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WPP ANNUAL REPORT 2007
The fast read

For a quick, pre-digested, highly-compressed version of this Annual Report: read the next six pages.

The full story starts on page 8. Please read that, too.

Who we are

WPP is a world leader in marketing communications services. It comprises leading companies in all these disciplines:

- Advertising
- Media Investment Management
- Information, Insight & Consultancy
- Public Relations & Public Affairs
- Branding & Identity
- Healthcare Communications
- Direct, Digital, Promotion & Relationship Marketing
- Specialist Communications

There are more than 100 companies within the Group – and each is a distinctive brand in its own right. Each has its own identity, commands its own loyalty, and is committed to its own, specialist expertise. That is their individual strength. Clients seek their talent and their experience on a brand-by-brand basis. Between them, our companies work with over 340 of the Fortune Global 500, over one-half of the NASDAQ 100 and over 30 of the Fortune e-50.

It is also of increasing value to clients that WPP companies can work together, as increasingly they do: providing a tailor-made range of communications services, centrally integrated. Over 600 clients are now served in three distinct disciplines. More than 370 clients are served in four disciplines and these clients account for over 58% of Group revenues. Group companies now work with over 270 clients across six or more countries.

Collectively, 110,000* people work for WPP companies; out of 2,000 offices in 106 countries.

* Including associates.

Our companies and their websites are listed on pages 10 and 11.
To develop and manage talent; to apply that talent, throughout the world, for the benefit of clients; to do so in partnership; to do so with profit.

Within the WPP Group, our clients have access to companies with all the necessary marketing and communications skills; companies with strong and distinctive cultures of their own; famous names, many of them.

WPP, the parent company, complements these companies in three distinct ways.

First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are co-ordinated centrally. For the operating companies, every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. Such collaborations have the additional benefit of enhancing the job satisfaction of our people. The parent company also plays an across-the-Group role in the following functions: the management of talent, including recruitment and training; in property management; in procurement and information technology; in knowledge sharing and practice development.

And, finally, WPP itself can function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a vast geographical spread and a need for marketing services ranging from advertising through design and website construction to research and internal communications, WPP can act as a portal to provide a single point of contact and accountability.

Read more about our role on page 12.
## Financial summary*

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>£31,666m</td>
<td>£30,141m</td>
<td>+5.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>£6,186m</td>
<td>£5,908m</td>
<td>+4.7</td>
</tr>
<tr>
<td>Headline EBITDA*</td>
<td>£1,072m</td>
<td>£1,002m</td>
<td>+7.0</td>
</tr>
<tr>
<td>Headline operating profit*</td>
<td>£887m</td>
<td>£922m</td>
<td>-7.9</td>
</tr>
<tr>
<td>Reported operating profit</td>
<td>£805m</td>
<td>£742m</td>
<td>+8.5</td>
</tr>
<tr>
<td>Headline PBIT*</td>
<td>£928m</td>
<td>£859m</td>
<td>+8.0</td>
</tr>
<tr>
<td>Headline PBIT margin</td>
<td>15.0%</td>
<td>14.5%</td>
<td>+0.5</td>
</tr>
<tr>
<td>Reported PBT</td>
<td>£719m</td>
<td>£669m</td>
<td>+5.5</td>
</tr>
<tr>
<td>Headline diluted earnings per share*</td>
<td>46.0p</td>
<td>42.0p</td>
<td>+9.5</td>
</tr>
<tr>
<td>Headline diluted earnings per ADR*</td>
<td>$4.63</td>
<td>$3.92</td>
<td>+18.1</td>
</tr>
<tr>
<td>Ordinary dividend per share</td>
<td>13.45p</td>
<td>11.21p</td>
<td>+20.0</td>
</tr>
<tr>
<td>Ordinary dividend per ADR</td>
<td>$1.35</td>
<td>$1.03</td>
<td>+31.1</td>
</tr>
<tr>
<td>Net debt at year-end</td>
<td>£1,286m</td>
<td>£815m</td>
<td>+57.8</td>
</tr>
<tr>
<td>Average net debt*</td>
<td>£1,458m</td>
<td>£1,214m</td>
<td>+20.1</td>
</tr>
<tr>
<td>Ordinary share price at year-end</td>
<td>£67.0p</td>
<td>£60.5p</td>
<td>-6.3</td>
</tr>
<tr>
<td>ADR price at year-end</td>
<td>$64.29</td>
<td>$67.78</td>
<td>-5.1</td>
</tr>
<tr>
<td>Market capitalisation at year-end</td>
<td>£7,709m</td>
<td>£8,566m</td>
<td>-10.0</td>
</tr>
</tbody>
</table>

