

Operating & financial review

Competitive performance



Our Media Investment Management businesses continued to show strong growth along with direct, internet and interactive and Specialist Communications. Direct and digitally-related activities now account for over 20% of the Group's revenues, which are running at the rate of over \$11 billion per annum.

Brand advertising, particularly in the new faster growing markets, along with Information, Insight & Consultancy and Branding & Identity, Healthcare and Specialist Communications, show consistent growth. Public Relations & Public Affairs also continues to show significant improvement over last year, following a strong year in 2005. The new technologies have demonstrated the power of editorial publicity through fast-growing new applications of new technology such as MySpace, YouTube, Facebook, Flickr and Second Life. Media Investment Management and Information, Insight & Consultancy combined, grew by 10% in the year on a like-for-like basis, well ahead of independent competitors.

Estimated net new billings of £3.562 billion (\$6.411 billion) were won last year, reflecting in part strong media investment management new business. The Group was ranked second in the two major new business surveys for 2006.

In these circumstances, there is no reason to believe that the Group cannot achieve margin targets of 15.5% in 2008 and 16.0% in 2009. Budgets for 2007 include the operating margin target of 15.0% previously set for 2007. Neither is there any reason why operating margins could not be improved beyond these levels by continuing to focus on revenue growth and careful husbandry of costs. Our ultimate objective continues to be to achieve a 19% margin over a period of time and to continue to improve the return on capital employed.

Revenue per head² £000

WPP	06		76.0
	05		75.8
Advertising and Media Investment Management	06		68.4
	05		68.4
Omnicom ¹	06		96.4
	05		93.7
IPG ¹	06		80.0
	05		79.6

Headline PBIT³ margins %

WPP	06		14.5
	05		14.0
Advertising and Media Investment Management	06		15.8
	05		15.5
Omnicom ¹	06		13.4
	05		13.3
IPG ¹	06		2.8
	05		0.2

Notes

¹ The figures above for Omnicom and IPG (The Interpublic Group) have been derived from their respective 10-K filings with the SEC. As both these companies report under US GAAP, the above figures should be read as indicative of their financial performance as they are not directly comparable with WPP's IFRS reporting. Additionally, adjustments have been made to conform the reported results of these companies to a presentation that is comparable – as far as the information disclosed in the Company's 10-K filings allows – to that of WPP.

² Revenue per head has been calculated as reported revenue divided by the average number of employees in the relevant year. For Omnicom and IPG, who do not report average headcount in their 10-K filings, it has been estimated as the average of opening and closing headcount for the year. Additionally, revenue for these US dollar-reporting companies has been converted into sterling using the average exchange rates shown on page 149.

³ The calculation of Headline PBIT is set out in note 32 of the financial statements.