

## Who we are

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

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

There are more than 160 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 352 of the Fortune Global 500, all 30 of the Dow Jones 30 and 77 of the NASDAQ 100. It is also of increasing value to clients that WPP companies and their people can work together, as increasingly they do: providing a tailor-made range of integrated communications services. Some 830 clients are now served in three distinct disciplines. Over 550 clients are served in four disciplines, and these clients account for almost 52% of Group revenues. Group companies also work with 448 clients across six or more countries.

Collectively, over 190,000 people (including associates) work for WPP companies, out of over 3,000 offices in 112 countries.

## Why we exist

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Within WPP, 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.

● Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. It also plays an across-the-Group role in the management of talent, property, procurement, IT, knowledge sharing, practice development and sustainability.

● 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 a wide range of marketing services, WPP can act as a portal to provide a single point of contact and accountability.

### **Our mission**

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.

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Read more about our role on page 14.

## What we think

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### The case for sticking your neck out

by Sir Martin Sorrell

The danger of losing your head notwithstanding, at WPP we are very much in favour of sticking your neck out. Establishing an office in Havana, the day after Washington announced the reopening of the US Embassy last July, no doubt caused palpitations in the internal audit department and red lights to flash all over the risk dashboard. We did much the same in Myanmar three years earlier when sanctions were lifted. It is not beyond the realms of possibility that Iran will become our 113th country of operation in the course of the next year or so.

For some these are risky moves. We see them as market leadership.

From WPP's entrepreneurial beginnings, with two people in one room and a stake in a manufacturer of wire baskets and teapots, to the acquisition of J. Walter Thompson and Ogilvy & Mather, the consolidation of media buying under Mindshare and later GroupM, the identification of the digital and data revolutions, and our unique, cross-Group, 'horizontal' approach to serving clients, the Company's story has been one of doing things differently.

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Sir Martin Sorrell's article begins on page 87.

### Sorry to Disappoint You – But the Business We're in is Unusually Low in Risk

(Which is why experiment and adventure can be so confidently explored)

by Jeremy Bullmore

To be reminded just how unlikely we are to make a catastrophic error is to be liberated: liberated to be less of a slave to caution; liberated to experiment, both in content and in levels of expenditure; liberated to test the waters, to try things out, to suck it and see. The penalties for getting it wrong will be barely measurable. The rewards for getting it right can be heady.

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Read Jeremy Bullmore's essay on pages 103 to 105.

## Four strategic priorities

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Our goal remains to be the world's most admired and respected communications services advisor to global, multinational, regional and local companies. To that end, we have four core strategic priorities:

- 1** Advance 'horizontality' by ensuring our people work together for the benefit of clients, primarily through two horizontal integrators: Global Client Leaders and Regional, Sub-Regional and Country Managers.
  - 2** Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45% of revenues.
  - 3** Increase the share of revenues from new media to 40-45% of revenues.
  - 4** Maintain the share of more measurable marketing services – such as data investment management and direct, digital and interactive – at 50% of revenues, with a focus on the application of technology, data and content.
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Our Strategic report starts on page 24. Our 2015 financial statements are presented in full on pages 171 to 229 and at [wpp.com/investor](http://wpp.com/investor).

# How we're doing

## Financial summary

WPP celebrated its thirtieth birthday in 2015 with another record year: revenue, profitability, net sales margins and earnings per share all reached new highs, despite strong currency headwinds and a generally low-growth global environment.

### Billings\*

**£47,632m**

Reported +3.1%  
Constant +4.9%

### Revenue

**£12,235m**

Reported +6.1%  
Constant +7.5%

### Net sales\*

**£10,524m**

Reported +4.6%  
Constant +5.8%

### Headline EBITDA\*

**£2,002m**

Reported +4.9%  
Constant +7.7%

### Headline PBIT\*

**£1,774m**

Reported +5.6%  
Constant +8.7%

### Net sales margin\*

**16.9%**

Reported +0.2%<sup>1</sup>  
Constant +0.4%<sup>1</sup>

(% change from 2014 in reported and constant currency)

\* Refer to financial summary on page 21 for additional information.

<sup>1</sup> Margin points.

## 2015 results

Reported billings were £47.6 billion, up almost 5% in constant currencies, driven by a strong overall leadership position in net new business league tables for the fourth year in a row. Revenue was up over 6% to £12.2 billion and up well over 7% in constant currencies.

