FINANCIAL REVIEW

REVIEW OF RESULTS

Reported billings were £55.798 billion, up 0.4%, up 3.3% in constant currency and up 3.2% like-for-like.

Reported revenue was down 1.3% at £15.602 billion. Revenue on a constant currency basis was up 1.5% compared with last year, the difference to the reportable number reflecting the strength of the pound sterling against most currencies, particularly in the first half of the year. On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 0.8%.

Reported revenue less pass-through costs was down 2.6%, up 0.2% in constant currency and down 0.4% like-for-like. In the fourth quarter, like-for-like revenue was down 0.1%, a slight deterioration from the third quarter (0.2%), with all regions, except North America, showing an improvement. On the same basis, revenue less pass-through costs in the fourth quarter was down 0.7%, an improvement over the third quarter (1.5%), with North America and the United Kingdom slightly weaker, more than offset by stronger growth in Western Continental Europe and Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe.

OPERATING PROFITABILITY

Headline EBITDA was down 8.8% to £2.311 billion, from £2.534 billion the previous year and down 6.4% in constant currency. The Group's revenue is more weighted to the second half of the year across all regions and sectors, and, particularly, in the faster growing markets of Asia Pacific and Latin America. As a result, profitability and margin continue to be skewed to the second half of the year, with the Group earning approximately 40% of its profits in the first half and 60% in the second half. Headline profit before interest and tax for 2018 was down 9.7% to £2.047 billion, from £2.267 billion and down 7.4% in constant currencies.

Headline operating margin[1] was down 1.1 margin points to 15.3%, and also down 1.1 margin points in both constant currency and like-for-like, at the upper end of the full-year revised operating margin target. Headline PBIT margin[2] was down 1.2 margin points to 16.0%, down 1.3 margin points in constant currency and down 1.2 margin points like-for-like. The Group's operating margin of 15.3% is after charging £37 million ($54 million) of severance costs, compared with £40 million ($52 million) in 2017 and £326 million ($435 million) of incentive payments, which were 14.2% of operating profit before incentives, a similar level to the £324 million ($421 million) or 13.1% in 2017. Achievement of target, at an individual operating company level, generally generates 15% of operating profit before bonus as an incentive pool and 20% at maximum.

On a reported basis, the Group's operating margin, before all incentives[3] and income from associates, was 17.8%, down 1.0 margin point, compared with 18.8% last year. The Group's staff costs to revenue less pass-through costs ratio, including severance and incentives, increased by 0.5 margin points to 63.7% compared to 63.2% in 2017. In addition, there was an increase in the Group's general and administrative costs, principally in relation to an increase in the provision for bad debts and higher IT costs.

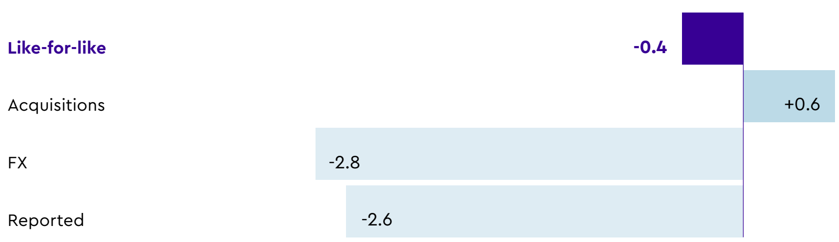
On a like-for-like basis, the average number of people in the Group, excluding associates, in 2018 was 133,903 compared to 135,521 in 2017, a decrease of 1.2%. On the same basis, the total number of people, excluding associates, at 31 December 2018 was 134,281 compared to 135,187 at 31 December 2017, a decrease of 906 or 0.7%.

EXCEPTIONAL GAINS AND RESTRUCTURING AND TRANSFORMATION COSTS

As outlined in the investor day on 11 December 2018, we have undertaken a strategic review of our operations. As part of that review, restructuring actions have been taken to right-size underperforming businesses, address high-cost severance markets and simplify operational structures. This has included the merging or closure of a number of WPP's operating companies. It also includes transformation costs with respect to strategic initiatives like co-locations in major cities, IT transformation and shared services.

