

WPP

ANNUAL REPORT
& ACCOUNTS 2018



WHO WE ARE

**WPP IS A CREATIVE
TRANSFORMATION
COMPANY. WE BUILD
BETTER FUTURES FOR
OUR PEOPLE, CLIENTS
AND COMMUNITIES.**

STRATEGIC REPORT

| | |
|----------------------------------|----|
| Chief Executive's statement | 2 |
| At a glance | 6 |
| Our offer to clients | 7 |
| Where we are | 34 |
| The market | 36 |
| Our strengths | 39 |
| Our business model | 40 |
| Foundations for growth | 41 |
| Our new strategy | 42 |
| Financial review | 54 |
| Sustainability | 60 |
| Assessing and managing our risks | 78 |
| Jeremy Bullmore | 84 |

CORPORATE GOVERNANCE

| | |
|--|-----|
| Chairman's letter | 88 |
| Our Board | 90 |
| Corporate governance report | 92 |
| Nomination and Governance Committee report | 98 |
| Audit Committee report | 99 |
| Compliance with the Code | 102 |
| Compensation Committee report | 104 |

FINANCIAL STATEMENTS

| | |
|--|-----|
| Accounting policies | 122 |
| Consolidated financial statements | 127 |
| Notes to the consolidated financial statements | 132 |
| Company financial statements | 158 |
| Notes to the Company financial statements | 161 |
| Independent auditor's report | 163 |

ADDITIONAL INFORMATION

| | |
|--|-----|
| Five-year summary | 172 |
| Taskforce on Climate-related Financial Disclosures | 173 |
| Other statutory information | 174 |
| Information for shareholders | 176 |
| Financial glossary | 178 |
| Where to find us | 180 |



To learn more see
wpp.com

CHIEF EXECUTIVE'S STATEMENT

"THE WORK WE DO FOR CLIENTS HELPS THEM TO GROW THEIR BUSINESSES, BUILD RELATIONSHIPS WITH THEIR CUSTOMERS AND READY THEMSELVES FOR FUTURE SUCCESS."

Mark Read
Chief Executive Officer



As technology reshapes our industry, WPP is undergoing its own transformation. I feel very proud to have been given the opportunity to lead the Company at this important moment in its development.

WPP is a great business with many thousands of talented people and outstanding agency brands.

We count most of the world's biggest companies as our clients and we are the largest partner to many of the world's leading media and technology companies. The work we do for clients helps them to grow their businesses, build relationships with their customers and ready themselves for future success.

We have real scale, with strong global creative networks and the number one media-buying operation worldwide through GroupM. We are leaders in major markets like China, India and Brazil, which are important to our clients' future growth.

The amazing work produced by our people, agencies and teams is recognised around the world for its creativity and effectiveness – forging bonds with consumers and delivering tangible business results for our clients.

We have a deep understanding of consumers and Chief Marketing Officers see us as essential partners in helping to reach them.

We also have strong and growing relationships with Chief Information Officers and Chief Technology Officers, which is vital as data and technology both disrupt and create new opportunities for our clients' businesses.

See our strengths, page 39

STRUCTURAL CHANGE, NOT STRUCTURAL DECLINE

So I am an optimist about the future of WPP. I believe our industry is facing a period of structural change, not structural decline. Clients are not cutting spend; marketing expense as a share of companies' revenue has stayed relatively constant over the last five years.

But spend is shifting and clients are seeking broader partnerships, well beyond our traditional strengths in commercial creativity. They want much greater insight into media channels and performance, and expertise in data. They want us to connect all of our capabilities together, and put technology at the centre of what we do.

See our strategy, from page 42

We are well placed to provide everything clients need, and in a growing number of cases we already do that. However, we need to adapt more quickly to the changing world around us if we are to continue to be successful.

Every industry is being disrupted by technology, and ours is no exception. New media channels have proliferated as traditional outlets have declined. Companies like Google, Facebook, Alibaba and Tencent have redefined the landscape.

There has been an explosion in content to populate the new channels – content that needs to be produced far more cost-effectively than ever before.

Ecommerce is frequently driving 100% of the growth for retailers, and our clients are looking for us to be in that space – offering everything from consultancy to the building of platforms and applications, and strategies for working with Amazon.

