



WPP

Annual General Meeting

27 June 2005

Philip Lader

Chairman



WPP

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Sir Martin Sorrell


Chief Executive

WPP Future Priorities

Strategic Priorities



Short term: successfully integrate Y&R Advertising and Grey Worldwide within WPP



Medium term: continue superior like-for-like growth and enhance creative capabilities, particularly in traditional advertising

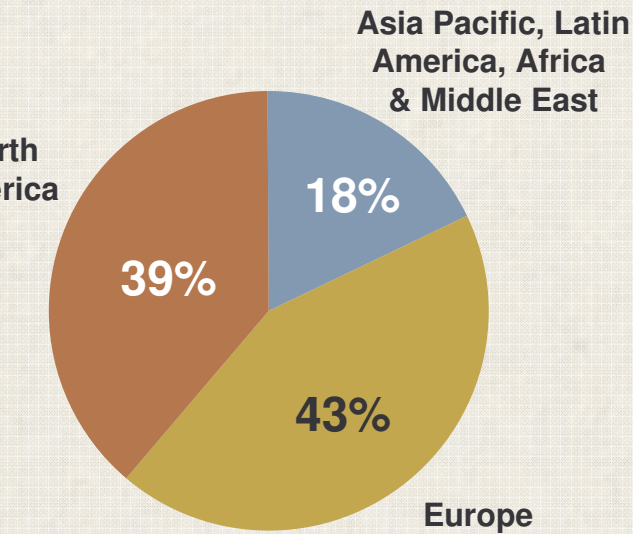


Long term: develop our businesses in faster growing geographic regions and functional areas

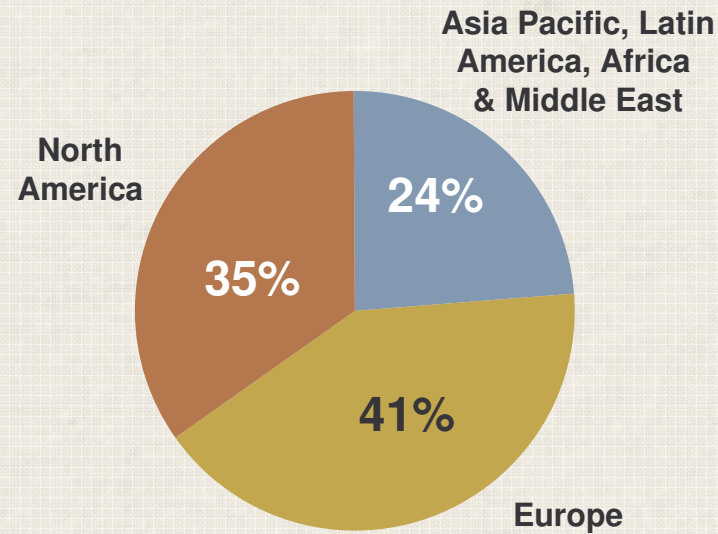
Strategy, Structure and Competitive Position

