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# 2010 INTERIM RESULTS

**Billings up over 8% at £20.333 billion**

**Revenue up over 3% to £4.441 billion**

**Like-for-like revenue up 2.5%**

**Headline operating profit up over 33% to £455 million**

**Headline profit before tax up over 41% to £356 million**

**Profit before tax up 36% to £244 million**

**Operating margins up 2.3 margin points**

**Diluted headline earnings per share up over 48% at 19.1p**

**First interim ordinary dividend up 15% at 5.97p per share**

- Billings up 8.5% at £20.333 billion.
- Reported revenue up 3.5% to £4.441 billion and up 2.7% in constant currencies.
- Like-for-like revenue up 2.5% and up 3.1% after seven months.
- EBITDA up 23.1% to £560.8m from £455.7m.
- Headline operating margins pre-incentives up 3.7 margin points at 13.1%.
- Headline operating profit up 33.1% to £455.3 million from £342.2 million.
- Headline operating margins up 2.3 margin points to 10.3%.
- Headline gross margin margins up 2.5 margin points to 11.2%.
- Headline profit before tax up 41.2% to £356.2 million from £252.2 million.
- Profit before tax up 36.0% to £243.9 million from £179.3 million.
- Diluted headline earnings per share up 48.1% to 19.1p from 12.9p.
- Diluted earnings per share up 36.4% to 12.0p.
- First interim ordinary dividend up 15% at 5.97p per share.
- Estimated net new business billings of £2.114 billion ($3.382 billion), almost double last year and leading all industry net new business tables.
- America and traditional media bite back.

*In this press release not all the figures and ratios used are readily available from the unaudited interim results included in Appendix 1. Where required, details of how these have been arrived at are shown in note 19 of Appendix 1 or explained in the glossary.*

Summary of Results

The Board of WPP announces its unaudited interim results for the six months ended 30 June 2010. The results reflect the recovery in the world economy, following the massive fiscal and monetary stimulus in response to the sub-prime, insurance monoline, Lehman and other elements of the crises.

Billings were up 8.5% at £20.333 billion.

Reportable revenue was up 3.5% at £4.441 billion. Revenue on a constant currency basis, was up 2.7% compared with last year, chiefly reflecting the comparative weakness of the pound sterling against most currencies other than against the US dollar and Euro. As a number of our competitors report in US dollars and inter-currency comparisons are difficult, Appendix 2 shows WPP's interim results in reportable US dollars, where revenues were up 5.5% to $6.757 billion.

On a like-for-like basis, which excludes the impact of acquisitions and currency, revenues were up 2.5% in the first half. In the second quarter like-for-like revenues were up almost 5%, a significant escalation over flat like-for-like revenues in quarter one. This reflects increased client advertising and promotional ("A" & "P") spending, (probably more "P" than "A"), across most of the Group's major geographic markets and functional sectors and also easier comparatives, although clients continue to demand increased effectiveness, efficiency and liquidity.

Headline earnings before interest, taxation, depreciation and amortisation ("EBITDA") was up 23.1% to £560.8 million and up 19.3% in constant currencies. Headline operating profit was up 33.1% to £455.3 million from £342.2 million and up 27.9% in constant currencies.

Headline operating margins were up 2.3 margin points to 10.3% compared with 8.0% in the first half of last year. On a like-for-like basis operating margins were up 2.2 margin points. Headline gross margin margins were up 2.5 margin points to 11.2%. Given the significance of consumer insight revenues to the Group, this is probably a more meaningful measure of comparative, competitive margin performance.

On a reported basis, the Group's staff cost to revenue ratio, including incentives, fell by 1.7 margin points to 60.4% compared with 62.1% in the first half of 2009. On the same basis, the Group's staff costs to revenue ratio, excluding incentives, fell by 3.1 margin points to 57.6% from 60.7%. Short and long-term incentives and the cost of share-based incentives amounted to £127.4 million or 22.8% (around maximum performance), of operating profits before bonus and taxes, compared to £59.3 million last year, or 15.5%, up £68.1 million. Operating margins, before short and long-term incentives and the cost of share-based incentives, were 13.1% up 3.7 margin points compared with 9.4% last year.