At 16 April 2008

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<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Ordinary share price</td>
<td>£61.6p</td>
<td></td>
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<tr>
<td>ADR price</td>
<td>£60.96</td>
<td></td>
</tr>
<tr>
<td>Market capitalisation</td>
<td>£7,241m</td>
<td></td>
</tr>
</tbody>
</table>

### Notes

* The financial statements have been prepared under IFRS (International Financial Reporting Standards, incorporating International Accounting Standards).

1 The calculation of ‘headline’ measurements of performance (including Headline EBITDA, Headline operating profit, Headline PBIT, Headline PBT and Headline earnings) is shown in note 31 of the financial statements.

2 One American Depositary Receipt represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates shown on page 160. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

3 Earnings per share is calculated in note 9 of the financial statements.

4 Average net debt is defined on page 190.

## 2007 results

Record results in our twenty-second year again reflect the continued steady strength of the world economy, despite the current credit and liquidity crisis, positively impacting almost all disciplines and geographies and the strength of the Group’s operating brands and franchise. 2007 also saw an historically unprecedented run of new business wins across the Group, building a strong base for 2008.

Billings were up 5.1% at £31.7 billion. Reportable revenue was up 4.7% to £6.186 billion. Revenue, including 100% of associates, is estimated to total over £7.3 billion. On a constant currency basis, revenue was up 8.2%, chiefly due to the 8.6% decline in the US dollar against the pound sterling.

Headline earnings before interest, depreciation and amortisation rose 7.0% to £1.072 billion and 9.2% in constant currencies. Headline profit before interest and tax was up 8.0% to £928 million. Reported profit before interest and tax was up 8.1% to £846 million and up 10.0% in constant currencies. Headline profit before tax or profit pre-goodwill impairment, amortisation of acquired intangibles, investment gains and write-downs, revaluation of financial instruments and tax was up 6.7% to £817 million and up 8.8% in constant currencies. Headline operating margin (including income from associates) increased 0.5 margin points to a record 15.0% from 14.5%.

Diluted headline earnings per share were up 9.5% at 46.0p. In constant currencies, earnings per share on the same basis were up 13.6%. Diluted earnings per share rose by 8.0% to 38.0p and by 12.0% in constant currencies.

The final dividend increased to 9.13p per share, making a total of 13.45p per share for 2007, a 20% increase over 2006.
Sector and geographic performance

By discipline, Media Investment Management led the way, together with Public Relations & Public Affairs and Specialist Communications. Public Relations & Public Affairs continued to grow strongly, even at a late stage in the economic cycle. Advertising, Information, Insight & Consultancy, and Branding & Identity and Healthcare Communications also registered good performances.

Marketing services rose to almost 54% of our revenues in 2007, up from 52% in 2006. Advertising and Media Investment Management comprised the other 46%.

By geography, Asia Pacific, Africa and the Middle East, Latin America and Central and Eastern Europe led the way. The US showed surprisingly solid growth along with Spain. The only laggards were the UK, and to some extent France, although Germany and Italy showed some improvement. As a result, markets outside North America now account for over 62% of our revenues, up from 60% in 2006.

Net debt and cash flow

The Group’s net debt increased to £1.286 billion at year end compared with £815 million at the end of 2006, largely reflecting acquisition spend and share repurchases. Cash flow strengthened as a result of improved working capital management and cash flow from operations.

Future objectives

We will continue to focus on our key objectives – improving operating profits and margins, increasing cost flexibility, using free cash flow to enhance share owner value and improve return on capital employed, continuing to develop the role of the parent company in adding value to our clients and people, developing our portfolio in high-revenue growth areas, both geographically and functionally, and improving our creative quality and capabilities.

Our letter to share owners starts on page 18.