Faster growing markets to be one third of total group

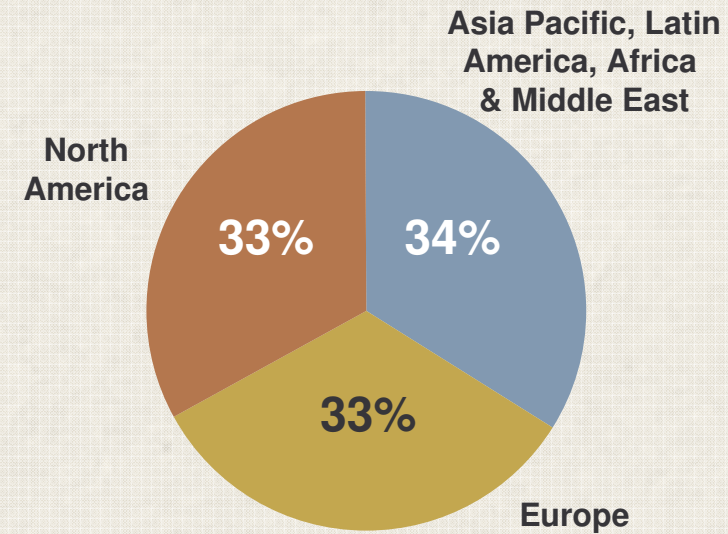
Today




Today including associates




Tomorrow including associates



Strategy, Structure and Competitive Position



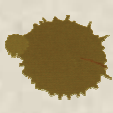
Brazil, Russia, India and Greater China (BRIC) account for approximately 5% of WPP revenue today



According to Goldman Sachs research, *Dreaming with BRICs**, these countries will grow at 10.4% CAGR through 2015



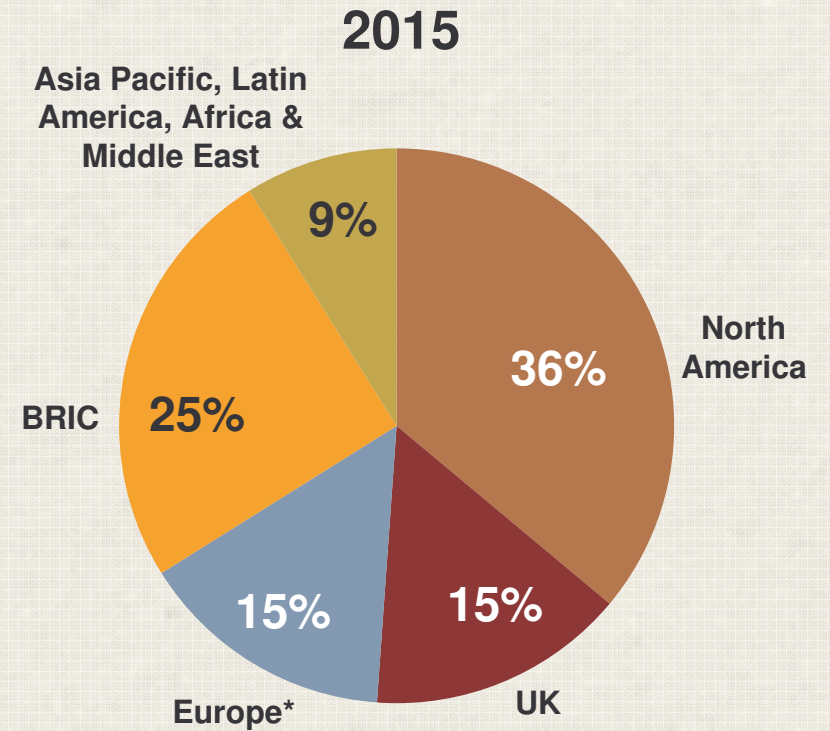
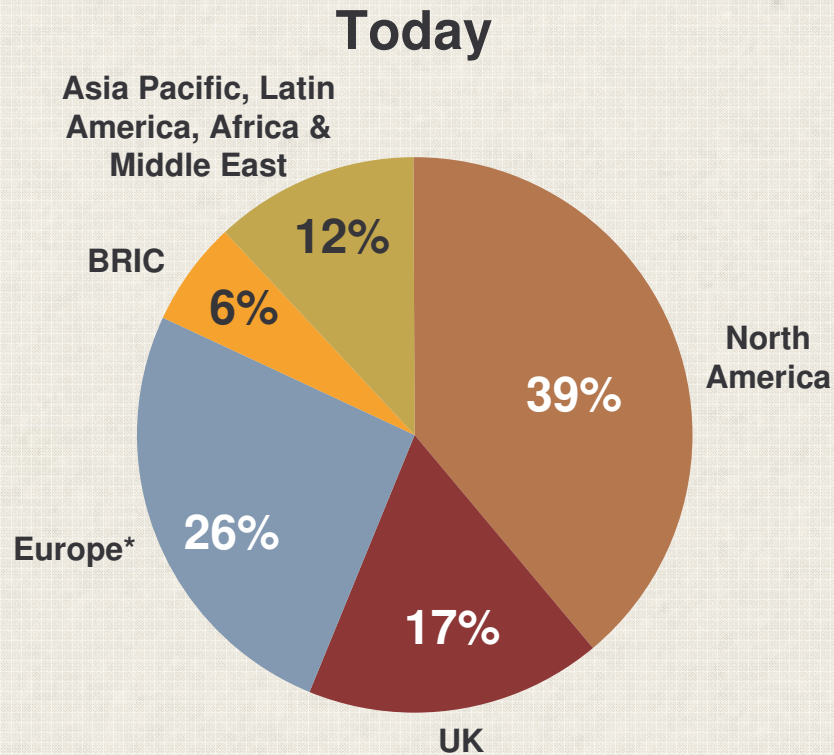
According to Zenith, ad spending as % of GDP for BRIC was 0.5% in 2001 compared to mature markets where it is 1.5% to 2%



