



The fast read

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

The full story starts on page 14.

Please read that, too.

Who we are

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 155 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 351 of the Fortune Global 500, all 30 of the Dow Jones 30, 69 of the NASDAQ 100 and 31 of the Fortune e-50.

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. Almost 770 clients are now served in three distinct disciplines. Some 490 clients are served in four disciplines, and these clients account for 57.5% of Group revenues. Group companies also work with nearly 400 clients across six or more countries.

Collectively, almost 175,000 people (including associates) work for WPP companies, out of over 3,000 offices in 110 countries.

Why we exist

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.

Read more about our role on page 14.

What we think

Grey swans and Chinese innovation

by Sir Martin Sorrell

2014 will be tough but manageable. Clients remain cautious post-Lehman but spending on marketing services should be bolstered by the mini-quadrennial events of the Sochi Winter Olympics, the FIFA World Cup in Brazil and the US mid-term Congressional elections.

Although a number of them have whitened, the ‘grey swans’ or known unknowns – the Eurozone’s potential fragility, developments in the Middle East, the BRICs hard or soft landing, the US budget and deficit issues, the UK referenda, the crisis in Ukraine and the Sino-Japanese dispute in the East China Sea – create ongoing economic uncertainty.

Our business continues its transformation in line with wider societal, behavioural and technological changes. While so-called ‘traditional’ media and marketing disciplines remain critically important, Don Draper would hardly recognise as much as 70% of what we do today.

Digital marketing, media investment management and data investment management now account for about \$12 billion of our \$17.3 billion of revenues.

Strategically, we continue to focus on our four priorities: new markets, new media, data investment management and, last but not least, horizontality.

Sir Martin Sorrell’s article begins on page 93.

Why it’s Time to Say Goodbye to IKHTMISOAIW*

(*I know that half the money I spend on advertising is wasted ...)

by Jeremy Bullmore

One of the world’s most widely-held beliefs about advertising is based on a remark, allegedly made a hundred years ago, by one of four men, none of whom may have made it, and which, when examined, makes little sense.

Jeremy Bullmore’s essay can be read in full on pages 109 to 111.

Four strategic priorities

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

- 1** Increase the share of revenues from faster-growing markets of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe to 40-45%.
- 2** Increase the share of revenues of new media to 40-45%.
- 3** 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 new technology, big data and digital.
- 4** Achieve ‘horizontality’ by ensuring our people work together for the benefit of clients, primarily through two horizontal integrators: Global Client Leaders and Country Managers.

Our Strategic report starts on page 24.

Our 2013 financial statements are presented in full on pages 191 to 247 and at wpp.com/investor.

How we're doing

Financial summary

2013, our twenty-eighth year, was another record one, with revenue, profitability, headline margins and earnings per share all reaching new highs.

	2013	2012	Change %
Billings¹	£46,209m	£44,405m	+4.1
Revenue	£11,019m	£10,373m	+6.2
Gross margin¹	£10,076m	£9,515m	+5.9
Headline EBITDA²	£1,896m	£1,756m	+8.0
Headline operating profit²	£1,583m	£1,459m	+8.5
Reported operating profit	£1,410m	£1,241m	+13.6
Headline PBIT²	£1,662m	£1,531m	+8.5
Headline PBIT margin²	15.1%	14.8%	+0.3
Headline gross margin margin²	16.5%	16.1%	+0.4
Headline PBT²	£1,458m	£1,317m	+10.7
Reported PBT	£1,296m	£1,092m	+18.7
Headline earnings²	£1,088m	£966m	+12.6
Reported earnings	£937m	£823m	+13.8
Headline diluted earnings per share^{2,4}	80.8p	73.4p	+10.1
Reported diluted earnings per share⁴	69.6p	62.8p	+10.8
Ordinary dividend per share	34.21p	28.51p	+20.0
Ordinary dividend per ADR³	\$2.68	\$2.26	+18.6
Net debt at year-end	£2,240m	£2,821m	-20.6
Average net debt⁵	£2,989m	£3,203m	-6.7
Ordinary share price at year-end	1,380.0p	888.0p	+55.4
ADR price at year-end	\$114.86	\$72.90	+57.6
Market capitalisation at year-end	£18,613m	£11,237m	+65.6
At 15 April 2014			
Ordinary share price	1,218.0p		
ADR price	\$101.86		
Market capitalisation	£16,430m		

The financial statements have been prepared under International Financial Reporting Standards (IFRS).

¹ Billings and gross margin are defined on page 246.

² The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, headline gross margin margin, headline PBT and headline earnings) is set out in note 31 of the financial statements.

³ One American Depositary Receipt (ADR) represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates shown on page 200. 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.

⁴ Earnings per share is calculated in note 9 of the financial statements.

⁵ Average net debt is defined on page 246.

2013 results

Reported billings increased by over 4% to £46.2 billion and were up well over 3% in constant currencies, driven by a strong leadership position in all net new business league tables.

Revenues were up over 6% to £11.0 billion and up well over 5% in constant currencies.

Headline PBIT margins increased by 0.3 margin points to a new high of 15.1% and, on a constant currency basis, were up 0.5 margin points, in line with target. On gross margin, or net sales, the headline PBIT margin was 16.5%, up 0.4 margin points on 2012 and up 0.5 margin points in constant currency.

Headline EBITDA increased by 8% to £1.896 billion. Headline profit before tax was up well over 10% to £1.458 billion and reported profit before tax was up well over 18% to £1.296 billion. Diluted headline earnings per share were up over 10% to 80.8p and diluted reported earnings per share rose by almost 11% to 69.6p.