Dividends increased by 17% to 44.69p, a new high. This represents a dividend pay-out ratio of 47.7% of headline diluted earnings per share, compared with 45.0% in 2014. The newly targeted pay-out ratio of 50% could well be achieved by the end of 2016, a year ahead of target.

Headline PBIT was up well over 5% to £1.774 billion and up well over 8% in constant currencies. Net sales margins increased by 0.2 margin points to an industry-leading 16.9% and, on a constant currency basis, were up 0.4 margin points, ahead of the targeted constant currency increase of 0.3 margin points.

Reported profit before interest and tax rose 7% to £1.679 billion from £1.569 billion, up well over 10% in constant currencies. Headline EBITDA increased by almost 5% to £2.002 billion, crossing £2 billion for the first time, up well over 7% in constant currencies. Headline profit before tax was up over 7% to £1.622 billion and reported profit before tax was up almost 3% to £1.493 billion. Diluted headline earnings per share rose by over 10% to 93.6p (an all-time high) and diluted reported earnings per share were up almost 10% to 88.4p, both reflecting strong like-for-like revenue and net sales growth, margin improvement and the benefit of acquisitions.

The value of the Group's non-controlled investments rose by almost £500 million to £1.2 billion during the year, chiefly reflecting the increasing value of our content businesses, primarily VICE, and the partnership formed during the year with comScore.

With a current equity market capitalisation of approximately £21.4 billion, the total enterprise value of your Company is approximately £25.5 billion, a multiple of 12.8 times 2015 headline EBITDA.

## Free cash flow and net debt

Free cash flow amounted to almost £1.3 billion in 2015, over £1 billion for the fifth consecutive year. This free cash flow was absorbed by £0.7 billion of net cash acquisition payments and investments, £0.6 billion of share buy-backs and £0.5 billion of dividends, a total outflow of £1.8 billion. This resulted in a net cash outflow of £0.5 billion, before any changes in working capital. Average net debt was therefore £3.6 billion in 2015, compared to £3.1 billion in 2014, at 2015 exchange rates, and net debt at 31 December 2015 was £3.2 billion, against £2.3 billion at 31 December 2014. The average net debt to headline EBITDA ratio in 2015 was 1.8 times, which is in the middle of the Group's target range of 1.5-2.0 times.

## Revenue growth

Our reported revenue growth for the year was 6.1%, and on a constant currency basis, which excludes the impact of currency movements, revenue was up 7.5%. This difference of 1.4% reflects strong foreign currency headwinds in the second half: chiefly due to the strength of the pound sterling, primarily against the euro, partly offset by the weakness of the pound sterling against the US dollar.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 5.3%, with net sales up 3.3%. In the fourth quarter, like-for-like revenue was up well over 6%, the strongest quarter of the year, following like-for-like growth in the third quarter of well over 4%, due to stronger growth in the fourth quarter in North America, the UK and Asia Pacific,

Latin America, Africa & the Middle East and Central & Eastern Europe, partly offset by slightly slower growth in Western Continental Europe. Like-for-like net sales were up almost 5% in the fourth quarter, the strongest quarter of the year, with all regions, except the UK and Western Continental Europe, recording their strongest quarter of the year.

## Geographic performance

North America, with constant currency revenue growth of over 11% in the final quarter and like-for-like growth of well over 9%, strengthened further, exceeding the strong growth seen in the first nine months, an improvement over the third quarter year-to-date constant currency growth of well over 6% and like-for-like growth of over 6%. On a full-year basis, constant currency revenue was up almost 8%, with like-for-like up over 7%.

In the UK, constant currency revenue was up over 8%, with like-for-like up over 4% on a full-year basis. Net sales were up almost 8% in constant currency, with like-for-like up almost 3%.

Western Continental Europe revenue grew by well over 4% like-for-like (well over 5% in the second half), compared with almost 4% in 2014.

In Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe, on a constant currency basis, revenue growth in the fourth quarter remained strong at over 9%, ahead of the first nine months growth of over 8%. Like-for-like revenue growth in the fourth quarter was over 6%, slightly lower than the almost 7% in quarter one. On a full year basis, constant currency net sales growth in the region as a whole was over 7% with like-for-like net sales up 3%.

## Sector performance

Advertising and Media Investment Management was the strongest performing sector, with

## The fast read

How we're doing

### 2015 revenue by geography %



### 2015 headline PBIT<sup>1</sup> by geography %



### 2015 revenue by sector %



### 2015 headline PBIT<sup>1</sup> by sector %



constant currency revenue growth of almost 10% for the year, and 9% in quarter four.

