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WPP

2001 INTERIM RESULTS

Revenue up over 65% to £1.997 billion

Profit before tax up almost 80% to £247.6 million against £137.7 million

Diluted earnings per share up almost 22% to 14.6p from 12.0p

Interim ordinary dividend up 20% to 1.44p per share

- Revenue up over 65% to £1.997 billion and up over 58% in constant currencies

- Profit before interest and tax up almost 73% to £277.8 million and up over 67% in constant currencies

- Operating margin up one margin point and one margin point in constant currencies in line with objectives

- Profit before tax up almost 80% to £247.6 million and up almost 75% in constant currencies

- Diluted earnings per share up almost 22% to 14.6p from 12.0p and up 18% in constant currencies

- Interim ordinary dividend up 20% to 1.44p per share

- Net new business billings of almost £900 million ($1.4 billion). Ranked number one advertising and marketing services group for the first seven months of 2001

Summary of Results

The Board of WPP Group plc announces its results for the six months ended 30 June 2001, which show significant continued improvement despite difficult economic conditions, particularly in the United States.

Turnover was up over 58% to £9.0 billion in the first six months of 2001.

Reportable revenue was up over 65% at £1.997 billion. On a constant currency basis revenue was up over 58%. Pro-forma for the merger with Young & Rubicam Inc. (“Y&R”), constant currency revenues were up almost 6%. Excluding all acquisitions, constant currency revenues were up over 3%.

Profit before interest and tax was up almost 73% to £277.8 million from £160.7 million and up over 67% in constant currencies.

Pre-goodwill, reported operating margins rose by 0.9 margin points to 14.2% from 13.3%, and in constant currencies the operating margin grew by one margin point. On a reportable pro-forma combined basis, allowing for the merger with Y&R and excluding goodwill charges, operating margins rose by one margin point. Reported operating costs rose by over 63% and rose by almost 57% in constant currencies.

The Group's staff cost to gross margin ratio, excluding severance commitments, was flat at 59.6% in the first half of 2001, compared to the same period last year. On a like-for-like basis the average number of people in the Group was 51,007 in the first half of the year, compared to 49,352 in 2000, an increase of 3.4%. On a like-for-like basis, the total number of people in the Group at the half year end was 50,691, compared to 52,623 at the end of 2000, a decrease of 3.7% and compared to an actual figure of 31,416 in June 2000.

Net interest payable and similar charges increased to £30.2 million from £23.0 million, reflecting improved profitability and lower interest rates more than offset by the impact of share repurchases and acquisitions.

Reported profit before tax rose by almost 80% to £247.6 million from £137.7 million. In constant currency pre-tax profits rose by almost 75%.

The tax rate on profit on ordinary activities was steady at 30% in comparison with last year.

Diluted earnings per share were up almost 22% at 14.6p, and up 18% in constant currencies.

The Board declares an increase of 20% in the interim ordinary dividend to 1.44p per share. The record date for this interim dividend is 14th September 2001, payable on 19th November 2001.

Further details of WPP's financial performance are provided in Appendix I (in sterling) and Appendix II (in euros).

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 (on a constant currency basis) by region for the first six months of 2001:

Region	**Revenue as a % of total Group**	**Revenue growth% 01/00**
North America	46.6	59.3
United Kingdom	15.7	27.9
Continental Europe	21.2	86.5
Asia Pacific, Latin America, Africa & Middle East	16.5	62.7
TOTAL GROUP	100	58.6

Including Y&R, on a pro-forma combined basis, the proportion of revenue and revenue growth by region was as follows:

Region	**Revenue as a % of total Group**	**Revenue growth% 01/00**
North America	46.6	0.4
United Kingdom	15.7	5.2
Continental Europe	21.2	13.4
Asia Pacific, Latin America, Africa & Middle East	16.5	12.9
TOTAL GROUP	100	5.6

As can be seen, on a pro-forma combined basis, North America was flat in the first six months. The United Kingdom, Continental Europe, Asia Pacific, Latin America, Africa and the Middle East grew more robustly.

Net new business billings of almost £900 million ($1.4 billion) were won in the first half of the year. The Group was ranked first for net new business gains in the Credit Suisse First Boston survey for the first seven months of 2001.