£234 million of restructuring and transformation costs were recorded in the fourth quarter in relation to this plan. This included £63 million of non-cash write-offs and £171 million of actions that have a cash impact in 2018 and beyond. In 2018 the cash outflow was £50 million. The £171 million forms part of the anticipated £300 million total cash cost of the restructuring plan that we announced – with the balance to be incurred in 2019, 2020 and 2021.

REVENUE LESS PASS-THROUGH COSTS GROWTH V 2017
%



This Strategic report should be read in conjunction with pages 88-119 and pages 174-177. The Group's key performance indicators are set out on page 59 and discussed in further detail in this report.

This Strategic report includes figures and ratios that are not readily available from the financial statements. Management believes that these non-GAAP measures, including constant currency and like-for-like growth, and headline profit measures, are both useful and necessary to better understand the Group's results. Where required, details of how these have been arrived at are shown in the notes of the financial statements.

1 Headline operating profit (excluding income from associates) as a percentage of revenue less pass-through costs.
2 Headline PBIT as a percentage of revenue less pass-through costs.
3 Short and long-term incentives and the cost of share-based incentives.

The total of restructuring and transformation costs in 2018 was £302 million. The remaining £68 million relates to severance restructuring costs recorded in the first half, together with costs in relation to the continuing global IT transformation programme.

These exceptional costs of £302 million and £41 million of associate company exceptional losses have been partly offset by exceptional gains of £235 million, primarily relating to the gain on the sale of the Group's investment in Globant S.A.

This gives a net exceptional loss of £108 million and compares with a net exceptional loss in 2017 of £24 million.

INTEREST AND TAXES

Net finance costs (excluding the revaluation of financial instruments) were £184.5 million, compared with £174.6 million in 2017, an increase of £9.9 million. This is due to higher dollar interest rates.

The headline tax rate was 22.5% (2017: 22.0%) and on reported profit before tax was 22.1% (2017: 9.3%). The difference in the rates in 2017 was principally due to an exceptional tax credit, primarily relating to the re-measurement of deferred tax liabilities. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase slightly over the next few years.

EARNINGS AND DIVIDEND

Headline profit before tax was down 11.0% to £1.863 billion from £2.093 billion, and down 8.5% in constant currencies.

Reported profit before tax fell by 30.6% to £1.463 billion from £2.109 billion, the difference between the headline and reported figures reflecting principally the £302 million of restructuring and transformation costs and £184 million of goodwill impairment charges. In constant currencies, reported profit before tax fell by 28.1%.

Reported profit after tax fell by 40.4% to £1.139 billion from £1.912 billion. In constant currencies, profits after tax fell 38.5%.

Profits attributable to shareholders fell 41.5% to £1.063 billion from £1.817 billion, again reflecting principally the £302 million of restructuring and transformation costs and £184 million of goodwill impairment. In constant currencies, profits attributable to shareholders fell by 39.6%.

Headline diluted earnings per share fell by 10.3% to 108.0p from 120.4p. In constant currencies, earnings per share on the same basis fell by 8.1%. Reported diluted earnings per share fell by 40.8% to 84.3p from 142.4p and decreased 38.9% in constant currencies.

As outlined in our investor day presentation, despite the reduction in diluted earnings per share, your Board proposes to maintain the final dividend of 37.3p per share, which, together with the interim dividend of 22.7p per share, makes a total of 60.0p per share for 2018, the same as the prior year. This represents a dividend pay-out ratio of 56%, compared with 50% last year. The record date for the final dividend is 14 June 2019, payable on 8 July 2019.

REGIONAL REVIEW

The pattern of revenue and revenue less pass-through costs growth differed regionally. See the tables on page 56 for details.

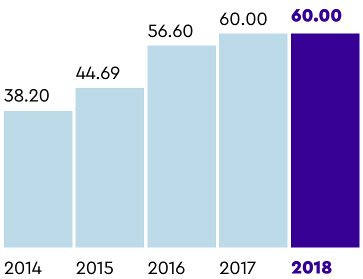
North America constant currency revenue less pass-through costs was down 4.5% in the final quarter, the same as the third quarter, and down 5.7% like-for-like, a slight deterioration on the third quarter (-5.3%). This reflects continuing challenges in our advertising businesses, with data investment management and healthcare also slower, partly offset by a significant improvement in public relations and public affairs. On a full-year basis, constant currency revenue less pass-through costs was down 3.5%, with like-for-like down 4.2%. Addressing our underperforming operations in the US is a key element of WPP's new strategy.

