesses and our people's careers, an objective which has been specifically built into short-term incentive plans. Particular emphasis and success has been achieved in the areas of media investment management, healthcare, privatisation, new technologies, new markets, retailing, internal communications, hi-tech, financial services and media and entertainment. The Group continues to lead the industry, in co-ordinating investment geographically and functionally through parent company initiatives, which competitors initially 'pooh-poohed' but now attempt to imitate. Increasing co-operation, although more difficult to achieve in a multi-branded company, which has grown by acquisition, than in an organically grown uni-branded one, remains a priority.

The Group also continues to concentrate on its long-term targets and strategic objectives of improving operating profits by 10-15%; improving operating margins by half to one margin point per annum or more depending on revenue growth; improving staff cost to revenue or gross margin ratios by 0.6 margin points per annum or more depending on revenue growth; converting 25-33% of incremental revenue to profit; growing revenue faster than industry averages and encouraging co-operation among Group companies.

As clients face an increasingly undifferentiated market place, particularly in mature markets, the Group is competitively well positioned to offer them the creativity they desire, along with the ability to deliver the most effective co-ordinated communications in the most efficient manner. The rise of the procurement function, the increasing concentration of distribution and the legislative acceptance of media ownership concentration in several countries, will further stimulate consolidation amongst clients, media owners, wholesalers and retailers and last, but not least, advertising and marketing services agencies. The Group is very well positioned to capitalise on these developments and to focus on developing the best talents, the strongest management structures and the most innovative incentive plans in the industry for our people.

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