If GDP grows in line with Goldman Sachs estimates, and advertising spending as a proportion of GDP equals that of mature markets, BRICs alone would represent approximately 25% of WPP revenue by 2015

* Wilson, Dominic and Purushothaman, Roopa. 1 October 2003. *Dreaming with BRICs: The Path to 2050*.
Goldman Sachs Global Economics Paper No: 99: page 9

Strategy, Structure and Competitive Position



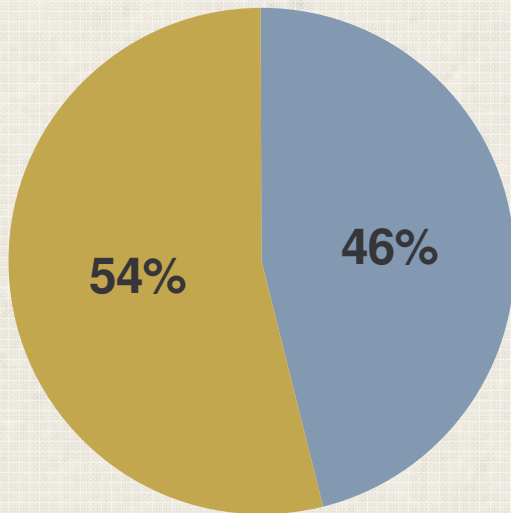
* Europe excludes Russia

Assumes Brazil, Russia, India and China GDP growth of 10.4% CAGR according to Goldman Sachs Research and ad spend as % of GDP equals that of mature markets through 2015. Illustrative purposes only intended to isolate the effect of BRIC GDP growing faster than rest of world