United Kingdom constant currency revenue less pass-through costs was down 2.4% in the final quarter and down 2.7% like-for-like, slightly weaker than the -2.0% shown in quarter three. Media investment management and the specialist communications businesses were particularly strong with data investment management improving. Our public relations and public affairs and direct, interactive and ecommerce businesses were slower. On a full-year basis, constant currency revenue less pass-through costs was up 0.2%, with like-for-like down 0.5%.

Western Continental Europe constant currency revenue less pass-through costs was up 4.1% in the final quarter, a significant improvement on the growth in quarter three

DIVIDEND PER SHARE

Pence (p)



of 1.3%. On a like-for-like basis revenue less pass-through costs was also up 4.1%, the strongest quarter of the year, and compared to -0.4% in quarter three. Twelve of the Group's top 14 markets showed significant growth in quarter four, particularly Austria, Belgium, Denmark, Finland, Germany, Italy, the Netherlands, Portugal, Sweden and Turkey. For the year, Western Continental Europe constant currency revenue less pass-through costs grew 4.1% with like-for-like up 2.0%, the second strongest-performing region.

In **Asia Pacific**, **Latin America**, **Africa & the Middle East** and **Central & Eastern Europe**, on a constant currency basis, revenue less pass-through costs was up 0.4% in the fourth quarter and up 2.6% like-for-like, slightly above the third quarter growth of 2.4%. In the fourth quarter, **Latin America** grew over 7%, stronger than the third quarter, with **Central & Eastern Europe** showing double-digit growth in the fourth quarter compared with almost 5% in quarter three. **Asia Pacific** and **Africa & the Middle East** were slightly weaker. On a full-year basis, constant currency revenue less pass-through costs growth in the region was 2.0% with like-for-like growth 2.5%, the strongest-performing region.

REVENUE ANALYSIS

£ million	2018	Δ reported	Δ constant[1]	Δ LFL[2]	% group	2017[3]	% group
N. America	5,371	-5.1%	-1.9%	-3.0%	34.4%	5,659	35.8%
United Kingdom	2,189	2.6%	2.6%	1.5%	14.0%	2,133	13.5%
W Cont. Europe	3,335	3.2%	3.5%	1.7%	21.4%	3,231	20.4%
AP, LA, AME, CEE[4]	4,707	-1.6%	3.8%	4.4%	30.2%	4,781	30.3%
Total Group	**15,602**	**-1.3%**	**1.5%**	**0.8%**	**100.0%**	**15,804**	**100.0%**

REVENUE LESS PASS-THROUGH COSTS ANALYSIS

£ million	2018	Δ reported	Δ constant	Δ LFL	% group	2017	% group
N. America	4,474	-6.7%	-3.5%	-4.2%	34.9%	4,794	36.4%
United Kingdom	1,691	0.2%	0.2%	-0.5%	13.2%	1,688	12.8%
W Cont. Europe	2,736	4.0%	4.1%	2.0%	21.3%	2,631	20.0%
AP, LA, AME, CEE	3,926	-3.2%	2.0%	2.5%	30.6%	4,057	30.8%
Total Group	**12,827**	**-2.6%**	**0.2%**	**-0.4%**	**100.0%**	**13,170**	**100.0%**

OPERATING PROFIT ANALYSIS (HEADLINE PBIT)

£ million	2018	% margin*	2017	% margin*
N. America	804	18.0%	937	19.6%
United Kingdom	245	14.5%	280	16.6%
W Cont. Europe	372	13.6%	376	14.3%
AP, LA, AME, CEE	626	15.9%	674	16.6%
Total Group	**2,047**	**16.0%**	**2,267**	**17.2%**

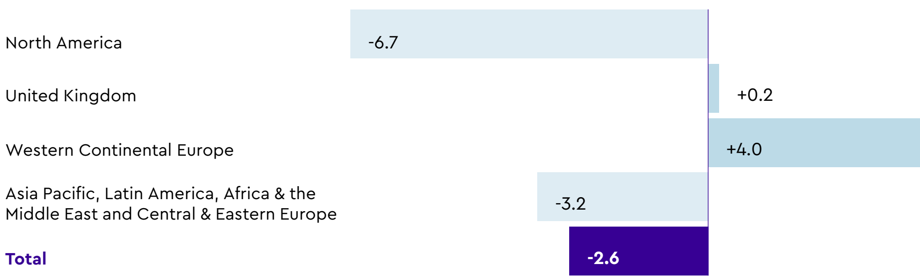
* Headline PBIT as a percentage of revenue less pass-through costs.