On a like-for-like basis, the average number of people in the Group, excluding associates, was 100,008 in the first half of the year, compared to 109,504 in 2009, a decrease of 8.7%. On the same basis, the total number of people in the Group, excluding associates, at 30 June 2010 was 100,822 compared to 107,193 at 30 June 2009, a decrease of 6,371 or 5.9%. As at 30 June 2010, the number of people in the Group increased by 1,658 or 1.7% compared to the pro-forma figure at 31 December 2009, reflecting net hiring, particularly in the United States and in parts of Asia and Latin America, where like-for-like revenue growth is particularly strong.

Net finance costs (excluding the revaluation of financial instruments) were £99.1 million, compared with £90.0 million in 2009, an increase of £9.1 million, reflecting higher funding costs partly offset by lower levels of average net debt.

Headline profit before tax was up 41.2% to £356.2 million from £252.2 million, or up 32.8% in constant currencies.

Reported profit before tax rose by 36.0% to £243.9 million from £179.3 million. In constant currencies, reported profit before tax rose by 23.3%.

The tax rate on headline profit before tax was 23.9%, down 0.9 percentage points on the first half rate in 2009 of 24.8%.

Profits attributable to share owners rose by 39.1% to £150.8 million from £108.4 million.

Diluted headline earnings per share rose by 48.1% to 19.1p from 12.9p. In constant currencies, earnings per share on the same basis rose by 36.8%. Diluted reported earnings per share were up 36.4% to 12.0p and up 20.1% in constant currencies.

The Board declares an increase of 15% in the first interim ordinary dividend of 5.97p per share. The record date for this first interim dividend is 8 October 2010, payable on 8 November 2010.

Further details of WPP's financial performance are provided in Appendices 1 and 2.

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 by region for the first six months of 2010:

| Region | Constant Currency[1] Revenue as a % of Total Group | Reported Revenue Growth 10/09 | Constant Currency[1] Revenue Growth 10/09 | Like-for-like[2] Revenue Growth 10/09 |
|---|---|---|---|---|
| | | % | % | % |
| North America | 35.7 | 4.3 | 5.5 | 5.8 |
| United Kingdom | 12.2 | 2.7 | 2.7 | 2.8 |
| Western Continental Europe | 26.2 | -0.9 | 0.8 | -0.2 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 25.9 | 7.5 | 0.9 | 0.7 |
| TOTAL GROUP | 100.0 | 3.5 | 2.7 | 2.5 |

[1]Constant currency growth excludes the effects of currency movements
[2]Like-for-like growth excludes the effects of currency movements and the impact of acquisitions

As shown above, on a constant currency basis, the Group's revenues grew at 2.7%, with like-for-like revenues up 2.5%. Geographically, as in the first five months, the United States has continued to show remarkably strong growth, with like-for-like revenues in the second quarter up well over 8% and with year to date revenues up over 6%. The United Kingdom, also improved substantially in the second quarter, with like-for-like revenues up almost 7% compared with -1% in the first quarter and 2.8% year to date. Western Continental Europe remains difficult, although even here there was marked improvement in the second quarter, with revenues up over 1%, compared with -2% in the first quarter. Germany, Italy, Norway, Sweden and Turkey, showed relatively strong growth, but France, Spain and Portugal remain tough. In Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe revenues were up 3% in the second quarter compared with -2% in the first three months, driven by particularly strong growth in South East Asia, in all markets except Korea. Africa was up almost 6% in the second quarter, with the FIFA World Cup having a significant positive impact on revenues and up almost 3% in the first six months. Latin America also improved in the second quarter. In Central and Eastern Europe, revenues were down just under 1% in the first six months, with strong growth in Russia and the Czech Republic just offset by declines in Poland, Hungary and Romania.

In the first half of 2010, almost 26% of the Group's revenues came from Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, a similar percentage to last year and against the Group's strategic objective of one-third, in the next three to four years.

Estimated net new business billings of £2.114 billion ($3.382 billion) were won in the first half of the year (almost twice last year's comparative level) and the Group continues to benefit from consolidation trends in the industry, winning assignments from existing and new clients and being ranked the leader in all the net new business industry tables, a trend that continued into the second half of the year.