Clients expect us to be fluent in the language of modern, data-driven marketing. In this new environment, the role of traditional agencies is being challenged. Clients are under pressure due to changes

in consumer behaviour. Consultants are becoming more significant competitors. Technology companies are vying with us for talent and attention. And amidst concerns about transparency, privacy, fake news and data security, the industry needs to restore trust among the public, policymakers and clients.

See our market, page 36

WPP has substantial assets to help us tackle these challenges. It is an incredible company that has built up a position as a leader in our market. But that market has changed, meaning we have to change as well to continue to deliver results for our clients.

Over the years the Company became too complicated, and under-invested in key areas such as talent, creativity and technology. Consequently, WPP has under-performed its peers since the first quarter of 2017, and top-line growth has been hard to find.

In 2018, organic growth¹ was -0.4%, albeit at the upper end of the guidance we provided in October.

The Company performed strongly in Western Continental Europe, Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, with the United States more challenging – something we have begun to address through our new strategy.

Reported profit before tax was down 30.6%, reflecting the impact of restructuring and transformation costs and goodwill impairment.

Dividends per share were 60.0p, flat with the prior year, and our year-end net debt position improved by £466 million compared to the same date in 2017 (an improvement of £605 million at 2018 exchange rates).

See our financial review, from page 54

RADICAL EVOLUTION: A THREE-YEAR STRATEGY

To restore WPP to sustainable, profitable growth, we have begun a three-year plan of "radical evolution" designed to improve performance across the business.

We use the term "radical" because of the scale of changes we are making and the tough choices we have to take, and "evolution" because we need to take our people and clients with us on the journey.

The first element of the plan is clarifying our vision and offer. The way in which we present ourselves to clients and other audiences has to reflect the nature and quality of the work we do and the creativity of the people inside WPP.

This is something we spent a lot of time on during the second half of 2018 and we were pleased by how well the results were received at our investor day in December.

Our vision for the new WPP is to be a "creative transformation company". Each of those three words is important and carefully chosen.

Our clients want our creativity, which is what makes us special and differentiates us from other professional services firms. They want us to help them transform their business in a world fundamentally changed by technology. And they want us to be a true company, to work as one on their behalf. Gone are the days when we could operate as a loose federation of independent agencies, overseen by a financial holding group.

As well as this new vision we articulated a new, more motivating purpose for WPP: to build better futures for our people and clients. We find this resonates with people both inside and outside the Company, who are pleased to hear WPP express such a positive and confident reason for being.

¹ Organic growth defined as like-for-like revenue less pass-through costs growth.

"WE REMAIN PASSIONATE ADVOCATES OF BRAND-BUILDING, ITS INCALCULABLE LONG-TERM VALUE, AND OUR CREATIVE AGENCIES' ABILITY TO MAKE EMOTIONAL CONNECTIONS BETWEEN PEOPLE AND BRANDS THAT LAST FOR A LIFETIME."

That purpose – of building better futures – applies to our wider communities too, and in our sustainability review we talk about the many ways in which we use the power of our creativity to bring about change.

See sustainability, from page 60

Our new competitive positioning was developed in consultation with our people and clients, and is supported by a refreshed brand identity – developed by two WPP companies, Superunion and Landor – that you will see reflected in the pages of this report. We are very proud of it, the feedback has been overwhelmingly positive, and I hope you feel the same way.

We are also going to market with an improved, simpler offer that reflects our clients' needs and allows us to expand in high-growth sectors. The new offer encompasses communications, experience, commerce and technology – each of which is necessary for success for modern clients.

See our offer, from page 7

The second pillar of the strategy is a renewed commitment to creativity – putting our most important competitive advantage back at the heart of the business. We are investing an additional £15 million a year for the next three years in creative leadership talent, focused on the United States, which is our largest market and where the investment is most needed.

We remain passionate advocates of brand-building, its incalculable long-term value, and our creative agencies' ability to make emotional connections between people and brands that last for a lifetime. To misquote David Ogilvy, every piece of communication – from the apparently fleeting tactical promotion to the classic "big idea" – should be approached as an investment in the future of a brand. Strong brands, especially in a market disrupted by technology, are the best protection against competitors, the best foundation for premium pricing, and the best guarantee of lasting appeal.

