

**WPP 2005 Interim Results In Accordance With IFRS
26 August 2005**

Billings up almost 24% at £11.3 billion
Reported revenue up almost 22% to £2.5 billion
Like-for-like revenue up 6%
Headline operating profit up over 31% to £300 million
Headline profit before tax up 32% to £255 million
Diluted headline earnings per share up almost 28% at 13.8p
Net earnings up over 45% to £135 million
Interim ordinary dividend up 20% to 3.00p per share

- Billings up almost 24% at £11.334 billion
- Revenue up almost 22% to £2.47 billion in both reportable and constant currencies
- Like-for-like revenue up 6%
- Headline operating profit up over 31% to £299.6 million and up over 30% in constant currencies
- Headline operating margin up 0.8 margin points to 12.1%
- Headline profit before tax up 32% to £254.8 million and up almost 31% in constant currencies
- Profit before tax up over 38% to £221.5 million from £160.0 million and up almost 37% in constant currencies
- Diluted headline earnings per share up almost 28% to 13.8p from 10.8p and up over 26% in constant currencies, despite issue of 6% of the ordinary share capital for Grey acquisition
- Diluted earnings per share up almost 39% to 11.1p and up almost 37% in constant currencies
- Interim ordinary dividend up 20% to 3.00p per share
- Headline operating margin targets (under 2004 UK GAAP) of 14.8% (13.7% under IFRS) in 2006 brought forward one year to 2005. Revised targets of 15.3% (14.2% under IFRS) set for 2006 and 15.8% (14.7% under IFRS) for 2007
- Average net debt down over £80 million to £1,028 million from £1,115 million, despite cash payments of £336 million for acquisitions
- Estimated net new business billings of £1.908 billion (\$3.530 billion)

The Group's interim results have been prepared under International Financial Reporting Standards ("IFRS") which were adopted with effect from 1 January 2004, with the exception of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 32 'Financial Instruments: Disclosure and Presentation'. As a result of continued amendments to IAS 39 the Group was not in a position to fully implement this standard for statutory reporting from 1 January 2004. As a result the Group has taken advantage of the option in IFRS 1 'First-time adoption of International Reporting Standards' to implement IAS 39, together with IAS 32, from 1 January 2005 without restating its 2004 income statement and balance sheet. References to 2004 UK GAAP relate to UK Generally Accepted Accounting Principles extant in respect of 2004 – the basis of preparation of the group's consolidated financial statements for the year ended 31 December 2004 and six months ended 30 June 2004, as previously reported, prior to the implementation of International Financial Reporting Standards ("IFRS").

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 18 of Appendix I.

Summary of Results

The Board of WPP announces its unaudited interim results for the six months ended 30 June 2005. These reflect continuing significant improvement over last year and further evidence of growth across the board, both functionally and geographically. Billings were up 23.8% at £11.334 billion.

Reportable revenue was up 21.8% at £2.468 billion. On a constant currency basis, revenue was up 21.9% compared with last year, with currency having negligible impact in the first half, as the

United States dollar stabilised against sterling and the euro. On a like-for-like basis, which excludes the impact of acquisitions and currency, revenues were up 6% in the first half, continuing the strong organic growth of 5.7% in the first quarter of 2005.

Headline operating profit was up 31.3% to £299.6 million from £228.1 million and up over 30.5% in constant currencies.

Headline operating margins rose by 0.8 margin points to 12.1% from 11.3%, well ahead of the full year margin target which, on a 2004 UK GAAP basis, targeted an improvement of 0.2 margin points. Before short-term and long-term incentives (including the cost of share-based compensation), operating margins rose by 1.2 margin points to 15.8% from 14.6%. Short and long-term incentives and the cost of share-based incentives amounted to £90.4 million or 23.2% of operating profits before bonus and taxes, as improvements in operating profitability continued to drive incentive pools towards maximum levels.

On a reported basis the Group's staff cost to gross margin ratio, excluding incentives, was down slightly, falling 0.1 margin points to 59.8% in the first half of 2005, compared with the same period last year. On a like-for-like basis, the average number of people in the Group, excluding associates, was 68,295 in the first half of the year, compared to 64,815 in 2004, an increase of 5.4%. On the same basis, the total number of people in the Group at 30 June 2005 was 72,627 compared to 68,990 in June 2004, an increase of 5.3%. The group has invested in additional talent as revenue growth has accelerated.

Headline profit before tax was up 32% to £254.8 million from £193.0 million or up 30.6% in constant currencies.

Net interest payable and similar charges increased to £44.8 million from £35.1 million, reflecting higher interest rates, offset by the impact of improved liquidity as a result of a reduction in working capital and additional charges under IFRS of £7.1m, relating to the treatment of convertible bonds.

Reported profit before tax rose by 38.4% to £221.5 million from £160.0 million. In constant currencies pre-tax profits rose by 36.9%.

The tax rate on headline profit before tax on ordinary activities was 28.5%, slightly down on the first half 2004 rate, although above the 27.6% full year rate for 2004. Profits attributable to ordinary share owners rose by 45.4% to £135.4 million from £93.1 million or 44% in constant currencies.