Revenue by Communications Services Sector and Brand

The pattern of revenue growth also 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 for the first six months of 2010:

| **Communications Services Sector** | **Constant Currency[1] Revenue as a % of Total Group** | **Reported Revenue Growth 10/09 %** | **Constant Currency[1] Revenue Growth 10/09 %** | **Like-for-like[2] Revenue Growth 10/09 %** |
|---|---|---|---|---|
| Advertising, Media Investment Management | 39.2 | 4.4 | 3.0 | 3.0 |
| Consumer Insight | 26.3 | 3.4 | 2.7 | 2.4 |
| Public Relations & Public Affairs | 9.4 | 3.4 | 3.2 | 2.0 |
| Branding & Identity, Healthcare and Specialist Communications | 25.1 | 2.4 | 2.1 | 1.8 |
| TOTAL GROUP | 100.0 | 3.5 | 2.7 | 2.5 |

[1]Constant currency growth excludes the effects of currency movements
[2]Like-for-like growth excludes the effects of currency movements and the impact of acquisitions

By communications services sector, all sectors continue to show very similar like-for-like growth, as they did in the first five months, at around 2.0%, other than advertising and media investment management, which is now gaining considerable momentum, with year to date growth of 3%. In the second quarter, consumer insight and public relations and public affairs improved significantly, with growth of 5% and over 3% respectively. Growth in the Group's branding & identity, healthcare and specialist communications businesses (including direct, digital and interactive) in the second quarter was similar to the first quarter at just under 2%. The Group's advertising businesses achieved a 180 degree turnaround from -4% in the first quarter to +4% in the second quarter, leaving year to date revenues up marginally. The second quarter of 2010 was the first quarterly growth in our "traditional" advertising revenues since the third quarter of 2008. Media investment management grew strongly in the second quarter, with revenues up over 10% and year to date revenues up over 7%.

In the first half, direct and digitally-related activities accounted for 28%, or $1.913 billion (an annual run rate of $4 billion) of the Group's total revenues, which are running at the rate of well over $14 billion per annum. To give an indication of the Group's industry leading direct, digital and interactive position, a leading Independent Research Firm recently rated three of the Group's interactive agencies (OgilvyInteractive, VML and Wunderman) amongst seven "digital leaders". No other competitor has more than one. The Group's global digital agencies, Wunderman and OgilvyOne, rank as the two largest digital and interactive agencies in the world, with annual revenues of over $850 million and almost $800 million respectively.

In the first half of 2010, almost 61% of the Group's revenues came from outside advertising and media investment management, a similar percentage to last year against the Group's strategic objective of two-thirds, again within three to four years.

Quantitative disciplines (digital and consumer insight), now account for 50% of Group revenues, meeting the Group's strategic objective of one-half.

Advertising and Media Investment Management

On a constant currency basis, advertising and media investment management revenues grew by 3.0%, with like-for-like revenues up 3.0% as well. Reported operating margins increased by almost 2.0 margin points to 11.8%, as the benefit of cost actions taken in 2009, took hold.

These businesses generated estimated net new business billings of £1.799 billion ($2.879 billion).

Consumer Insight

On a constant currency basis, consumer insight revenues grew by 2.7%, with like-for-like revenues up 2.4%. Reported operating margins improved by 1.1 margin points to 7.2% (gross margin margins improved 1.5 margin points to 9.8%) as the benefits of the integration of TNS custom research and Research International and the other operations of both TNS and Kantar, in media, healthcare, retail and their related panel activities were realised.

Public Relations and Public Affairs

In constant currencies, the Group's public relations and public affairs revenues grew by 3.2%, with like-for-like revenues up 2.0%. Reported operating margins improved 3.2

margin points to 14.8% as costs were brought into line, rising at a much slower rate than revenues.

Branding and Identity, Healthcare and Specialist Communications

The Group's branding and identity, healthcare and specialist communications (including direct, digital and interactive) constant currency revenues grew by 2.1%, with like-for-like revenues up 1.8%. This service sector showed a strong recovery in reported operating margins, particularly in the direct, digital and interactive and branding and identity businesses, up 3.9 margin points to 9.4%.

Cash Flow and Balance Sheet

A summary of the Group's unaudited cash flow statement and balance sheet and notes as at 30 June 2009 are provided in Appendix 1.

In the first half of 2010, operating profit was £340 million, depreciation, amortisation and impairment £203 million, non-cash share-based incentive charges £35 million, net interest paid £107 million, tax paid £96 million, capital expenditure £90 million and other net cash outflows £1 million. Free cash flow available for working capital requirements, debt repayment, acquisitions, share re-purchases and dividends was, therefore, £284 million. This free cash flow was absorbed by £90 million in net cash acquisition payments and investments (of which £75 million was for earnout payments and loan note redemptions, with the balance of £15 million for investments and new acquisition payments net of disposal proceeds), £28 million in share re-purchases and £127 million in dividends, (paid for the first time in the first half of this year) a total outflow of £245 million. This resulted in a net cash inflow of £39 million, before any changes in working capital.