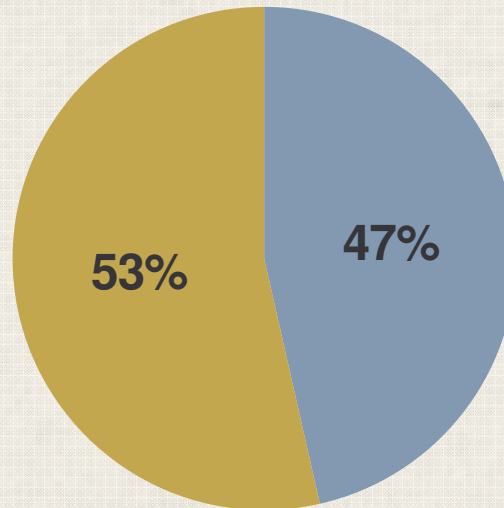
Strategic Priorities

Marketing services to be two thirds of total group

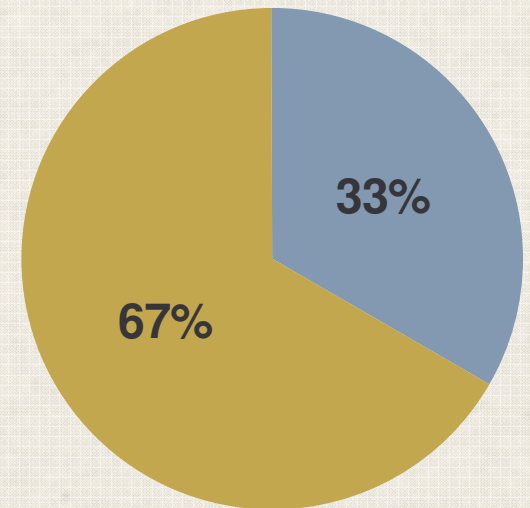
Today



Today including associates



Tomorrow



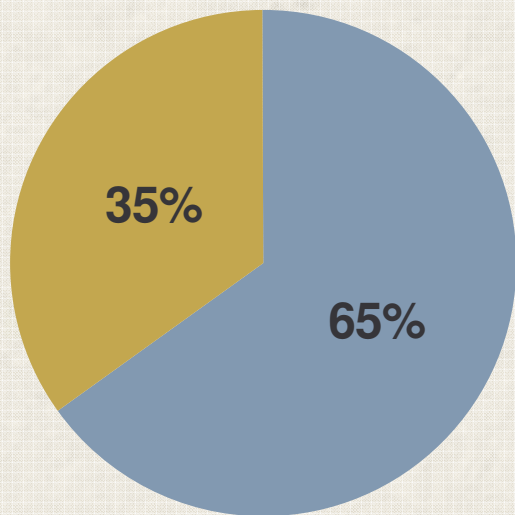
Marketing Services

Advertising & Media Investment Management

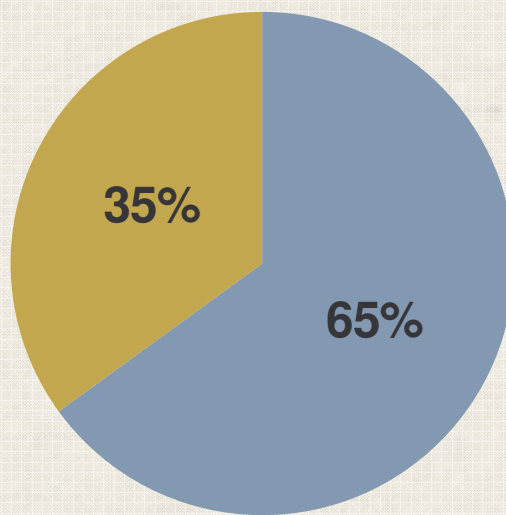
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Quantitative disciplines to be one half of total group

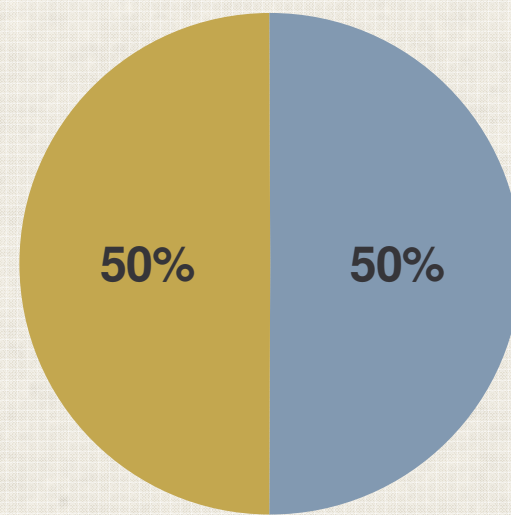
Today



Today including associates









Tomorrow



- Information, Insight & Consultancy and Direct, Internet & Interactive
- Advertising & Media Investment Management and Other Marketing Services

