WPP 2004 Interim Results
20 August 2004

Reported revenue up 6% to $3.70 billion (£2.03 billion)
Constant currency revenue up over 13%
Like-for-like revenue up well over 2%
Headline profit before tax up almost 16% to $427.8 million (£234.7 million)
Diluted headline earnings per share up over 10% at 25.7¢ (14.1p)
Interim ordinary dividend up 20% to 4.56¢ (2.50p) per share

• Revenue up 6% to $3.70 billion (£2.03 billion) and up over 13% in constant currencies
• Like-for-like revenue up well over 2%. Excluding Cordiant like-for-like revenue up over 4%
• Headline operating profit up over 13% to $482.5 million (£264.7 million) and up over 21% in constant currencies
• Headline operating margin up 0.8 margin points to 13.1%
• Headline profit before tax up almost 16% to $427.8 million (£234.7 million) and up almost 25% in constant currencies
• Profit before tax up almost 15% to $321.4 million (£176.3 million) from $280.0 million (£153.6 million) and up over 26% in constant currencies
• Diluted headline earnings per share up over 10% to 25.7¢ (14.1p) from 23.3¢ (12.8p) and up almost 21% in constant currencies
• Reported diluted earnings per share up over 7% to 16.6¢ (9.1p) from 15.5¢ (8.5p) and up over 24% in constant currencies
• Interim ordinary dividend up 20% to 4.56¢ (2.50p) per share
• Headline operating margin targets of 14.5% in 2005 and minimum of 15.0% in 2006, compared to 13.8% target in 2004
• Average net debt down over $544 million (£300 million) or 26% to $1,548 million (£853 million) from $2,096 million (£1,155 million).
• Estimated net new business billings of $2.761 billion (£1.534 billion). Ranked number one advertising and marketing services group for new business in the first six months of 2004

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 Appendix IV.

Summary of Results

The Board of WPP announces its unaudited interim results for the six months ended 30 June 2004. These reflect continuing improvement over last year and further evidence of growth, notably in the United States, Asia Pacific and Latin America, stimulated by the quadrennial factors of the European Football Championships, the Athens Olympic Games and the United States presidential elections.

Turnover was up 6.0% at $16.689 billion (£9.155 billion).

Reportable revenue was up 6.0% at $3.70 billion (£2.03 billion), crossing $3.6 billion (£2 billion) for the first time in a first half-year period. On a constant currency basis, revenue was up over 13% compared with last year, mainly due to the weakness of the United States dollar. On a like-for-like basis, which includes the impact of acquisitions, revenues were up well over 2%. Excluding the acquisition of Cordiant, revenue growth was over 4%.

Headline operating profit was up 13.1% to $482.5 million (£264.7 million) from $426.7 million (£234.1 million) and up 21.5% in constant currencies.

Headline operating margins rose by 0.8 margin points to 13.1% from 12.3%. On the same basis, before short-term and long-term incentives, operating margins rose by 1.5 margin points to 15.8% from 14.3%. Short and long-term incentives amounted to $100.1 million (£54.9 million) or 18.4% of operating profits before bonus and taxes, as improvements in operating profitability continued to re-fill incentive pools reduced by the recent recession.

On a reported basis the Group's staff cost to revenue ratio, excluding incentives, was up slightly, rising 0.3 margin points to 56.0% in the first half of 2004, compared with the same period last year. On a like-for-like basis, it fell 1.2 margin points. Similarly, on a like-for-like basis, the average number of people in the Group, excluding associates, was 56,208 in the first half of the year, compared to 57,406 in 2003, a decrease of over 2%. On the same basis, the total number of people in the Group at 30 June 2004 was 57,723 compared to 58,052 in June 2003, a decrease of 0.6%.

Headline profit before tax was up 15.7% to $427.8 million (£234.7 million) from $369.9 million (£202.9 million) or up 24.8% in constant currencies.

Net interest payable and similar charges (including a charge of $9.8 million (£5.4 million) for FRS17) decreased to $64.5 million (£35.4 million) from $67.4 million (£37.0 million), reflecting higher interest rates more than offset by the impact of improved liquidity as a result of a reduction in working capital.

Reported profit before tax, reflecting slightly increased goodwill and impairments, rose by 14.8% to $321.4 million (£176.3 million) from $280.0 million (£153.6 million). In constant currencies pre-tax profits rose by over 26%.

The tax rate on headline profit before tax on ordinary activities was 25.8%, the same as the 2003 rate.

Profits attributable to ordinary share owners rose by 11.1% to $193.0 million (£105.9 million) from $173.5 million (£95.2 million) or 28.7% in constant currencies.

Diluted headline earnings per share rose by over 10% to 25.7¢ (14.1p) from 23.3¢ (12.8p). In constant currencies, earnings per share on the same basis rose by almost 21%.

The Board declares an increase of 20% in the interim ordinary dividend to 4.56¢ (2.50p) per share. The record date for this interim dividend is 15 October 2004, payable on 15 November 2004.