Third, we are creating a simpler structure for WPP, to make it more straightforward for clients to access our skills and resources, and more straightforward to run.

Three principles sit behind the new organisation: we will be absolutely focused on the needs of our clients in everything we do; we will have fewer, stronger companies, each positioned to grow; and we will have more closely integrated operations at the country level to make best use of our collective strengths.

We have already made good progress in simplifying WPP through, for example, the creation of the integrated networks VMLY&R and Wunderman Thompson; the formation of BCW through the merger of Burson-Marsteller and Cohn & Wolfe; the alignment of our US healthcare agencies with integrated agency partners; and the elimination of the sub-holding company WPP Health & Wellness.

We have also disposed of 30 non-core investments and associates, raising £849 million to reduce our debt, and accelerated our programme of co-locating our agencies in state-of-the-art new Campus buildings around the world.

Fourth, we are making technology and data the engine of our business. Adopting a common strategy for the whole of WPP, we will leverage our unique technology partnerships and make our capabilities in marketing and advertising technology available to all WPP companies for the benefit of our clients.

In my first months as CEO, I have spent a lot of time listening to people across the business and one of the things I heard loud and clear was a desire for WPP to make a statement about its values and the kind of culture we want to have in our Company.

"WE ARE MAKING TECHNOLOGY AND DATA THE ENGINE OF OUR BUSINESS."

Our people and clients rightly expect workplaces that are inclusive, respectful, collaborative and diverse in every sense. If we want to continue to attract the best and brightest, we have to live up to those expectations.

So the final part of our plan is to build and champion that new culture – one characterised by our new values of openness, optimism and a commitment to extraordinary work.

More broadly, we are placing a greater emphasis on developing talent across WPP, and ensuring we have the right incentive structures for our leaders. Our new Executive Committee, drawn from agency leadership as well as from WPP central functions, will promote a new spirit of collective purpose and collaboration throughout the Company.

Further details of the strategy, including the costs and associated financial benefits of our turnaround plan, our approach to capital allocation and our new medium-term financial targets, can be found from page 42 and in our investor day presentation on [wpp.com](#).

RENEWAL AND CHANGE

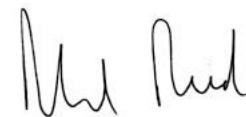
2018 was in many ways a turbulent and difficult year for WPP, for well-documented reasons. But it was also a year of renewal and much-needed change.

WPP is fortunate to have a strong central team that is absolutely committed to the success of the business. We are more fortunate still to have over 130,000 brilliant colleagues in our companies around the world, each of them dedicated to professional excellence in their own discipline.

Together we are building a new WPP that will deliver for our people, clients and shareholders for many years to come.

Our priority in 2019 is implementing the strategy – continuing to stabilise and rejuvenate the business. Although we face headwinds from account losses in 2018, we have begun the year with confidence after significant new business wins and the positive reaction to our three-year plan.

People in our business rarely have the luxury of looking backwards, and everyone at WPP has their eyes firmly fixed on the future. We have every reason to look ahead with optimism about what that future will bring.



Mark Read
Chief Executive Officer
10 April 2019

AT A GLANCE

OUR GLOBAL BRANDS

AKQA
BCW
Finsbury
Geometry
Grey
GroupM
– Essence
– MediaCom
– Mindshare
– Wavemaker
– Xaxis
GTB
Hill+Knowlton Strategies
Hogarth
Kantar
Landor
Ogilvy
Superunion
VMLY&R
Wunderman Thompson

KEY FACTS AND FIGURES

130,000+
people

112
countries

A-
rating for our climate change
strategy and reporting in the
CDP climate change programme

Clients include 369 of the Fortune Global 500, all 30 of the Dow Jones 30 and 71 of the NASDAQ 100.

Most Creative
at the Cannes Lions International Festival of Creativity 2011-2017

Most Effective
in the Effie Global Effectiveness Index 2012-2018

Industry Leader
in the Bloomberg Gender-Equality Index

Quoted on the London Stock Exchange and the New York Stock Exchange.