Average net debt in the first six months of 2010 fell by £254 million to £3.168 billion, compared to £3.422 billion in 2009, at 2010 exchange rates. On 30 June 2010 net debt was £3.029 billion, against £3.447 billion on 30 June 2009, a decrease of £418 million. Your Board continues to examine ways of deploying its EBITDA, (of over £1.3 billion or over $2 billion for the preceding twelve months) and substantial free cash flow (of almost £800 million or approximately $1.2 billion per annum, also for the previous twelve months), to enhance share owner value. At the time of the TNS transaction, it was announced that, for the following two years, acquisitions would be limited up to £100 million per annum, the Group's share buy-back programme would be targeted up to 1% per annum and dividend growth at up to 15% per annum, using surplus cash generated to reduce debt.

In the first half of 2010, the Group continued to make small-sized acquisitions or investments in high growth geographical or functional areas. In the first six months of this year, acquisitions and increased equity stakes have been focused on advertising and media investment management in Poland, Israel, Brazil, and Colombia; in public relations and public affairs in Germany and Poland; in direct, digital and interactive in the United States, the United Kingdom, Germany and Brazil.

The Company continues to focus on examining the relative merits of dividends and share buy-backs and following the strong first half results has re-instituted an increase in dividend with a 15% hike in the first interim dividend, the upper limit committed to at the time of the TNS acquisition, to 5.97p per share. In the first half, 4.5 million shares were purchased at a cost of £28.6 million and an average price of £6.42 per share.

Client Developments in the First Half of 2010

Including associates, the Group currently employs over 141,000 full-time people in almost 2,400 offices in 107 countries. It services over 300 of the Fortune Global 500 companies, 29 of the Dow Jones 30, 61 of the NASDAQ 100, 31 of the Fortune e-50 and 615 national or multi-national clients in three or more disciplines. 402 clients are served in four disciplines and these clients account for over 56% of Group revenues. This reflects the increasing opportunities for co-ordination between activities both nationally and internationally. The Group also works with 301 clients in 6 or more countries. The Group estimates that more than 35% 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

The first seven months of 2010 certainly saw a significant recovery in revenue growth and profitability, with sequential monthly improvement in like-for-like revenue growth, with a minor rate fall in June and with July showing the strongest growth of all, up almost 7%. By the end of July, year to date like-for-like revenue growth was up 3.1%. Mild expansion has replaced fear and stabilisation. The expected LUV recovery, L-shaped in Western Europe, U-shaped in the United States and V-shaped in the BRICs and Next 11, is now more LVV-shaped (LuVVy-shaped?), with the United States, in particular recovering much more strongly than anticipated. In our 25 years of existence, we cannot remember a more speedy recovery or turnaround of a region – from almost -6% in like-for-like revenue growth in the fourth quarter of 2009, to almost +4% in the first quarter of 2010 and +8% in the second quarter and at a similar level in July. Traditional advertising has also recovered sharply, advertising and media investment management moving from almost -10%, to almost -1% and to almost +6% in the same quarters and up even further to over 9% in July. This certainly reflects America and traditional media biting back. In the first half of 2010 headline operating profit increased by a third to £455 million and operating margins, pre-incentives, improved by 3.7 margin points, reflecting the significant benefit of both the improving revenue trend and cost actions, particularly those taken in the second half of 2009. Bonus pools have largely been refilled, with the increase in incentives accounting for 1.4 margin points, with reported margins, after incentives, up 2.3 margin points.

The return to top-line growth came earlier than others expected in 2010. As we originally thought as far back as this time last year, growth did come in the second quarter. During the first six months of this year revenues have been running consistently above budget, by about 3%. Our first quarter revised annual forecasts indicated full year like-for-like growth of around 2%. In the second quarter, revenues came in around 1.5% ahead of even those forecasts and our second quarter revised annual forecasts indicate full year like-for-like revenues even ahead of seven months year to date growth of 3.1% and ahead of current market consensus forecasts of around 2.5%. However, we are also seeing further projected increases in headcount and associated staff and discretionary costs and we need to remain focused on ensuring these are controlled as we approach 2011 and three year plans and budgets. Our full year margins should improve in line with, if not better than, the Group's margin target of 1.0 margin point improvement. As expected, the first half of 2010 was much better than the first half of 2009, both in terms of profitability and margins (so they should have been given the weak comparatives). The second half should also improve, but will be more difficult because of tougher comparatives in the second half of last year, when post-Lehman cost reductions ensured that our proforma operating margins were the same as in the second half of 2008. We are targeting a level of diluted headline earnings per share in 2010 similar to that achieved in 2008, the previous all time high, and, if achieved, will result in operating margins ahead of the proforma operating margin achieved in the second half of 2008, before the recession.

