WPP Interim Results 2003
23 August 2003

REPORTED REVENUE DOWN OVER 2% TO $3.08 BILLION (£1.91 BILLION)
CONSTANT CURRENCY REVENUE UP ALMOST 2%
LIKE-FOR-LIKE REVENUE FLAT
PROFIT BEFORE TAX, GOODWILL AND IMPAIRMENT AND FRS 17 INTEREST DOWN ALMOST 5%TO $327.0 MILLION (£202.9 MILLION)
DILUTED HEADLINE EARNINGS PER SHARE DOWN ALMOST 5% AT 20.6C (12.8P)
INTERIM ORDINARY DIVIDEND UP 20% TO 3.35C (2.08P) PER SHARE

- Revenue down over 2% to $3.08 billion (£1.91 billion) and up almost 2% in constant currencies
- Like-for-like revenue flat
- Profit before interest, tax, goodwill and impairment down almost 8% to $377.3 million (£234.1 million) and down over 5% in constant currencies
- Operating margin pre-goodwill and impairment of 12.3%
- Profit before tax, goodwill and impairment and FRS 17 interest down almost 5% to $327.0 million (£202.9 million) and down over 2% in constant currencies
- Diluted headline earnings per share down almost 5% to 20.6c (12.8p) from 21.6c (13.4p) and down almost 2% in constant currencies
- Interim ordinary dividend up 20% to 3.35c (2.08p) per share
- Estimated net new business billings of almost $2.135 billion (£1.335 billion). Ranked number one advertising and marketing services group for the first six months of 2003

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 2003, reflecting further economic stabilisation and the start of limited growth, notably in the United States.

Turnover was down 1.6% at $13.93 billion (£8.64 billion).

Reportable revenue was down 2.5% at $3.08 billion (£1.91 billion). On a constant currency basis revenue was up 1.8% compared with last year, mainly due to the weakness of the United States dollar, partly offset by the strength of the euro against sterling. Excluding all acquisitions, including all discontinued operations, although there were none, and all client gains and losses, constant currency revenues were flat.

Profit before interest, tax, goodwill and impairment was down 7.8% to $377.3 million (£234.1 million) from $409.2 million (£253.9 million) and down 5.2% in constant currencies.

Pre-goodwill and impairment, reported operating margins fell to 12.3% from 13.0%. On the same basis, before short-term and long-term incentives, operating margins fell slightly to 14.3% from 14.4%. Short and long-term incentives amounted to $63 million (£39 million) or 14.3% of operating profits before bonus and taxes.

The Group's staff cost to revenue ratio, excluding incentives, was almost flat, rising 0.1 margin points to 55.7% in the first half of 2003, compared with the same period last year. On a like-for-like basis the average number of people in the Group was 49,359 in the first half of the year, compared to 52,083 in 2002, a decrease of over 5%. On the same basis, the total number of people in the Group at 30 June 2003 was 49,350 compared to 51,651 in June 2002, a decrease of 4.5%. Profit before tax, goodwill and impairment and FRS 17 interest was down 4.7% to $327.0 million (£202.9 million) from $343.2 million (£212.9 million).

Net interest payable and similar charges (including a notional charge of $9.3 million (£5.8 million) for FRS17) decreased to $59.6 million (£37.0 million) from $70.1 million (£43.5 million), reflecting lower interest rates partly offset by the impact of share repurchases and acquisition payments.

Reported profit before tax, reflecting increased goodwill and impairment charges, fell by 11.6% to $247.6 million (£153.6 million) from $280.0 million (£173.7 million). In constant currency pre-tax profits fell by 9.2%.

The tax rate on profit on ordinary activities, before goodwill and impairment and FRS 17 interest was 25%, the same as last year.

Profits attributable to ordinary share owners fell by 16.7% to $153.4 million (£95.2 million) from $184.2 million (£114.3 million), also due to increased goodwill and impairment charges.

Diluted earnings per share before goodwill and impairment and FRS 17 interest, or headline earnings per share, fell by almost 5% to 20.6c (12.8p) from 21.6c (13.4p). In constant currency, earnings per share on the same basis fell by almost 2%.

The Board declares an increase of 20% in the interim ordinary dividend to 3.35c (2.08p) per share. The record date for this interim dividend is 17 October 2003, payable on 17 November 2003.

Further details of WPP's financial performance are provided in Appendix I (in sterling) and for illustrative purposes only in euros in Appendix II. Appendix III contains details of the impact of adopting transitional guidelines on the expensing of options under FAS 148.