KEY PERFORMANCE INDICATORS (2018)

Billings

£55.8bn
(2017: £55.6bn)

Social investment as a percentage of reported profit before tax

1.20%
(2017: 0.97%)

Revenue

£15.6bn
(2017: £15.8bn)

Women in senior management

49%
(2017: 49%)

Revenue less pass-through costs

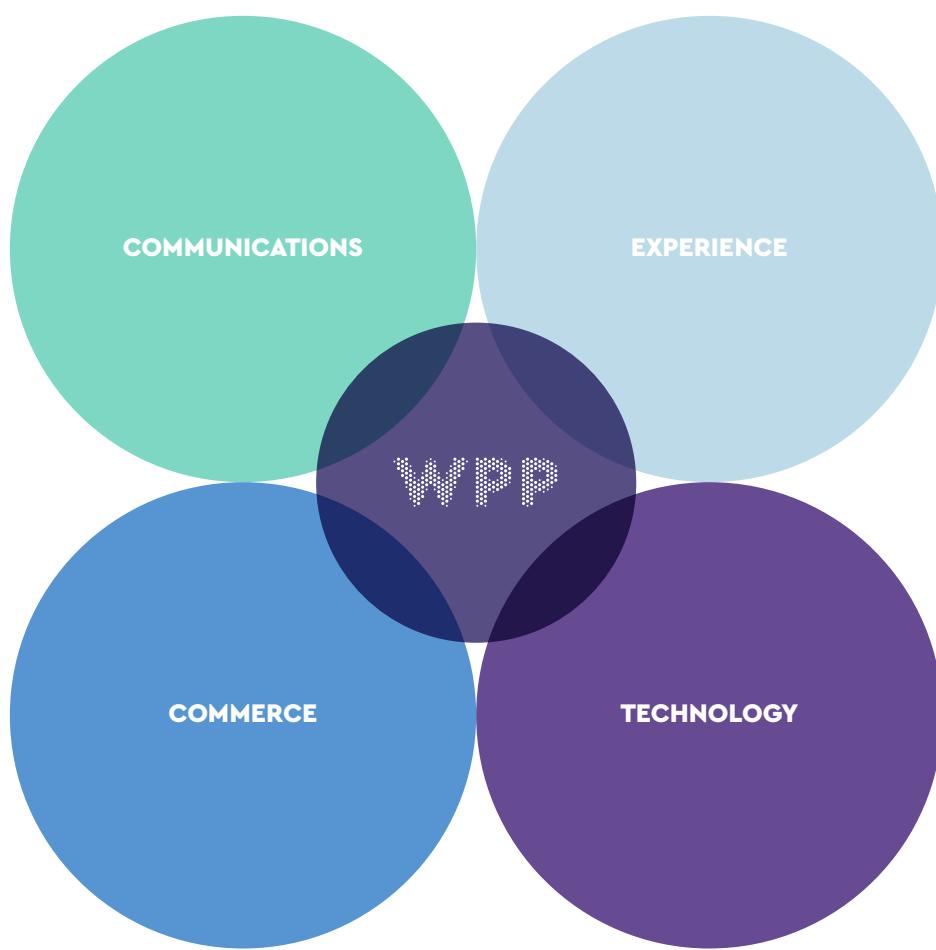
£12.8bn
(2017: £13.2bn)

Carbon emissions per person from building energy use (scope 1 and 2)

0.74 tCO₂e
(2017: 0.82 tCO₂e)

OUR OFFER TO CLIENTS

As announced at our investor day on 11 December 2018, our new offer comprises four areas – each of which is critical to success for modern clients. This more contemporary and future-facing offer better serves clients' needs as they react to the changing marketplace, and expands our own business in high-growth sectors.



- Focuses on advertising, branding and identity, content, media investment, public relations and public affairs, and healthcare. **From page 8**
- Reflects the growing need of clients to create new brand, product and service experiences. **From page 16**
- Allows WPP to expand its growing omni-channel commerce business and its work with brands to help them succeed in marketplaces such as Alibaba and Amazon. **From page 22**
- Underpins WPP's work with both CMOs and CIOs to build and operate marketing technology that supports their consumer- and customer-facing activities. **From page 28**

The areas of experience, commerce and technology already represent approximately one quarter of WPP's revenue.