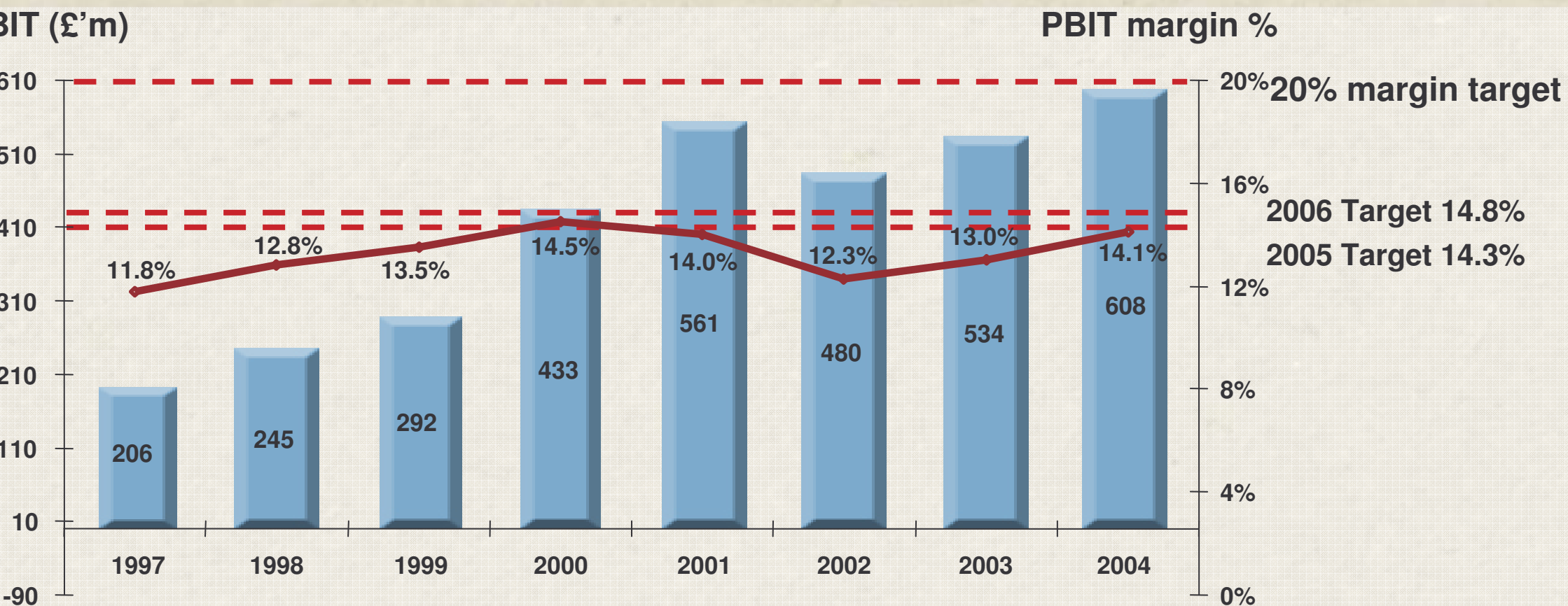
Strategy

We continue to focus on our key objectives

-  **Improving operating margins**
-  **Increasing flexibility in cost base**
-  **Using free cash flow to enhance share owner value and improving return on capital employed**
-  **Developing the role of parent company**
-  **Emphasising revenue growth more as margins improve**
-  **Improving creative capability and reputation of all our businesses**

Strategy



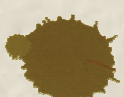


Historic financial record – PBIT¹ and margins



Note

1. Headline PBIT excludes goodwill and impairment, fixed asset gains and investment write-downs. PBIT and margins are based on UK GAAP prior to the adoption of International Accounting Standards with effect from 1 January 2005.