Further details of WPP's financial performance are provided in Appendix I in sterling and for illustrative purposes in euros in Appendix II. Appendix III contains details of the impact of adopting the United States transitional guidelines on the expensing of share options.

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 (on a constant currency basis including the impact of acquisitions) by region for the first six months of 2004:

Region	Revenue as a % of total Group	Revenue growth % 04/03
North America	40.0	11.2
United Kingdom	16.9	12.0
Continental Europe	25.9	8.5
Asia Pacific, Latin America, Africa & Middle East	17.2	28.9
TOTAL GROUP	100.0	13.3

As can be seen, all regions, with the exception of Continental Europe showed double digit revenue growth, although even Continental Europe showed an improving trend in the second quarter. The over 11% rise in North American revenues marked the seventh consecutive quarter of growth.

In the United Kingdom, which is still a difficult media market, revenue was up 12.0%, with Continental Europe up over 8%. Asia Pacific, Latin America, Africa and the Middle East continues to improve with revenue growth of almost 29%. Latin America has shown particularly strong growth.

Estimated net new business billings of almost $2.761 billion (£1.534 billion) were won in the first half of the year. The Group was ranked first for net new business gains in the Lehman Brothers, William Blair & Company, Bear Stearns and AdAge surveys for the first six months of 2004.

Revenue by Communications Services Sector and Brand

The pattern of revenue growth 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 (on a constant currency basis including the impact of acquisitions) for the first six months of 2004:

Communications Services Sector	Revenue as a % of total Group	Revenue growth % 04/03
Advertising, Media Investment Management*	46.3	14.7
Information, Insight & Consultancy	16.6	6.1
Public Relations & Public Affairs*	10.9	7.3
Branding & Identity, Healthcare & Specialist Communications	26.2	18.6
TOTAL GROUP	100.0	13.3

* In 2004, certain public relations revenue which historically was included in Advertising, Media Investment Management has been moved into Public Relations and Public Affairs. As a result, the comparative figures for both Advertising, Media Investment Management and Public Relations and Public Affairs have been restated to reflect this change.

Media investment management like-for-like revenue comparisons started to improve in October 2002, and then significantly from April 2003, primarily driven by the strong United States upfront media buying season. This growth continued for the remainder of 2003 and the first six months of 2004, where again network television costs rose faster than inflation.

Advertising has followed this trend but less strongly. Information, insight and consultancy has continued to be relatively less affected by the recession, picking up more recently, and branding and identity, healthcare and specialist communications has started to pick up slightly, although healthcare, direct, interactive and internet activities have been more resilient throughout the recession. Public relations and public affairs, which was more affected by the recession, has been less so over the last nine months, as some of our brands have seen a significant recent pick-up in new business activity.

Advertising and Media Investment Management

On a constant currency basis, combined revenue at Ogilvy & Mather (including OgilvyOne), J Walter Thompson Company, Y&R Advertising, Red Cell, MindShare and Mediaedge:cia grew by over 16%, with operating margins up over 1.0 margin points.

These businesses generated estimated net new business billings of $2.322 billion (£1.290 billion).

Information, Insight and Consultancy

The Group's information, insight and consultancy businesses continued their growth, with revenues increasing by over 6%, and operating margins improving.

Public Relations and Public Affairs

In constant currencies, the Group's public relations and public affairs revenues rose by over 7%, with operating margins recovering to 15%.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications revenues were up over 18%, with operating margins up almost 1.0 margin points. Particularly good performances were registered by several companies in this sector in the first half - including, in promotion and direct marketing by Einson Freeman, Mando Brand Assurance, Maxx Marketing, OgilvyOne, and Savatar; in branding and identity by Addison Corporate Marketing, Enterprise IG, Oakley Young and Warwicks; in healthcare by CommonHealth; and in Specialist Communications by Metro Group and Spafax.

Cashflow and Balance Sheet

A summary of the Group's unaudited cashflow statement and balance sheet and notes as at 30 June 2004 are provided in Appendices I and II.

In the first half of 2004, operating profit was $355 million (£195 million), depreciation, amortisation and impairment $177 million (£97 million), interest paid $91 million (£50 million), tax paid $87 million (£48 million), capital expenditure of $58 million (£32 million) and other net cash inflows of $38 million (£21 million). Free cashflow available for debt repayment, acquisitions and share re-purchases was, therefore, $334 million (£183 million). This free cashflow was absorbed by $263 million (£144 million) in net cash acquisition payments and investments, (of which $117 million (£64 million) was for initial acquisition payments, $120 million (£66 million) was for earnout payments and the balance related to prior year loan note redemptions), and $129 million (£71 million) in share re-purchases, a total outflow of $392 million (£215 million). This net outflow of $58 million (£32 million) was not in line with the objective introduced last year, of balancing free cashflow, principally because of heavier than forecast share buy-backs in the first half.