Importantly, this is our offer to clients, not our organisational structure.

COMMUNICATIONS

Our capabilities in advertising, branding and identity, content, media investment, public relations and public affairs, and healthcare give us unmatched breadth and depth in the world of communications.

We apply vision, imagination and creativity to the task of solving business problems. Our ideas – and the many different ways in which we share them – inspire audiences, build brands and deliver transformative results for our clients.

WHAT WE OFFER

Advertising/branding & identity/content/
media investment/public relations & public
affairs/healthcare

OPPORTUNITY

Growth is expected to be driven by media
(programmatic, search and innovation),
content creation, social media/influence
and healthcare

\$1tn
market in 2018

+/-3%
growth in 2018

Source: GroupM – This Year Next Year
Worldwide Media Forecast

CLIENTS INCLUDE

| | |
|-------------|------------|
| BT | Lenovo |
| Bumble | Microsoft |
| Burger King | P&G |
| Coca-Cola | Pfizer |
| Colgate | Tramontina |
| Ford | Unilever |
| Google | Via Varejo |
| IAG | Vodafone |
| IBM | Volkswagen |
| J&J | Xiaomi |

A WOMEN-FIRST PLAYING FIELD

AGENCY
VMLY&R

CLIENT
BUMBLE

Bumble is a women-first social networking app built around kindness, respect and equality that challenges antiquated social norms by empowering women to make the first move.

Bumble wanted to position themselves as not just a dating app, but a network that connects people worldwide, from dating and friendship to professional networking. And they wanted to do it during one of the largest televised events in the US – the Super Bowl.

VMLY&R was given the task of creating a commercial that focused on changing the conversation of gender norms. Bumble's agency of record, FlyteVu, secured a woman known for making bold moves on and off the court, Serena Williams, as the voice for this empowering message.

The ad was made by a female-led team, and women everywhere heard the message loud and clear as it became the single most engaged-with commercial on Facebook for Super Bowl 2019.

7.2bn

earned media
impressions

January 2019–
February 2019

11.8m

views on social
February 2019







CREATIVITY TO DIFFERENTIATE

AGENCY
DAVID (OGILVY)

CLIENT
BURGER KING

The Quick Service Restaurants industry in the US is one of the most competitive in the world. In a sector dominated by McDonald's, DAVID helps Burger King find creative ways to punch above its weight and budget.

With a challenger mindset born out of Burger King's brand DNA and position in the marketplace, DAVID takes an unconventional approach designed to generate conversation – from a Google Home hijack to posters of Burger King stores in the process of burning down and the first Super Bowl spot for more than a decade.

With campaigns such as Burger King Crown, Proud Whopper, Google Home of the Whopper, Burning Stores, Whopper Sign and Scariest BK, DAVID's leftfield and contemporary work has consistently delivered value for the client.

50+
Cannes Lions
for Burger King
and DAVID
2015-2018

4
including four
Grand Prix





GOOGLE'S AGENCY OF RECORD

AGENCY
ESSENCE

CLIENT
GOOGLE

Essence is part of GroupM, the world's leading media investment company. Its 13-year relationship with Google began with a small engagement and has grown to include the full spectrum of the agency's offering.

As Google's global digital agency of record, Essence has scaled with Google to meet demand in offline media, creative, data science and experiential innovation. At the same time, it has continued to expand its foundation in data-driven, end-to-end campaigns management – from media strategy and planning through buying, ad operations and advanced analytics.

Essence is the largest user of Google's marketing platforms, and partners with its marketing, product and sales teams to realise Google's ambition of being the world's greatest digital marketer. Essence has supported each generation launch of the Pixel phone, and driven awareness and sales of products like Home and Assistant from inception.

Essence's work touches virtually every corner of Google, leading campaigns for 48 products in 2018, including core brand services (Search, Chrome, Assistant), hardware brands (Pixel, Home, Nest, Chromebook), entertainment platforms (YouTube, Google Play), B2B (AdWords, Cloud) and several new growth-oriented business lines.

The agency has delivered 833 campaigns for Google across 106 countries, representing hundreds of millions in media spend – a figure that continues to rise every year as Essence drives quantifiable results for its client.