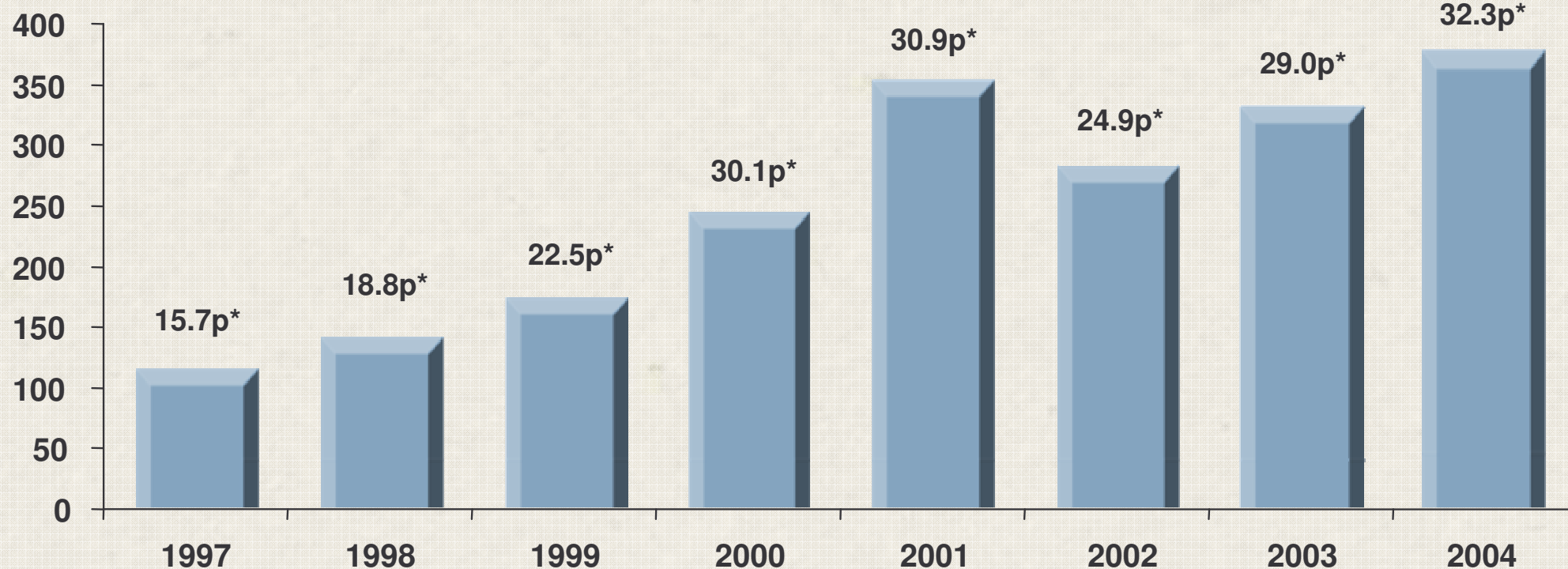
Financial Model

-  Organic revenue growth 0-5%
-  Margin growth in line with objectives
-  Operating profit growth of 5-10%
-  Incremental profit growth from acquisitions of up to 5%
-  Overall growth in EPS of 10-15%

Historic Financial Record

Earnings and EPS* 1997-2004

Earnings (£m)




* Headline Diluted EPS, which are based on UK GAAP prior to the adoption of International Accounting Standards with effect from 1 January 2005


Increasing Flexibility in Cost Base

 We continue to focus on more flexible cost structure in three key areas:

 **Staff** c. 50% of revenue

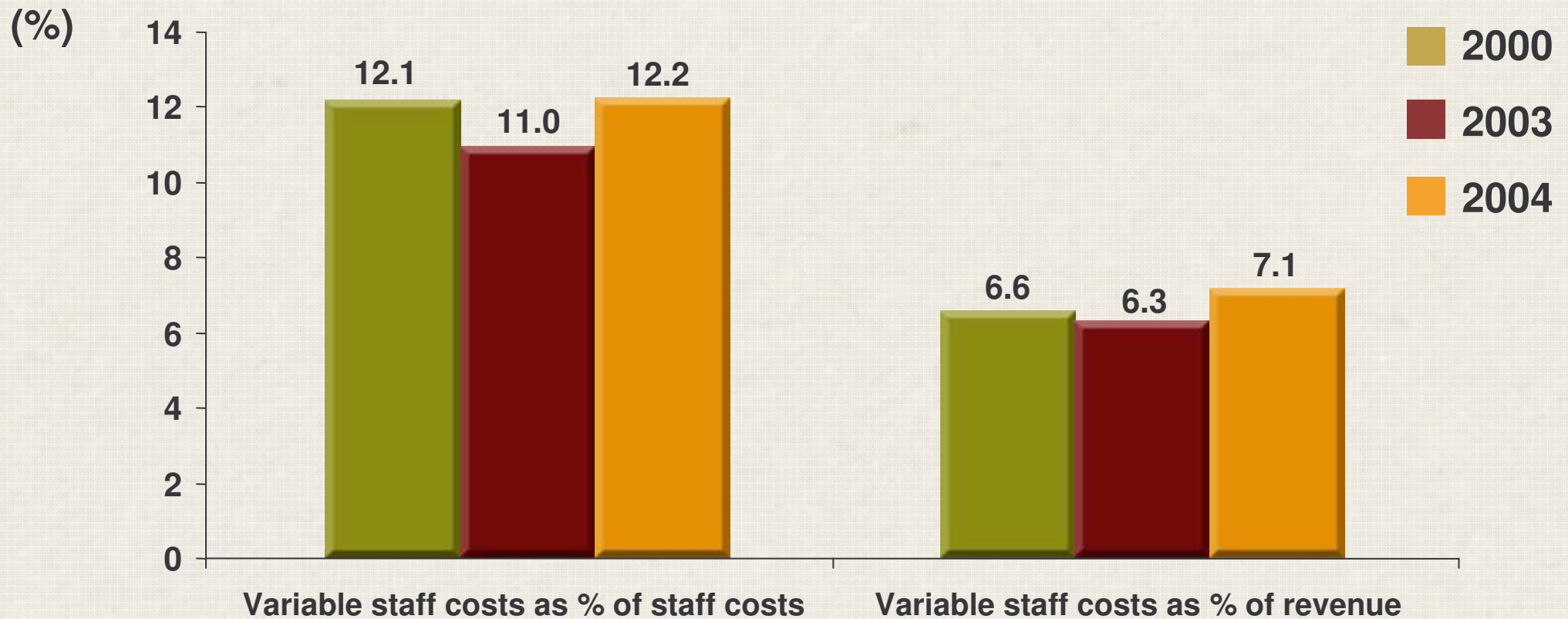
 **Property** c. 10% of revenue

 **Bought-in services** c. 30% of revenue

 Increased flexibility in all areas important to combat any future economic slowdown






Increasing Flexibility in Cost Base

Change in variable staff costs




Using Free Cash Flow to Enhance Share Owner Value


Acquisitions

-  Grey acquired with effect from 7 March 2005
-  Continued focus on small strategic acquisitions – a number completed during the first five months
-  Major focus continues to be on information, insight & consultancy and the faster growing sectors within media investment management, branding & identity, healthcare and specialist communications
-  Acquisitions in advertising used to address specific client or local agency needs
-  Continue to find opportunities, particularly outside the USA

Using Free Cash Flow to Enhance Share Owner Value

Dividends and share purchases

 2004 dividend raised by 20% to 7.78p per share

 Share repurchases and buy-backs

	Shares	Amount	% of Share Base
1997	7.2m	31.2m	1.0%
1998	15.6m	54.6m	2.1%
1999	3.3m	17.9m	0.4%
2000	10.3m	94.1m	1.3%
2001	15.4m	103.3m	1.4%
2002	12.8m	75.9m	1.1%
2003	6.3m	23.1m	0.5%
2004	16.2m	88.6m	1.4%
2005 (to date) ¹	11.9m	71.2m	0.9%