Average net debt in the first six months of 2004 fell by $548 million (£302 million) to $1,548 million (£853 million) compared to $2,096 million (£1,155 million) in 2003, at 2004 exchanges rates. On 30 June 2004 net bank borrowings were $1,343 million (£740 million), against $2,092 million (£1,153 million) on 30 June 2003. The Group has completed a $650 million 10 year bond issue in the United States market which closed on 23 June 2004. The proceeds were used primarily to repay the Euro 350 million bond which matured in June, with the balance intended to be used to repay the Young & Rubicam $288 million 3% Convertible Bond due January 2005.

The Board continues to examine ways of deploying the Group's substantial cashflow of approximately $820 million (£450 million) per annum to enhance share owner value given that interest cover remains strong at over 7 times in the first half of 2004, in comparison to over six times in the comparable period last year. As necessary capital expenditure approximates to the depreciation charge, 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 2004 certain acquisitions have been made or equity interests increased. In advertising and media investment management in Canada, Germany, the Netherlands, Italy, Sweden, Poland, China, Japan, India, South Korea, Indonesia and Chile; in information, insight and consultancy in 17 countries through Italy; in public relations and public affairs in the United States and the United Kingdom; in healthcare in the Netherlands and in branding & identity in the United States.

In addition to increasing the interim dividend by 20% to 4.56¢ (2.50p) per share, at a total cost of $53.6 million (£29.4 million) compared to $44.7 million (£24.5 million) last year, the Company has continued its rolling share buy-back programme in the first half of the year by repurchasing 12.175 million shares at an average price of $10.12 (£5.55) per share and total cost of $123.2 million (£67.6 million). The Company's objective remains to repurchase up to 2% of its share base in the open market at an approximate cost of $273 million (£150 million) when market conditions are appropriate.

Client Developments in the First Half of 2004

Including associates, the Group currently employs over 72,000 full-time people in over 1,700 offices in 104 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 333 national or multi-national clients in three or more disciplines. More than 130 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 well over 100 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 financial performance in the first half of the year mirrored the continuing improvement in economic conditions in the United States, Asia Pacific, Latin America, Africa and the Middle East, countered to some extent by the continuing recession, certainly in the media industry, in the United Kingdom and parts of Continental Europe. Like-for-like revenue was up well over 2% in the first half of 2004, exceeding budgeted levels. July like-for-like revenues were up over 6%, mirroring a strong June. An operating margin of 13.1% was achieved, due principally to higher than budgeted revenues and a reduction in, and the variability of, non-staff costs.

2004 has seen a significant improvement in activity particularly when compared to 2001 and 2002 and even in comparison to the stabilisation seen in 2003. Most pundits forecast industry growth rates of 3-4% this year. Levels of activity in 2004 will once again match, or surpass, the levels of activity seen in the internet driven boom year of 2000. Our revenue forecasts for the year continue to be in excess of budget and there are significant new business opportunities at both the network and parent company levels.

Concerns remain, however, about the prospects for the US economy after the presidential election. Whoever is elected will have to deal with a substantial fiscal deficit, a weak dollar and risks of inflation, not aided by high oil and commodity prices. Higher interest rates may slow the US economy, which continues to be the primary driver of the global economy, despite the increasing intra-dependency and insulation of the Asian economy.

The transatlantic consumer seems to be under increasing pressure in recent months facing high consumer debt levels and rapidly increasing house prices. However, the recent recession was driven originally by declines in corporate capital spending. It may well be that less buoyant consumer spending will be offset by improved corporate spending. Corporate profitability, liquidity and margins are strong and have been growing recently at levels not seen since 1984. Recent results from some technology companies indicate increased level of capital expenditures beyond replacement.

That said, many clients in many industries are finding it very difficult to meet volume targets or increase revenues in a low-inflationary environment, with little or no pricing power, concentrated distribution and no significant increases in money wages. The answer is not, however, to react by cutting prices or increasing trade incentive levels as in the automobile and food manufacturing industries, or discounting against the hard retail discounters, for example, in Germany. The solution remains in innovation and branding, which augurs well for our industry.

Despite these concerns about 2005, the prospects for revenue and operating margin improvements at WPP remain good. As indicated previously, we are today announcing headline operating margin targets for 2005 and 2006. In 2005, our objective will be 14.5%, against a target of 13.8% in 2004, which we remain confident of achieving. For 2006, we are setting a target of a minimum of 15%. Our long term operating target remains 20%. All these margin targets are before fully expensing option costs, as estimated in Appendix III, and amount to approximately 0.6 margin points using competitively conservative inputs for the Black Scholes valuation model. They also exclude any impact of the implementation of International Financial Reporting Standards (IFRS), which is described in Note 15 of Appendix I.

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. For example, the combined operating margins of our advertising and media investment management sector, are almost 15% in the first half. Geographically, North American operating margins are 16%. 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 also continues to concentrate on its strategic objectives of improving operating profits by 10-15% per annum; 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 and growing revenue faster than industry averages and encouraging co-operation among Group companies.

As clients face an increasingly undifferentiated market place, 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.