WPP Quarterly Trading Update
26 April 2001

FIRST QUARTER REPORTED REVENUES UP OVER 73%

COMBINED WPP & Y&R CONSTANT CURRENCY REVENUES UP OVER 9%

OPERATING MARGINS ON TARGET TO IMPROVE BY ONE MARGIN POINT IN 2001

Revenue Growth

Reported revenues grew over 73%, reflecting organic growth, the first- time contribution of Young & Rubicam, Inc. ("Y&R") and other acquisitions and the strength of the dollar and major Continental European currencies against sterling. In constant currencies, first quarter revenues rose by 64%.

Combined WPP and Y&R constant currency revenues were up over 9% and on a like-for-like basis, excluding acquisitions and currency fluctuations, revenues rose 6%.

As shown in the appendix to this release, on a constant currency basis, the geographical pattern of revenue growth varied in the first quarter. In North America, revenues were up over 64%. In Europe, the UK was up over 35% and Continental Europe up over 90%. Asia Pacific, Latin America, Africa and the Middle East grew over 72%. On a combined WPP and Y&R constant currency basis, North America was below the average, with the UK and Continental Europe above. Asia Pacific and Latin America were above even more.

By communications services sector, advertising and media investment management was up over 64%, information and consultancy up almost 15%, public relations and public affairs up almost 117% and branding and identity, healthcare and specialist communications over 83%. Again on a combined WPP and Y&R constant currency basis, information and consultancy was well above the average. Advertising and media investment management, public relations and public affairs and branding and identity, healthcare and specialist communications were slightly below average.

Net new business billings of £235 million ($365 million) were won during the first quarter. The Group continues to benefit from consolidation trends in the industry, winning several large assignments from existing and new clients.

Current Trading

Organic revenue growth in the first quarter, to some extent reflects the sharp deceleration in the growth rate of the United States economy, that seems to have started in the fourth quarter of 2000. The impact of this slowdown has primarily impacted the technology, media and telecommunications sectors of the economy, although there is some spill over into the "old" economy.

So far, by region, it has primarily affected North America, with less impact on the UK and Continental Europe and even less on Asia Pacific and Latin America. As a result our operating companies continue to review their costs closely and make adjustments where necessary.

By communications services sector, it has impacted public relations and public affairs, and branding and identity, healthcare and specialist communications the most, advertising and media investment management less so, and information and consultancy the least.

First quarter revised forecasts for the year indicate that the Group is on target to achieve its objective of a further one point margin improvement in operating margins from 14.0% to 15.0% in 2001.

Balance Sheet and Cash Flow

The Group continues to implement its strategy of using free cash flow to enhance share owner value through a combination of strategic acquisitions and share purchases.

In the first quarter of 2001 the Group completed acquisitions in advertising and media investment management in the United States, the United Kingdom, South Korea and Brazil; in information and consultancy in Germany; in public relations and public affairs in the United States, France and South Korea; and in branding and identity, healthcare and specialist communications in the United States, the United Kingdom, France and Hong Kong.

Almost 3.8 million WPP shares were purchased during the first quarter at an average price of £7.57 and total cost of over £28 million. The rolling buy-back program continues at an increased target level of £150 to £200 million per annum, equivalent to approximately 2% of the current market capitalization.
Average net debt rose during the first quarter to £470 million (including Y&R's convertible debt of £195 million) compared to £239 million in the same period in constant currency and to a market capitalization of approximately £9 billion. This includes the £653 million spent on capital expenditure, acquisitions, share purchases and dividends in the previous 12 months. Free cash flow over the same period was £417 million.

Future Objectives

The Group continues to focus on its key objectives of improving operating profits and margins, increasing cost flexibility (particularly in the areas of staff and property costs), using free cash flow to enhance share owner value, continuing to develop the role of the parent company in adding value to our clients and people, developing our portfolio in high revenue growth geographical and functional areas and improving our creative quality and capabilities.