Dividends were increased by 20% to 34.21p, a record level. This represents a dividend pay-out ratio of 42% on headline diluted earnings per share.

Free cash flow and net debt

Free cash flow strengthened to £1.220 billion in the year, over £1 billion for the third consecutive year. Net debt averaged £3.0 billion in 2013, a decrease of £0.2 billion at 2013 exchange rates, and net debt at 31 December 2013 was £2.2 billion, £0.6 billion less than 2012, reflecting improvements in working capital and the redemption of the £450 million Convertible Bond, reinforced by lower acquisition spending in 2013. Average net debt was around 1.6 times headline EBITDA in 2013 compared with 1.8 times in 2012, and well within the Group's current target range of 1.5-2.0 times.

Revenue growth

Our reported revenue growth for the year was 6.2%, and on a constant currency basis, which excludes the impact of currency movements, revenues were up 5.7%.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenues were up 3.5%, with gross margin or net sales up 3.4%. In the fourth quarter, like-for-like revenues were up over 4%, following like-for-like growth in the third quarter of 5%, reflecting stronger growth in North America and Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, offset by lower growth in the UK. Like-for-like growth in the second half was therefore well over 4% compared with over 2% in the first.

The fast read

How we're doing

2013 revenue by geography

%



2013 headline PBIT¹ by geography

%



2013 revenue by sector

%



2013 headline PBIT¹ by sector

%



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

² Data Investment Management was previously reported as Consumer Insight.

Geographic performance

Our strongest regions in 2013 were again Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, with constant currency growth of almost 8% and like-for-like growth of over 6%.

In the UK, full year revenue growth was almost 11% in constant currencies and almost 5% like-for-like. Western Continental Europe, like the UK, slowed slightly in the final quarter, with both constant currency and like-for-like growth of over 1%.

Like-for-like revenue growth in North America improved as the year progressed, from -1% in the first quarter to up over 5% in quarter four.

Sector performance

Advertising and Media Investment Management revenues were up almost 7% for the year in constant currencies and well over 5% like-for-like, the strongest-performing sector on this basis. In the final quarter, constant currency revenues were up almost 8% and like-for-like revenues were up well over 6%.

Data Investment Management (formerly Consumer Insight) revenues grew 3% on a constant currency basis, with like-for-like revenues up well over 1%, and the second half much stronger than the first half. More significantly, gross margin (or net sales) was up over 2% like-for-like, a turnaround of the trend seen in 2012.

The Group's Public Relations & Public Affairs businesses had a difficult year. However, although revenues for the year fell by almost 1% on a constant currency basis and by almost 2% like-for-like, top-line growth returned in the fourth quarter with constant currency revenues up over 2% and like-for-like growth of over 1%.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenues grew strongly at over 8% with like-for-like growth of almost 4%.

Almost 35% of the Group's 2013 revenues came from direct, digital and interactive, up over two percentage points from the previous year and growing well over 7% like-for-like.

Who runs WPP

Non-executive chairman

Philip Lader

Chairman of the Nomination and Governance Committee

Executive directors

Sir Martin Sorrell

Chief executive

Paul Richardson

Finance director
Chairman of the Sustainability Committee

Mark Read

Chief executive, WPP Digital

Non-executive directors

Roger Agnelli

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

Jacques Aigrain

Member of the Audit Committee and Compensation Committee

Charlene Begley

Member of the Audit Committee and Nomination and Governance Committee

Colin Day

Chairman of the Audit Committee and member of the Compensation Committee

Esther Dyson

Member of the Nomination and Governance Committee

Orit Gadiesh

Member of the Nomination and Governance Committee

Dr John Hood

Member of the Compensation Committee

Ruigang Li

Member of the Compensation Committee and Nomination and Governance Committee

Daniela Riccardi

Member of the Compensation Committee

Jeffrey Rosen

Chairman of the Compensation Committee
Member of the Audit Committee and Nomination and Governance Committee
Senior independent director

Nicole Seligman

Member of the Compensation Committee

Hugo Shong

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

Timothy Shriver

Member of the Compensation Committee and Nomination and Governance Committee

Sally Susman

Member of the Nomination and Governance Committee

Sol Trujillo

Member of the Audit Committee and Compensation Committee

Members of the Advisory Board

Jeremy Bullmore

John Jackson

Bud Morten

Koichiro Naganuma

John Quelch

Richard Rivers

Cuneyd Zapsu

Company Secretary

Marie Capes

Directors' biographies appear on pages 114 to 118.

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 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.

Further details on corporate governance, and how we comply, can be found on pages 175 to 181.

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 130 to 165.

Sustainability

Our areas of focus are:

- **The impact of our work for clients.** Our companies help clients integrate sustainability into their business strategy and communications. Client business supported by our sustainability credentials was worth at least £1.26 billion out of total revenues of £11.02 billion to the Group in 2013.
- **Marketing standards.** We strive for high ethical standards in our conduct and work for clients and we protect consumer data used for marketing purposes.
- **Employment practices.** Our talent strategy includes competitive remuneration, high-quality training and a focus on diversity and inclusion.
- **Environmental performance.** We have reduced our carbon footprint per person by 31% since 2006. Our target is a 47% reduction by 2020.
- **Supply chain.** We monitor key supplier performance.
- **Social investment, including pro bono work.** Our total social contribution (including the value of free media space) was worth £39.4 million in 2013.

More information about our sustainability activities can be found on pages 167 to 173.



