WPP Annual General Meeting Trading Update for First Five Months of 2005
27 June 2005

Reported revenues up over 20%
Constant currency revenues up over 21%
Like-for-like revenues up over 6%
First five months' operating margin ahead of budget
Continuing improvement in liquidity

The following statement was made by the Chairman at the Company's 33rd Annual General Meeting held in London at noon today:

"First, a few comments on current trading over the first five months of 2005. 2005 has seen further significant growth in revenue, profit and margins, following the strong performance in 2004.

The United States continues to grow, continuing the recovery first seen in August 2002. Latin America remains the fastest growing region, as it was in 2004. Asia Pacific remains strong across the region, with China and India leading the way. Western Europe, although relatively more difficult, has stabilised and the United Kingdom has improved. Rates of growth in Europe continue, however, to be two-paced, with parts of Germany, France, Sweden, Denmark, Benelux and Portugal remaining difficult and Eastern Europe, Russia and the CIS countries in particular, more buoyant.

Media investment management continues to show the strongest growth of all our communications services sectors, along with direct, internet and interactive and healthcare communications. Direct, internet and interactive related activities now account for almost 15% of the Group's revenues, which are running at the rate of approximately $10 billion. Brand advertising continues to grow, along with information insight & consultancy and branding & identity. Public relations and public affairs also continue to show significant improvement over last year, following a strong year in 2004.

On a reportable basis, worldwide revenues were up over 20%, reflecting strong organic growth and the contribution from Grey Global Group

("Grey") from 7 March 2005. The impact of currency in the first five months was minimal - constant currency revenues were up over 21%. On a like-for-like basis, excluding acquisitions and currency fluctuations, revenues were up over 6%. This reflects a further improvement in the last two months on the trend seen in the first quarter of this year.

Geographically, again on a constant currency basis, all regions showed double-digit revenue growth. In the USA, revenues were up over 22%. In Europe, the UK was up over 14% and Continental Europe up over 21%. Asia Pacific, Latin America, Africa and the Middle East were up almost 25%.

By communications services sector, advertising and media investment management was up over 25%, information, insight & consultancy up over 16%, public relations and public affairs up over 14% and branding and identity, healthcare and specialist communications up almost 20%. On a like-for-like basis the combined revenue growth of media investment management and information, insight & consultancy was almost 11%, twice the rate of growth seen at some competitors.

The Group's operating companies continued to improve productivity in 2005 with average headcount, on a like-for-like basis, up 5.1% compared with revenue growth of over 6% and a consequent increase in revenue per head in the first five months. Operating margins in the first five months were ahead of budget, which targeted a full year margin in line with the Group's objective of 14.3%, including Grey. The Company continues to make significant progress in winning major new business assignments.

The Group's financial strategy continues to be focused on three objectives: increasing operating profit by 10% - 15% per annum; increasing operating margins by up to 1.0 margin point per annum, or more depending on the level of revenue growth; and reducing staff cost to revenue ratios by up to 0.6 margin points per annum, again depending on the level of revenue growth. Currently surplus cash flow amounts to over £550 million per annum. Average net debt for the first five months of this year was down £130 million, or 15%, to £740 million, compared to £870 million in 2004, at 2005 exchange rates, despite a gross cash payment of £384 million for Grey on 7 March, 2005. Alternatives for the use of this cash flow are capital expenditure, acquisitions, dividends and share buy-backs. Capital expenditure, mainly on information technology and property, is expected to remain equal to or less than the depreciation charge in the long term. In addition to the completion of the acquisition of Grey, the Company continues to make small to medium-sized acquisitions or investments in high growth geographical or functional areas. In the first five months of this year, acquisitions and increased equity stakes have been concentrated geographically in advertising & media investment management in the United Kingdom, Denmark, the Netherlands, Spain, Russia and Argentina; in information, insight & consultancy in the United States, Hong Kong, Korea and New Zealand; in public relations & public affairs in Denmark, Bahrain and Argentina; in healthcare in the United States, the Netherlands and Switzerland and in direct, internet & interactive in the United States.

Your Board also continues to focus on balancing the alternative between increasing the dividend pay-out ratio and share buy-backs, and has continued a rolling share repurchase programme aimed at buying in up to 2% of its shares in the open market each year, when market conditions are appropriate. So far this year, this has resulted in the purchase of 11.944 million shares (of which 9.325 million were cancelled), or approximately 1% of the outstanding equity. This, at a total cost of £71.2 million and at an average cost of £5.96 per share.

Professionally, the parent company's objectives continue to be to encourage greater co-ordination and co-operation between Group companies, where this will benefit our clients and our people, and to improve our creative product. As both multi-national and national clients seek to expand geographically, while at the same time seeking greater efficiencies, the Group is uniquely placed to deliver added value to clients with its coherent spread of functional and geographic activities.

To these ends we continue to develop our parent company talents in five areas: in human resources, with innovative recruitment programmes, training and career development, and incentive planning; in property, which includes radical re-design of the space we use to improve communication as well as the utilisation of surplus property; in procurement, to ensure we are using the Group's considerable buying power to the benefit of our clients; in information technology, to ensure that the rapid improvements in technology and capacity are deployed as quickly and effectively as possible; and finally in practice development where cross-brand or cross-tribe approaches are being developed in a number of product or service areas: media investment management, healthcare, new technologies, new markets, privatisation, internal communications, retailing, financial services, entertainment and media, and hi-tech.

In addition, we continue to seek to improve our creative product in as broadly a defined sense as possible, by recruiting, developing and retaining excellent talent, acquiring outstanding creative businesses, recognising and celebrating creative success.

But we should never forget, when reporting large numbers and significant achievements, one of the essential truths of our business.

More than in any other business I can think of, success in our sector - the creative industries - is dependent on the ingenuity, intelligence, imagination, enterprise and talent of individual men and women. Advertising and marketing services companies are not factories mechanically churning out images, ideas and data as if they were cars or t-shirts. Everything we do is bespoke to meet a client's precise needs. Every piece of work derives from thousands of hours of experience and training – and that essential human spark that brings to life the simplest project, phrase or design.

So may I finish by turning the focus on the 84,000 people who work for WPP companies around the world who in aggregate make your company the force it is today.

On your behalf and that of the Board, I would like to thank every one of them, and record our admiration and appreciation of their outstanding efforts.