Our 2007 operating & financial review and financial statements are presented in full on pages 141 to 191 and at www.wpp.com/investor.
Corporate governance

The Board of Directors as a whole is collectively accountable to the Company’s share owners for good corporate governance and is committed to achieving compliance with the principles of corporate governance set out in the Combined Code.

Our goal is to comply with relevant laws, regulations, and guidelines such as the Combined Code, the US Sarbanes-Oxley Act 2002, the NASDAQ rules and where practicable, with the guidelines issued by institutional investors and their representative bodies.

WPP operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code and the guidance in the Turnbull Report as well as the relevant provisions of the Securities Exchange Act 1934 and related SEC rules as they currently apply to the Company. In the opinion of the Board, the Company has complied throughout the year with the Combined Code, the Turnbull Report and also with the relevant provisions of the Securities Exchange Act 1934 and SEC rules.

Corporate responsibility

WPP’s Corporate Responsibility Committee, which is chaired by Paul Richardson, advises on policy, monitors emerging issues and co-ordinates communication among Group companies. WPP’s five most significant corporate responsibility issues are:

- The social and environmental impact of our work for clients.
- The impact of our work, including marketing ethics, compliance with marketing standards, protection of consumer privacy, social and cause-related marketing.
- Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety. In 2007, WPP invested £38.6 million in training and well-being across the Group.
- Social investment, including pro bono work, donations to charity and employee volunteering. In 2007, our total social investment was worth £6.3 million, equivalent to 0.3% of revenue (2% of reported profit before tax). This includes £12.8 million in pro bono work (based on the fees the benefiting organisations would have paid for our work) and £3.5 million in donations.
- Climate change, including the emissions from energy used in our offices and during business travel.

Full details of our governance policies and practices, and our corporate responsibility activities, can be found on pages 111 to 127.
Executive remuneration policy is set by WPP’s Compensation Committee and is governed by three guiding principles:

- **Competitiveness**
- **Performance**
- **Alignment to share owner interests**

In 2007, the Compensation Committee addressed several key aspects of Group-wide compensation, including the need to balance employment costs with growth, maintaining appropriate levels of recognition and reward, and the impact of new and complex US tax rules on compensation.

The committee is mindful of the need to maintain competitive levels of compensation with a large element dependent on performance and comprising shares as well as cash, so as to align the interests of executives with those of share owners. This is achieved by making:

- Single-year performance awards delivered as restricted stock awards and vesting two years after the end of the one-year performance period.
- Similarly, at the parent company level, grants of Executive Share Awards, also vesting two years after the end of the one-year performance period.
- Awards of stock made on an annual basis to WPP Leaders, Partners and High Potential groups in the form of restricted stock which vest three years after grant.
- To those key executives (including executive directors) whose contributions transcend their day-to-day role, grants under the co-investment LEAP Plan resulting in the award of matching shares, dependent on performance, after a four- or five-year performance period.

**Our directors’ remuneration and interests are set out on pages 136 to 139. A full report from the Compensation Committee starts on page 129.**

**Analysis of shareholdings**

Issued share capital as at 31 December 2007: 1,191,491,263 ordinary shares owned by 11,831 share owners.

**Share owners by geography**

- **UK** 39%
- **US** 32%
- **Asia Pacific, Latin America, Africa & Middle East** 29%
- **Canada and Continental Europe** 20%

**Share owners by type**

- **Institutional investors** 95%
- **Employees** 4%
- **Other individuals** 1%

**Substantial share ownership**

As at 24 April 2008, the Company is aware of the following interests of 3% or more in the issued ordinary share capital:

- **Massachusetts Financial Services Company** 5.01%
- **Invesco plc** 5.00%
- **Legal & General** 4.44%
- **WPP ESOPs** 3.68%

The disclosed interests of all of the above refer to the respective combined holdings of those entities and to interests associated with them. The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

**Share owner relations**

WPP has a continuous program to address the needs of share owners, investment institutions and analysts, supplying a regular flow of information about the Company, its strategy and performance. WPP’s website, www.wpp.com, provides current and historical financial information including trading statements, news releases and presentations.

More information relating to share ownership can be found on pages 193 to 195.