833
campaigns
supporting

48
products
in 2018

EXPERIENCE

Expertise in UX, service design, platforms and applications allows us to create vivid and compelling brand experiences for clients.

We bring brands to life through engaging, unexpected and interactive experiences. Whether it's a mobile app, an augmented reality solution or a retailer's Christmas journey, we design experiences that forge closer and more enduring relationships between companies and their customers.

WHAT WE OFFER

Customer experience design/
platforms and websites/
mobile applications/
innovation, eg voice, augmented reality

OPPORTUNITY

Growth is expected to be driven by integration of online and offline experience, innovation (particularly in devices) and experiences, eg in-car, product, voice

c.\$100bn
market by 2022

5-10%
compound annual
growth rate 2017-2022

Source: Exane BNP Paribas

CLIENTS INCLUDE

adidas
Amazon
Alibaba
Delta
Dyson
EY
Google
Netflix
Nike
TataSky
Verizon

A UNIQUE ROUTE TO MARKET

AGENCY
POSSIBLE

CLIENT
ADIDAS GLITCH

adidas GLITCH is a new football boot concept aimed at a new generation of players. To connect with this audience of football creators, POSSIBLE set out to disrupt the category by launching a fully mobile experience and a unique route to market.

The GLITCH app is designed to reach young players where they spend most of their time – on their phones, on the move – and connect them to the GLITCH product and the influencers who launched the boot.

Now live in London, Berlin and Paris, the GLITCH app houses everything in the customer journey from first interaction with the product, booking test sessions and purchasing, right through to delivery in four hours. The GLITCH boots can only be bought through the app.

Customer service (from the influencers themselves) is built into the app, and users come back again and again post-purchase for entertaining user-generated content.

GLITCH is now adidas' second biggest-selling football franchise online behind Predator, a boot that has over two decades' history and budgets that are well over 10 times those for GLITCH.

Achieved without the usual big budgets, big-name online stores and Premier League football stars, GLITCH has turned the industry upside-down and created a completely new relationship between brand and consumer.

>60k

downloads in first 30 days (across London, Berlin, Paris)

68%

average conversion of invite to download, with peak of 73% in London

20

Awards

5

Cannes Lions





ONLY YOUR VOICE WILL SET YOU FREE

AGENCY
AKQA

CLIENT
AMAZON

Millennials are the biggest adopters of technology, but even they overlook the thousands of capabilities that come with voice-first interfaces. Amazon wanted to expose Alexa to this advertising-resistant audience by creating an immersive experience that required an active exploration of its wide range of skills.

As the top attraction at New York Comic Con, Amazon Echo Escape gamified the smart home by creating the world's first escape experience powered by voice. Set in the world of Tom Clancy's Jack Ryan, players exploited Alexa's capabilities to gain intel, crack codes, control smart-home devices, interact with live actors and ultimately set themselves free.

The experience culminated in a Twitch broadcast featuring top gaming personalities CaptainSparklez, Swiftor and OMGitsfirefoxx. Each tested their wits live while over one million online participants intervened – choosing either to help or hinder their progress.

During four days at New York Comic Con, hundreds of attendees used Alexa to escape, while more than 5,000 queued for a chance to play, with reservations claimed within the first hour of opening.

1.5m+

online participants during the three-hour broadcast

43,000+

gameplay engagements during the three-hour broadcast

5,000+

queued for a chance to play at New York Comic Con





COMMERCE

With deep retail experience, including creating direct-to-consumer platforms and helping clients navigate marketplaces such as Amazon and Alibaba, we deliver cutting-edge commerce solutions.

Today every major business is an ecommerce business – because that's where consumer spending growth is coming from. We help companies drive sales growth and customer acquisition across all channels, providing everything from site builds to strategic consultancy.