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 (on a constant currency basis) for the first six months of 2001:

Communications Services	Revenue as a % of total Group	Revenue growth% 01/00
Advertising and Media Investment Management	45.7	58.2
Information and Consultancy	14.3	14.5
Public Relations and Public Affairs*	13.1	105.0
Branding and Identity, Healthcare and Specialist Communications	26.9	76.0
TOTAL GROUP	100	58.6

* The revenue figures submitted to the O'Dwyer Report reflect some public relations income which is included here in advertising and media investment management and branding and identity, healthcare and specialist communications. Total public relations and public affairs revenues grew over 88% to $419 million.

Including Y&R, on a pro-forma combined basis, the proportion of revenue and revenue growth by communications services sector was as follows:

Communications Services	Revenue as a % of total Group	Revenue growth% 01/00
Advertising and Media Investment Management	45.7	5.9
Information and Consultancy	14.3	14.5
Public Relations and Public Affairs	13.1	0.8
Branding and Identity, Healthcare and Specialist Communications	26.9	3.4
TOTAL GROUP	100	5.6

As can be seen, on a pro-forma combined basis, public relations and public affairs and branding and identity, healthcare and specialist communications have been most affected by the recession. Advertising and media investment management has been less affected than anticipated and information and consultancy continues to grow strongly.

Advertising and Media Investment Management

On a constant currency basis, combined revenue at Ogilvy & Mather (including Cole & Weber and OgilvyOne), J Walter Thompson Company, Y&R Advertising (including The Media Edge), Red Cell and MindShare rose by 10%, whilst operating margins continued to improve.

These businesses generated net new business billings of £565 million ($877 million).

Information and Consultancy

The Group's information and consultancy businesses continued their growth, despite global economic conditions, with revenues increasing by over 14%, operating profit up over 17% and as a result improving operating margins.

Public Relations and Public Affairs

In constant currencies, the Group's public relations and public affairs revenues showed continued growth, primarily due to acquisitions, rising by 105%. However, the recession has affected this sector the most significantly, with like-for-like revenues falling by over 3%, reflecting the slow down in technology, media and telecommunications in particular.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications revenues grew by 76% over last year, again primarily due to acquisitions. Including Y&R, on a pro-forma combined basis, revenues grew over 3% with operating profits up over 20% and operating margins improving. Particularly good performances were registered by several companies in this sector in the first half, including, in promotion and direct marketing by EWA, High Co, Mando Marketing, RTC and Wunderman; in branding and identity by Addison, CB'a, Dovetail, Lambie-Nairn, WalkerGroup/CNI and Warwicks; in healthcare by CommonHealth (US), The Shire Hall Group and Sudler & Hennessey; and in other specialist marketing services by The Bravo Group, Brouillard Communications, The Farm, The Geppetto Group, Glendinning and Pace.

Cashflow and Balance Sheet

A summary of the Group's cashflow statement and balance sheet and notes as at 30 June 2001 are provided in Appendices I and II.

Improved profitability has continued to have a positive effect on the Group's balance sheet. In the first half of 2001, operating profit was £257 million, depreciation and amortisation £59 million, interest paid £26 million, tax paid £35 million and other cash inflows £48 million. This resulted in net cash generation of £303 million for the first six months of 2001, compared to £131 million in the comparable period last year. The Group invested £62 million in capital expenditure, £287 million in cash acquisition payments and investments and £70 million in share repurchases and dividends, a total outflow of £419 million.

For the twelve months ended 30 June 2001 the net cash generation was £570 million which was invested in capital expenditure of £144 million, cash acquisition payments and investments of £416 million and share repurchases and dividends of £144 million, a total expenditure of £704 million. Net debt averaged £662 million for the first half of 2001, including the £204 million Y&R convertible bond, versus £325 million for the same period last year. On 30 June 2001 net bank borrowings were £620 million, including the Y&R convertible bond of £204 million, against £292 million on 30 June 2000.

The Board continues to examine ways of deploying the Group's substantial cashflow of approximately £600 million per annum to enhance share owner value particularly given that interest cover is over 9 times currently. As necessary capital expenditure normally approximates to 1-1.2x the depreciation charge, the Company has concentrated on examining possible acquisitions or returning excess capital to share owners in the form of dividends or share buy-backs.

In the first half of 2001, acquisitions have been completed in advertising and media investment management in the United States, the United Kingdom, South Korea, Australia, Brazil, France, Portugal, Turkey and South Africa; in information and consultancy in the United States, Germany and South Africa; in public relations and public affairs in the United States and Argentina; in branding and identity in the United Kingdom and Japan; in direct in the United Kingdom, France and Hong Kong; and in interactive in the United States, the United Kingdom, France and South Korea.