Data Investment Management revenue grew by almost 6% in the fourth quarter on a constant currency basis, the strongest quarter of 2015, and 1.4% like-for-like. Net sales showed a similar pattern, up over 5% in constant currency in quarter four and almost 1% like-for-like. On a full-year basis, revenue was up 3.5% in constant currency, but down 0.2% like-for-like, with the second half stronger than the first half.

The Group's Public Relations & Public Affairs businesses continued the growth shown earlier in the year. On a full-year basis, revenues were up well over 4% in constant currency and 3% like-for-like.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenue grew strongly at over 11% in quarter four (as with most of our businesses, the strongest quarter of 2015) and like-for-like revenue was up almost 9%, a significant improvement over quarter three. Full-year revenue was up over 7% in constant currency and over 5% like-for-like.

In 2015, the reported headline net sales margin was up 0.2 margin points to 16.9%, achieving the highest reported comparative level in the industry.

## Industry rankings

For the fifth successive year, WPP was named Creative Holding Company of the Year at the Cannes International Festival of Creativity, in recognition of your Company's collective creative excellence; and also for the fourth consecutive year, WPP was ranked Most Effective Holding Company in the Effie Global Effectiveness Index; and, for the second year in a row, Warc's Most Effective Holding Company.

The Group is ranked first for both net new business and retentions in media investment management by RECMA.

<sup>1</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

# Who runs WPP

## Non-executive chairman

### **Roberto Quarta**

Chairman of the Nomination and Governance Committee  
Member of the Compensation Committee

## Executive directors

### **Sir Martin Sorrell**

Chief executive

### **Paul Richardson**

Finance director  
Chairman of the Sustainability Committee

## Non-executive directors

### **Jacques Aigrain**

Chairman of the Audit Committee  
Member of the Compensation Committee

### **Charlene Begley**

Member of the Audit Committee and Nomination and Governance Committee

### **Sir John Hood**

Chairman of the Compensation Committee

### **Ruigang Li**

Member of the Nomination and Governance Committee

### **Daniela Riccardi**

Member of the Nomination and Governance Committee

### **Nicole Seligman**

Senior independent director

### **Hugo Shong**

Member of the Nomination and Governance Committee

### **Timothy Shriver**

Member of the Compensation Committee

### **Sally Susman**

Member of the Nomination and Governance Committee

### **Sol Trujillo**

Member of the Audit Committee

## Members of the Advisory Board

### **Jeremy Bullmore**

### **John Jackson**

### **Bud Morten**

### **Koichiro Naganuma**

### **John Quelch**

### **Richard Rivers**

### **Guisepppe Sala**

### **Cuneyd Zapsu**

## Company Secretary

### **Marie Capes**

Directors' biographies appear on pages 108 to 110.



# How we behave and how we're rewarded

## Governance

The Board of Directors is committed to achieving compliance with the principles of corporate governance set out in the UK Corporate Governance Code and to comply with relevant laws, regulations, and guidelines such as 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 UK Corporate Governance Code, COSO and the FRC guidance on risk management and internal control.

Further details on corporate governance, and how we comply, can be found on pages 163 to 167.

## Compensation

Executive Remuneration Policy is set by WPP's Compensation Committee and is governed by three guiding principles:

- Performance
- Competitiveness
- Alignment with share owner interest

The full report from WPP's Compensation Committee can be found on pages 121 to 153.

## Sustainability

Sustainability issues increasingly impact the products, operations, strategies and communications of leading brands. As these brands – our clients – adapt to social and environmental challenges they look to our companies for the best advice and insight. By developing our sustainability expertise and by improving our own social and environmental performance, we can forge stronger relationships with our clients and generate value for our business and society.

### Clients

- Clients who engaged with us on sustainability were worth at least £1.29 billion to the Group in 2015, equivalent to 11% of revenues.

### People

- We invested £41.1 million on training in 2015.
- At year-end 2015, women comprised 29% of the WPP Board, 33% of directors and executive leaders of our companies and 54% of total employees.

### Environment

- We have cut our carbon footprint per employee to 2.07 tonnes of CO<sub>2</sub>e, a 39% reduction from 2006.

### Social contribution

- In 2015, our social investment was worth £19.4 million, equivalent to 1.3% of reported profit before tax.
- In addition, WPP media agencies negotiated free media space worth £24.4 million on behalf of pro bono clients.

Read a summary of our performance and activities in 2015 on pages 155 to 161.