Notes

1 Percentage change at constant currency exchange rates.
2 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.
3 Prior year figures have been restated for the impact of the adoption of IFRS 15: Revenue from Contracts with Customers, as described in the accounting policies.
4 Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

REVENUE LESS PASS-THROUGH COSTS GROWTH BY REGION V 2017

%



BUSINESS SECTOR REVIEW

The pattern of revenue and revenue less pass-through costs growth also varied by sector and operating brand. The tables opposite give further details.

Advertising and Media Investment Management

In constant currencies, advertising and media investment management revenue less pass-through costs was down 1.6% in the fourth quarter, a significant improvement on the -6.5% in the third quarter and the strongest quarter of the year. On a like-for-like basis revenue less pass-through costs was up 0.4% in the fourth quarter, the first quarter of positive growth, with both our advertising and media investment businesses showing considerable improvement over the third quarter. However, despite this improvement, our advertising businesses remain under pressure.

The strong revenue less pass-through costs growth across most of the Group's media investment management businesses, offset by slower growth in our advertising businesses in most regions, resulted in the combined reported operating margin of this sector being down 1.2 margin points at 17.6% and down 1.4 margin points in constant currency.

REVENUE ANALYSIS

£ million	2018	Δ reported	Δ constant[1]	Δ LFL[2]	% group	2017[3]	% group
AMIM[4]	7,132	-3.2%	-0.4%	1.0%	45.6%	7,369	46.6%
Data Inv. Mgt.	2,582	-4.5%	-1.8%	-2.0%	16.6%	2,703	17.1%
PR & PA[5]	1,211	0.6%	3.4%	3.1%	7.8%	1,204	7.6%
BC, HW & SC[6]	4,677	3.3%	6.3%	1.5%	30.0%	4,528	28.7%
Total Group	**15,602**	**-1.3%**	**1.5%**	**0.8%**	**100.0%**	**15,804**	**100.0%**

REVENUE LESS PASS-THROUGH COSTS ANALYSIS

£ million	2018	Δ reported	Δ constant	Δ LFL	% group	2017	% group
AMIM	5,530	-6.1%	-3.3%	-1.2%	43.1%	5,889	44.7%
Data Inv. Mgt.	1,966	-4.2%	-1.3%	-1.8%	15.3%	2,052	15.6%
PR & PA	1,136	-0.4%	2.5%	2.6%	8.9%	1,141	8.7%
BC, HW & SC	4,195	2.6%	5.6%	0.6%	32.7%	4,088	31.0%
Total Group	**12,827**	**-2.6%**	**0.2%**	**-0.4%**	**100.0%**	**13,170**	**100.0%**

OPERATING PROFIT ANALYSIS (HEADLINE PBIT)

£ million	2018	% margin*	2017	% margin*
AMIM	972	17.6%	1,109	18.8%
Data Inv. Mgt.	301	15.3%	350	17.1%
PR & PA	184	16.2%	183	16.1%
BC, HW & SC	590	14.1%	625	15.3%
Total Group	**2,047**	**16.0%**	**2,267**	**17.2%**

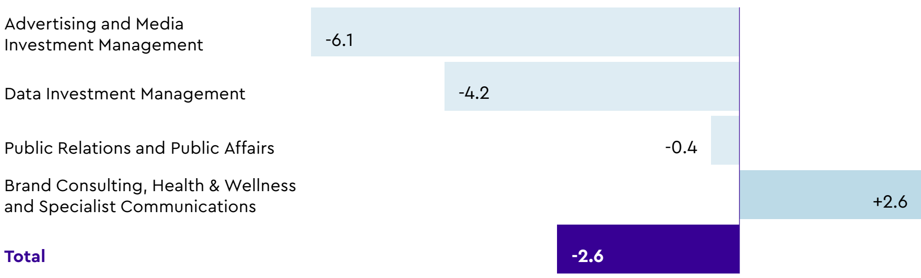
* Headline PBIT as a percentage of revenue less pass-through costs.