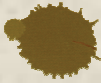
The Company will continue to commit to repurchasing up to 2% of its share base in the open market at an approximate cost of £150m, when market conditions are appropriate

1. 11.944 million shares purchased to date at a cost of £71.169m (average of £5.96 per share)

Strategy





Emphasise revenue growth more as margins improve

Continue to focus on delivering above average revenue growth by:

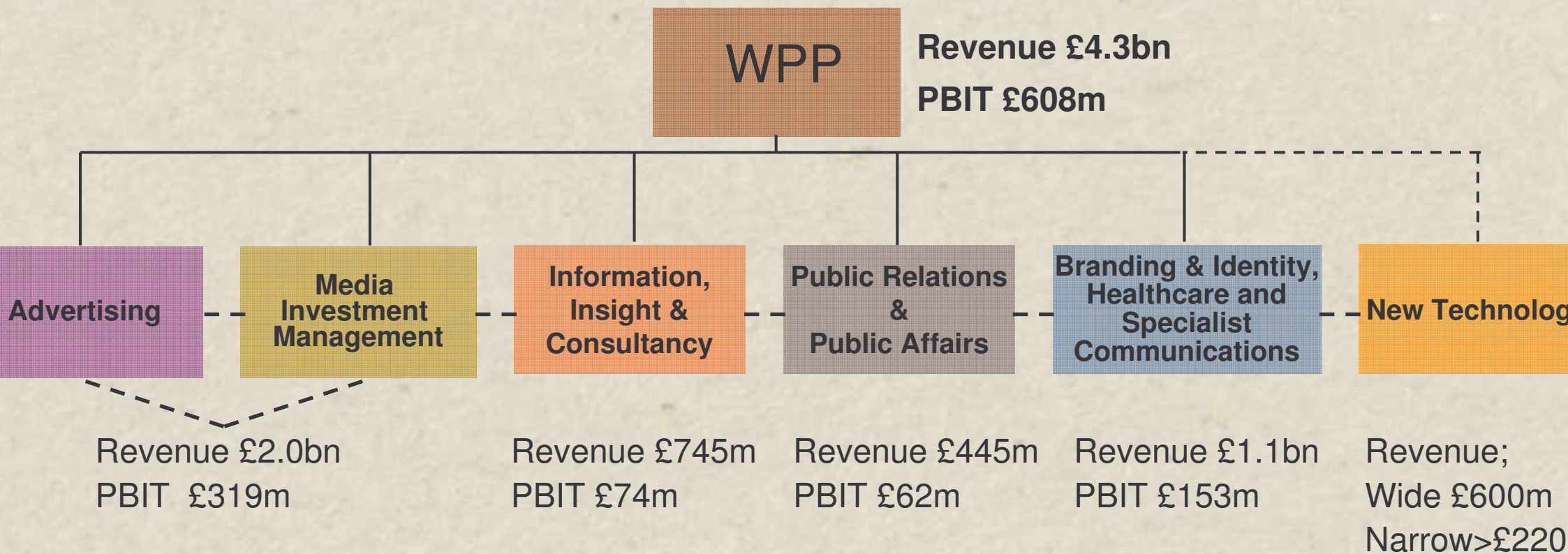
-  **Expanding networks to take advantage of faster growing geographical markets**
-  **Re-enforcing competitive advantage in segments where growth is expected to remain higher, eg Market Research, Direct, Internet, Interactive, Hi-tech, Retail, Healthcare, etc**
-  **Taking advantage of consolidation trends to gain market share**

Strategy

Improving creative capabilities and reputation of all our businesses

-  **By placing greater emphasis on recruitment**
-  **By recognizing creative success tangibly and intangibly**
-  **By acquiring highly regarded creative businesses**
-  **By placing greater emphasis on awards**

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Revenue and PBIT figures are 2004 reported sterling actuals excluding Grey Global Group
 PBIT is stated before goodwill and impairment, fixed asset gains and investment write-downs

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