As announced by Tempus Group PLC ("Tempus") on 16 August 2001, The Company has been in discussions with regard to making a cash offer for Tempus. This morning WPP has announced a cash offer of 555p (US$8.00) for the outstanding shares of Tempus.

In addition to increasing the interim dividend by 20% to 1.44p per share, a total of £16.4 million compared to £9.3 million last year, the Company has continued its rolling share buy-back programme in the first half of the year by repurchasing 9 million shares at an average price of £7.78 per share and total cost of £70 million. The Company's objective remains to buy-back approximately £150 million - £200 million of shares each year, currently equivalent to 2-2$^{1}/_{2}$% of the ordinary share capital.

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The climate for interactive and digital activity has clearly changed compared with the same period last year. Clients have been more cautious in their spending and sales cycles have lengthened. However, from our point of view, this has been more than compensated for by the ability to retain our best people, the demise of start-up competitors and the desire of clients to integrate interactive and digital with mainstream channels. Medium term, we continue to believe that technology will become an increasingly important part of our activities.

We have seen increases in revenues compared with the same period last year at OgilvyOne, Wunderman, Lightspeed, digital@JWT, Y&R2.1 and MindShare with flat or declining revenues at our public relations and public affairs companies, The Digital Edge and Millward Brown IntelliQuest. On a geographical basis we have seen declines in organic like-for-like revenues in the United States, but these have been more than compensated for by increases in Europe, Asia Pacific and Latin America.

The value of our publicly traded interactive investments has declined during the first half of the year, though we believe that the largest of our investments - Syzygy and Concept! - are sound businesses, whose revenues and margins stabilised in the second quarter. We continue to review the value of these investments to ensure that any permanent diminution in value is reflected in the Group's results. Our venture capital relationships - notably with Wit Capital and Allegis Capital - continue to provide us with a stream of interesting partners whilst some of our other non-quoted investments such as Visible World continue to work effectively with our clients. We have made two investments this year; in Netomat (a sophisticated e-mail provider) and MarketTools (providing technology infrastructure for market research over the Web), but we continue to look for opportunities where investments could enhance our core capabilities.

Client Developments in the First Half of 2001

Including associates, the Group currently employs over 67,000 full-time people in over 1,300 offices in 102 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. This reflects the increasing opportunities for co-ordination between activities both nationally and internationally. The Group also works with well over 100 clients in 6 or more countries.

The Group estimates that more than 20% 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

Given the intensity of speculation about the worldwide economy, we deal here with future prospects at some length.

Although economic conditions have been tough, the Group's financial performance has continued to improve in the first half of 2001. Even though top-line growth has deteriorated against a budgeted like-for-like growth of 7%, the Company continues to gain market share in all geographic regions including the United States, United Kingdom, Continental Europe, Asia Pacific and Latin America.

Functionally, information and consultancy and advertising and media investment management have been less affected and continued to improve their operating profits and margins. Public relations and public affairs, branding and identity, healthcare and specialist communications have been most affected.

Prospects for revenue growth for the latter half of 2001 may be even more difficult, although industry projections for advertising market growth in 2002 look slightly better than 2001. Despite these difficult conditions, marketing services expenditures will probably continue to grow at a faster rate. The over-riding concern is that what has essentially up to now been a business-to-business recession will spill over into the consumer sector.

Given these market conditions, plans, budgets and forecasts of revenues 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. Continued progress is being made in these areas. For example, on a reportable combined basis, the combined operating margins of Ogilvy & Mather (including Cole & Weber and OgilvyOne), J Walter Thompson Company, Y&R Advertising (including The Media Edge), Red Cell and MindShare rose to 16.6% from 15.9% in the first half of 2001, compared to the same period in 2000.

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. This has become increasingly important as economic activity stalls.

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 concentrate on its objectives of improving operating profits by 15-20% per annum; 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 20-33⅓% of incremental revenue to profit and growing revenue faster than industry averages and encouraging co-operation among Group companies.

In addition to introducing greater flexibility into its cost structure, the Group is competitively well positioned to weather current economic uncertainty because of its stronger financial position, its geographic spread, its consistent new business record and its competitive strength in information and consultancy, public relations and public affairs, identity and branding, healthcare and specialist communications - particularly as clients decide to spend an increasing proportion of their marketing budgets on "below-the-line" activities.

The Group is in line to achieve its fifth margin plan target of 15.0% in 2001 and 15.5% in 2002.

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