Whilst the underlying current environment is better than anticipated, clients are pretty unanimously uncertain about future prospects. As indicated by us at the Allen & Company Sun Valley Media Conference some months ago, "the poison in the system is the uncertainty".

As also mentioned in the AGM statement a couple of months ago, we have to continue to be cautious for two principal reasons - there are still volatile fears of Eurozone fiscal contagion from Greece, Portugal, Spain and Ireland to other parts of Europe; fears of the impact of the UK Government's new austerity programmes; fears of the effects of similar austerity programmes in France and Italy; and fears of the withdrawal of fiscal stimulus in Germany, reinforced by that country's strong recent GNP quarterly performance and exports. Perhaps, most important of all, fears for US growth later this year, as comparatives get more difficult and next year as the Bush tax cuts end, together with fears of any withdrawal of the US fiscal stimulus to reduce the deficit as taxes rise on corporate profits. There is also concern about the Obama administration's attitude to business, particularly as profits, as a proportion of GNP, are virtually at an all time high and the United States corporation tax yield is low, particularly at a time when all sectors of society are being asked to make a sacrifice.

Whilst politicians, journalists, economists, analysts and investors argue about double-dips, inflation or deflation, the most likely scenario is a slow growth "slog", particularly in the mature geographical markets and traditional media markets, perhaps with inflation and higher interest rates in the long-term. In some senses, the recovery will not be over for a long time. The world, as Jeffrey Immelt, Chairman and CEO of General Electric pretty much first said, has reset or reached a new normal, although worldwide GDP growth is forecast at 4.5% this year, with communications services expenditure growth at a similar level, stimulated by the Vancouver Winter Olympics, the FIFA World Cup in South Africa, the Commonwealth Games in India, the Asian Games in Guangzhou, The World Expo in Shanghai and the United States mid-term Congressional elections. To use a UK football analogy - there is the Premier League consisting of the BRICs and Next 11, digital media and consumer insight; the Championship consisting of the United States and television, both big and resourceful, never to be under-estimated; and, finally, Division I – Western Europe and traditional print media with legacy methods of production, social mobility costs and healthcare and pension liabilities. The world is growing at at least three different speeds. Even Europe, it can be said, is growing at different speeds – Germany and Eastern Europe growing faster than Western Europe.

Plans, budgets and forecasts will, therefore, 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. Margins have recovered in important parts of the business. 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. Flexible staff costs (incentives, freelancers and consultants) have returned to the historic high of around 7% of revenues and continue to position the Group well, if concerns for 2011 materialise.

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, corporate social responsibility, government, new technologies, new markets, retailing, internal communications, financial services and media and entertainment. The Group continues to lead the industry, in co-ordinating investment geographically and functionally through parent company initiatives and winning Group pitches. Increasing co-operation, although

more difficult to achieve in a multi-branded company, which has grown by acquisition, than in an organically grown uni-branded one, remains a priority.

As the world stabilises and probably avoids a “double-dip” at least, the Group continues to concentrate on its long-term targets and strategic objectives of improving operating profits by 10-15%; 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 25-33% of incremental revenue to profit; growing revenue faster than industry averages and encouraging co-operation among Group companies.

As clients face an increasingly undifferentiated market place, particularly in mature markets, the Group is competitively well positioned to offer them the creativity they desire, along with the ability to deliver the most effective co-ordinated communications in the most efficient manner. The Group’s performance this year at the Cannes Advertising Festival was particularly pleasing – second as a Group, as the previous year, but with the gap to first place narrowing to a very small margin.

As the impact of the sub-prime, insurance monoline, Bear Stearns and Lehman crises abate and relative performance becomes easier, the Group’s strategic focus on new markets, new media and consumer insight will become even more important. Clients will be increasingly looking for growth, advice and resources in the BRICS and Next 11, in digital communications and in understanding consumer motivations.

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This announcement has been filed at the Company Announcements Office of the London Stock Exchange and is being distributed to all owners of Ordinary shares and American Depository Receipts. Copies are available to the public at the Company’s registered office.

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