Notes

1 Percentage change at constant currency exchange rates.
2 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.
3 Prior year figures have been restated for the impact of the adoption of IFRS 15: Revenue from Contracts with Customers, as described in the accounting policies.
4 Advertising and Media Investment Management.
5 Public Relations & Public Affairs.
6 Brand Consulting, Health & Wellness and Specialist Communications (including direct, interactive and ecommerce).

REVENUE LESS PASS-THROUGH COSTS BY BUSINESS V 2017

%



Data Investment Management
In constant currencies, data investment management revenue less pass-through costs was down 2.8% in the fourth quarter, and down 2.8% like-for-like. On a full-year basis, constant currency revenue less pass-through costs was down 1.3%, down 1.8% like-for-like. Geographically, revenue less pass-through costs was up strongly in Asia Pacific and Latin America, but North America was weaker. Kantar Worldpanel and Kantar Media showed strong like-for-like revenue less pass-through costs growth, with Kantar Insights, Kantar Health, Kantar Public and Lightspeed less robust. Reported operating margins were down 1.8 margin points to 15.3% and down 1.8 margin points in constant currency.

Public Relations and Public Affairs
In the fourth quarter, in constant currencies and like-for-like, our public relations and public affairs businesses were the strongest-performing sector, as they were in the first half and third quarter, with growth of 3.3% and 1.2% respectively. On a full-year basis, constant currency revenue less pass-through costs grew 2.5% with like-for-like growth 2.6%. Geographically, all regions showed strong growth, with the United Kingdom and Africa & the Middle East particularly strong. Burson Cohn & Wolfe, Hill+Knowlton Strategies and the specialist public relations and public affairs businesses Finsbury, Hering Schuppener and Buchanan, performed particularly well. Overall operating margins improved 0.1 margin points to 16.2% and by 0.1 margin points in constant currency.

Brand Consulting, Health & Wellness and Specialist Communications
Our brand consulting, health & wellness and specialist communications businesses (including direct, interactive and ecommerce), performed less well in the fourth quarter with constant currency revenue less pass-through costs up 0.2%, compared with 6.5% in the third quarter, with like-for-like down 1.6%, as our healthcare businesses in North America and some direct, interactive and ecommerce businesses came under pressure. On a full-year basis, revenue less pass-through costs was up 5.6% in constant currency and up 0.6% like-for-like. In brand consulting, Landor and FITCH performed strongly, and in the direct, interactive and ecommerce businesses, Wunderman, Hogarth, AKQA, Blue State Digital, F.biz and Deeplocal performed well. Operating margins, for the sector as a whole, were down by 1.2 margin points to 14.1% and down 1.3 margin points in constant currency, with operating margins negatively affected as parts of our direct, interactive and ecommerce, brand consulting and healthcare businesses in North America slowed.

CASH FLOW HIGHLIGHTS

In 2018, operating profit was £1.431 billion, depreciation, amortisation and goodwill impairment £728 million, non-cash share-based incentive charges £85 million, working capital and provisions inflow £166 million, net interest paid £162 million, tax paid £384 million, capital expenditure £375 million, earnout payments £120 million and other net cash outflows £266 million, principally £235 million gains on disposal of investments and subsidiaries. Free cash flow available for debt repayment, acquisitions (excluding earnouts), share buy-backs and dividends was, therefore, £1.103 billion.

This free cash flow was enhanced by £849 million of proceeds from the disposal of associates and investments, offset by £289 million in cash acquisition costs (investments and new acquisition payments), £207 million in share buy-backs and £747 million in dividends, a net outflow of £394 million. This resulted in a net cash inflow of £709 million.

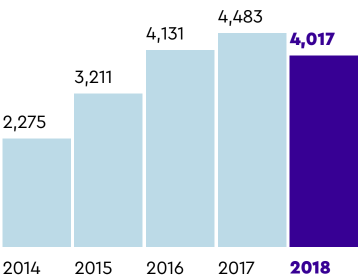
Free cash flow conversion[1] in 2018 was 81%.