Diluted headline earnings per share rose by 27.8% to 13.8p from 10.8p. In constant currencies, earnings per share on the same basis rose by 26.4%. Diluted earnings per share were up 38.8% to 11.1p and up 36.9% in constant currencies.

The Board declares an increase of 20% in the interim ordinary dividend to 3.00p per share. The record date for this interim dividend is 14 October 2005, payable on 14 November 2005. Further details of WPP's financial performance are provided in Appendix I.
Reconciliation to 2004 UK GAAP

The interim results for 2005 have been set out under IFRS. Note 18 of Appendix I reconciles IFRS to 2004 UK GAAP.

The principal reasons for the differences in headline operating profits, operating margins, headline profits before tax and diluted headline earnings per share are threefold. Firstly, share-based payments, reflecting the cost of options on a fully-retrospective basis amounting to £13.5 million, with an impact on operating margins of 0.6 margin points. Secondly, accumulating compensated absences or, more understandably holiday pay, amounting to £15.0 million, with an

impact on operating margins of 0.6 margin points. This provision will almost wholly reverse itself in the second half of the year, as holidays are taken. Thirdly, accounting for associates, which reflects the deduction of tax from income from associates, previously included in taxation, amounting to £10.1 million and impacting operating margins by 0.4 margin points.

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 2005:

Region	Constant Currency ¹ Revenue as a % of Total Group	Reported Revenue Growth 05/04 %	Constant Currency ¹ Revenue Growth 05/04 %	Like-for-like ² Revenue Growth 05/04 %
North America	39.8	20.2	23.0	5.9
United Kingdom	15.8	13.3	13.3	2.7
Continental Europe	26.6	26.3	23.5	4.0
Asia Pacific, Latin America, Africa & Middle East	17.8	27.2	25.4	12.6
TOTAL GROUP	100.0	21.8	21.9	6.0

¹ Constant currency growth excludes the effects of currency movements.

² Like-for-like growths exclude the effects of currency movements and the impact of acquisitions.

On a constant currency basis all regions showed double digit revenue growth, with the Group at almost 22%, reflecting the impact of acquisitions.

The United States continues to grow, despite the economic challenges it faces. 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, with like-for-like growth rates of 22% and 13%. Western Europe, although relatively more difficult, has improved and the United Kingdom has stabilised. Rates of growth in Europe continue, however, to be two-paced, with Germany, France, Sweden, Denmark, Benelux and Portugal remaining softer and Central and Eastern Europe, Russian and the CIS countries in particular, more buoyant.

Estimated net new business billings of £1.908 billion (\$3.530 billion) were won in the first half of the year.

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 for the first six months of 2005:

Communications Services Sector	Constant Currency ¹ Revenue as a % of Total Group	Reported Revenue Growth 05/04 %	Constant Currency ¹ Revenue Growth 05/04 %	Like-for-like ² Revenue Growth 05/04 %
Advertising, Media Investment Management	48.0	26.6	26.1	6.1
Information, Insight & Consultancy	15.7	15.2	15.0	6.7
Public Relations & Public Affairs	10.2	13.6	14.8	6.0
Branding & Identity, Healthcare and Specialist Communications	26.1	21.0	21.7	5.3
TOTAL GROUP	100.0	21.8	21.9	6.0

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.

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 over 15% of the Group's revenues, which are running at the rate of approximately \$10 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 2004. Media investment management and information, insight and consultancy combined, grew by over 11% like-for-like in the first half.

Advertising and Media Investment Management

On a constant currency basis, combined revenue at Ogilvy (including OgilvyOne), JWT, Y&R, Grey Worldwide, Red Cell, MindShare, Mediaedge:cia and MediaCom grew by over 22%, with operating margins up 0.6 margin points.

These businesses generated estimated net new business billings of £1.622 billion (\$3.002 billion). Information, Insight and Consultancy

The Group's information, insight and consultancy businesses continued their growth, with revenues increasing by 15%, and operating margins improving by over two margin points.

Public Relations and Public Affairs

In constant currencies, the Group's public relations and public affairs revenues rose by almost 15%, with operating margins improving a further 0.8 margin points.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications revenues were up almost 22%, with operating margins up slightly, as our direct, interactive and internet businesses targeted sales growth and invested in talent. Particularly good performances were registered by several companies in this sector in the first half - including, in promotion and direct marketing by OgilvyOne and Wunderman; in branding and identity by Landor, Lambie-Nairn and Fitch; in healthcare by Sudler & Hennessey and Grey Healthcare; and in specialist communications by EWA, The Food Group, Pace Communications, PSM (formerly Premiere) and Global Sportnet.

Cash Flow and Balance Sheet

A summary of the Group's unaudited cash flow statement and balance sheet and notes as at 30 June 2005 are provided in Appendices I and II.