BALANCE SHEET HIGHLIGHTS

Average net debt in 2018 was £4.966 billion, compared to £5.125 billion in 2017, at 2018 exchange rates. On 31 December 2018 net debt was £4.017 billion, against £4.483 billion on 31 December 2017, a decrease of £466 million (a decrease of £605 million at 2018 exchange rates). The reduced period end debt figure reflects the benefit of £849 million proceeds in relation to disposal of our interests in certain associates and investments, the principal of which were Globant S.A., Imagina, AppNexus and Bruin. This trend has continued in the first two months of 2019, with average net debt of £4.015 billion, compared with £4.569 billion in the same period in 2018, a decrease of £554 million (a decrease of £671 million at 2019 exchange rates).

The net debt figure of £4.017 billion at 31 December compares with a current market capitalisation of approximately £10.966 billion ($14.345 billion), giving an enterprise value of £14.983 billion ($19.600 billion). The average net debt to EBITDA ratio, at 2.1x, is above the revised target range of 1.5-1.75x to be achieved by the end of 2021.

NET DEBT
£ million



[1] Free cash flow conversion is the ratio of free cash flow to headline earnings. Free cash flow is after earnouts and changes in working capital and before new acquisition spend, disposals and shareholder distributions as set out in note 29 of the financial statements.

RETURN OF FUNDS TO SHAREHOLDERS

Dividends paid in respect of 2018 will total approximately £753 million for the year. Funds returned to shareholders in 2018 totalled £955 million, including share buy-backs.

In 2018, 16.6 million shares, or 1.3% of the issued share capital, were purchased at a cost of £207 million.

PROGRESS ON GROWTH STRATEGY

In the last seven months, we have made significant progress in simplifying our operations to make them more client-centric and improving WPP's financial position. Milestones include the launch of a new vision, offer and brand identity for WPP, the creation of two new integrated networks (VMLY&R and Wunderman Thompson), the realignment of the US healthcare agencies with major networks, the formation of WPP's first Executive Committee and the initiation of the process to find a financial and strategic partner for Kantar.

As part of the restructuring plan we outlined in the investor day presentation, 70 of the 100 planned office mergers have been completed, 57 of the 80 offices have been closed and approximately 2,650 of the 3,500 planned redundancies have been actioned. The anticipated gross savings remain in line with the £160 million estimate in December. As we outlined in the investor day a proportion of these gross savings will be reinvested in talent and technology development.

In addition, 30 disposals were completed in 2018 realising proceeds of £849 million, helping to strengthen the Group's balance sheet and improve leverage. The disposal programme will continue in 2019 and a further six disposals have been completed year-to-date.

OUTLOOK

Financial guidance

Our 2019 targets are:

- Like-for-like revenue less pass-through costs down 1.5% to 2.0%, with stronger headwinds in the first half, due to client losses in 2018; and
- Headline operating margin to revenue less pass-through costs down around 1.0 margin point on a constant currency basis (excluding the impact of IFRS 16: Leases).

In 2019, our primary focus will remain on addressing our issues in North America. We will achieve this through investment in leadership, creative talent and technology and delivering on the potential of the newly merged businesses of VMLY&R and Wunderman Thompson. In addition, we will ensure the gross benefits from the restructuring actions taken in 2018 and continuing to be taken in 2019 are realised. To help drive top-line growth, the incentive plans for 2019 will include up to half of the incentive pools being funded based on improving growth in revenue less pass-through costs, with the remaining proportion based on growth in operating profit and margin.

Medium-term financial targets

At our investor day in December, we set out our new medium-term financial targets that will allow us to invest in talent and technology, improve our competitive position and deliver sustainable long-term growth rates. Our targets, to be achieved by the end of 2021, are:

- Organic growth (defined as like-for-like revenue less pass-through costs growth) in line with peers;
- Headline operating margin (excluding the impact of IFRS 16: Leases) of at least 15%; and
- Free cash flow conversion of 80%-90%.

USES OF FUNDS

As per the investor day in December, over the next three years we will prioritise the dividend over share buy-backs and will balance targeted M&A with divestments.

For more information on our strategy see pages 42-53