In the first half of 2005, operating profit was £253 million, depreciation, amortisation and impairment £84 million, non-cash based incentive plan of £30 million, interest paid £36 million, tax paid £57 million, capital expenditure £70 million and other net cash inflows £14 million. Free cash flow available for working capital requirements, debt repayment, acquisitions and share re-purchases was, therefore, £218 million. This free cash flow was absorbed by £336 million in net cash acquisition payments and investments (of which £264 million was for initial acquisition payments, £69 million was for earnout payments and the balance related to prior year loan note redemptions), and £75 million by share re-purchases, a total outflow of £411 million. This resulted in a net outflow of £193 million. The objective introduced in 2003 of covering outgoings by free cash flow was achieved, excluding the cash element of the acquisition of Grey Global Group ("Grey").

Despite this net outflow, average net debt in the first six months of 2005 fell by £87 million to £1,028 million, compared to £1,115 million in 2004, at 2005 exchange rates, including the gross cash payment of £384 million for Grey on 7 March 2005. On 30 June 2005 net bank borrowings were £1,242 million, against £1,015 million on 30 June 2004 (including the accounts receivable facility). The Board continues to examine ways of deploying the Group's substantial surplus cash flow, which now amounts to over £550 million per annum, to enhance share owner value, given that interest cover remains strong at 8 times in the first half of 2005, in comparison to 6.5 times on a comparable basis, with the first half of 2004. 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 2005, in addition to the completion of the acquisition of Grey, the Company 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 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.

In addition to increasing the interim dividend by 20% to 3.00p per share, the Company has continued its rolling share buy-back programme in the first half of the year by repurchasing 12,644,000 shares (of which 10,025,000 were cancelled), approximately equivalent to 1% of the outstanding equity, at an average price of £5.94 per share and total cost of £75.1 million. The Company's objective remains to repurchase up to 2% of its share base in the open market, at an approximate cost of £150 million, when market conditions are appropriate.

The Group is also announcing today a proposed change to its corporate structure, which has been approved by the Board, enabling it to increase the Group's distributable reserves. The proposed change will be implemented by way of a scheme of arrangement, introducing a new

parent company above WPP Group plc ("WPP"), which will be followed immediately by a reduction of the nominal value of the share capital of the new parent company, in order to create distributable reserves. These reserves will be available for the declaration of future dividends and for general corporate purposes, including the re-purchase of WPP shares.

The proposals will not affect or alter WPP's existing dividend policy and will result in WPP share owners continuing to own the same number of shares in the new parent company. Furthermore, the reduction in nominal value of the new shares should not, in itself, have any direct impact on the market value of WPP shares.

The approval of these proposals will be sought by way of share owner approval at an Extraordinary General Meeting and a Court Meeting further details of which will be sent out to share owners shortly. It is envisaged that this process will be completed before the end of the year.

Client Developments in the First Half of 2005

Including associates, the Group currently employs almost 91,000 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 333 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, Central and Eastern Europe, Asia Pacific, Latin America, Africa and the Middle East, reinforced by a mild improvement in Western Europe, although the United Kingdom remains relatively weak, even against France and Germany. Like-for-like revenue was up 6% in the first half of 2005, exceeding budgeted levels. July like-for-like revenues were up almost 3%. Experts forecast that the industry will grow at 2-3% this year, which, so far, the group has well exceeded, therefore growing market share. An IFRS operating margin of 12.1% (against 2004 UK GAAP of 13.7%) was achieved, due principally to higher than budgeted revenues and a relative reduction in, and the variability of, non-staff costs.

The first half of 2005 saw another significant improvement in activity, even against the quadrennial 2004. Our levels of activity in 2005 should match, or surpass, the levels of activity seen in 2004 and there are significant new business opportunities at both the network and parent company levels.

Corporate profitability remains strong on both sides of the Atlantic 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 15 years, significant, continuous, like-for-like volume 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 wrestles 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 potentially fragile house prices. Any slack in consumer spending has not to date been taken up by significant increases in corporate capital spending, beyond replacement spending.

Consequently, 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 traditional media and more importantly direct, internet and interactive are taking a growing share of client spending, albeit from lower absolute and relative levels. Similarly, but geographically, Asia (particularly but not exclusively China and India), Latin America, despite political volatility, Africa, the Middle East and Eastern Europe are becoming more and more significant, again from lower absolute and relative levels. We are finding that our industry is becoming increasingly more and more two-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 Central and Eastern Europe, Asia, Latin America, Africa and the Middle East. Even varied growth patterns regionally – for example, slow growth in Western Europe and rapid growth in Eastern Europe.

In these market conditions, the prospects for our industry remain very good, as the needs for differentiation through innovation and branding and global expansion grow. The prospects for trading performance improvements at WPP remain good too. We are today raising our IFRS operating margin targets for 2005 to 13.7% (equivalent to 14.8% under 2004 UK GAAP) from 13.2% (14.3% under 2004 UK GAAP) and for 2006 to 14.2% (equivalent to 15.3% under 2004 UK GAAP). This effectively accelerates the timetable for achievement of our operating margin targets by one year. We will also be setting an IFRS target of 14.7% for 2007 (equivalent to 15.8% under 2004 UK GAAP). Our long term operating margin target (pre-IFRS) remains 20%, or approximately 19% under IFRS.

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 (pre-IFRS), 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 continues to lead the industry, in co-ordinating investment geographically and functionally through parent company initiatives.

The Group also continues to concentrate on its long-term targets and strategic objectives of improving operating profits; 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.