WHAT WE OFFER

Direct-to-consumer/omni-channel retail/
marketplaces, eg Amazon, Mercado Libre

OPPORTUNITY

Growth is expected to be driven by grocery,
direct-to-consumer, non-retail (eg airlines,
banks etc) and marketplaces

\$9.5bn 15%
platform spend
by 2021 growth
FY 2017-FY 2018

Source: Forrester – Data Commerce Platform
Technology Forecast

OUR STRATEGIC PARTNERS INCLUDE

| | |
|---------------|-------------------------|
| Adobe | Amazon |
| Alibaba | Alibaba |
| Amazon | Asian Paints |
| Commercetools | Audi |
| Google | Bank of China |
| IBM | Coca-Cola |
| Intershop | DFS |
| Salesforce | Diageo |
| SAP | Illy |
| Shopify | Oreo |
| | P&G |
| | Sainsbury's |
| | Unilever |
| | YOOX NET-A-PORTER GROUP |

CLIENTS INCLUDE

AN ENHANCED ONLINE EXPERIENCE

AGENCY
WUNDERMAN THOMPSON
COMMERCE

CLIENT
DFS

DFS, the UK's leading upholstery retailer, wanted to offer a smarter shopping experience that was seamless and integrated across all customer touchpoints. DFS approached Wunderman Thompson Commerce with this challenge, which centred on building and extending its digital platform.

Wunderman Thompson's solution included moving DFS to a new customisable, scalable platform that was responsive across devices and offered improved efficiencies alongside exceptional customer experience.

Innovative digital signage in-store helped DFS maximise available store space, while a new dynamic routing system and mobile app optimised the routes and schedules of thousands of orders every day. The solution has improved delivery efficiency and arrival time accuracy, as well as creating substantial cost savings.

Wunderman Thompson Commerce also helped DFS to become the first UK furniture retailer to offer augmented reality (AR) on its website, allowing iPhone and iPad users to place a piece of furniture in their home and visualise how it looks and fits before purchase. Results show that users of the AR feature are significantly more likely to go on and make a purchase.

The platform built by Wunderman Thompson Commerce continues to underpin the client's digital transformation and drive strong growth in online sales.

Awards

Delivery Initiative
of the Year at the
Retail Systems
Awards 2018

Digital Experience,
Best Use of Cloud/
Virtual Agents and Best
Omnichannel Experience
at the UK Digital
Experience Awards





OREO MUSIC BOX



奥利奥缤纷音乐盒

INNOVATING WITH ALIBABA

AGENCY
VMLY&R

CLIENT
OREO

Oreo needed to grow its brand equity and sales in China. To help it do that, VMLY&R created a whole new ecommerce brand experience.

The Oreo Music Box is a mini turntable that plays music when an Oreo cookie is placed on it. The music changes with every bite. VMLY&R led the design, prototyping and commercialising of the Oreo Music Box for scale production, and worked with Oreo to develop a special-edition ecommerce bundle pack.

The agency also worked with Alibaba Tmall – the world's largest ecommerce site – to create a unique user journey for consumers, allowing them to order and personalise their own Oreo Music Box.

For launch, VMLY&R targeted Oreo lovers on the Alibaba media ecosystem (social, video and ecommerce) to drive up anticipation, and debuted the product on Tmall Super Brand Day.

The Music Box sold out in half a day, successfully elevated the Oreo experience above fierce category competition, and set a new standard for ecommerce product development in China.

¥1m
of sales in
first hour

46m
social impressions
gained
over Super Brand Day
period, ~1 week

TECHNOLOGY

Our data management, marketing technology consulting and systems integration services, alongside our unique partnerships with the world's leading technology companies, deliver value and growth for our clients.

Companies increasingly use technology at the centre of their marketing to create closer connections between their brands and consumers. We consult on, architect, build, integrate and run platforms and applications for clients, and use our relationships with technology companies to offer efficient, effective and scalable solutions.

WHAT WE OFFER

Data management/marketing technology consulting/systems integration

OPPORTUNITY

Growth is expected to be driven by Adobe and Salesforce practices, agnostic consulting on technology choice and CMO/CIO alignment

\$300bn
market by 2022

5-10%
compound annual
growth rate 2017-2022

Source: Exane BNP Paribas

OUR STRATEGIC PARTNERS INCLUDE

Acquia

Adobe

Google

IBM

Microsoft

Oracle

Salesforce

SAP

Sitecore

CLIENTS INCLUDE

adidas

DELL

Ford

H&M

HSBC

LinkedIn

Mahindra Holidays

Microsoft

Unilever

Volvo

CURATING MARKETING SOLUTIONS

AGENCY
VERTICURL

CLIENT
LINKEDIN

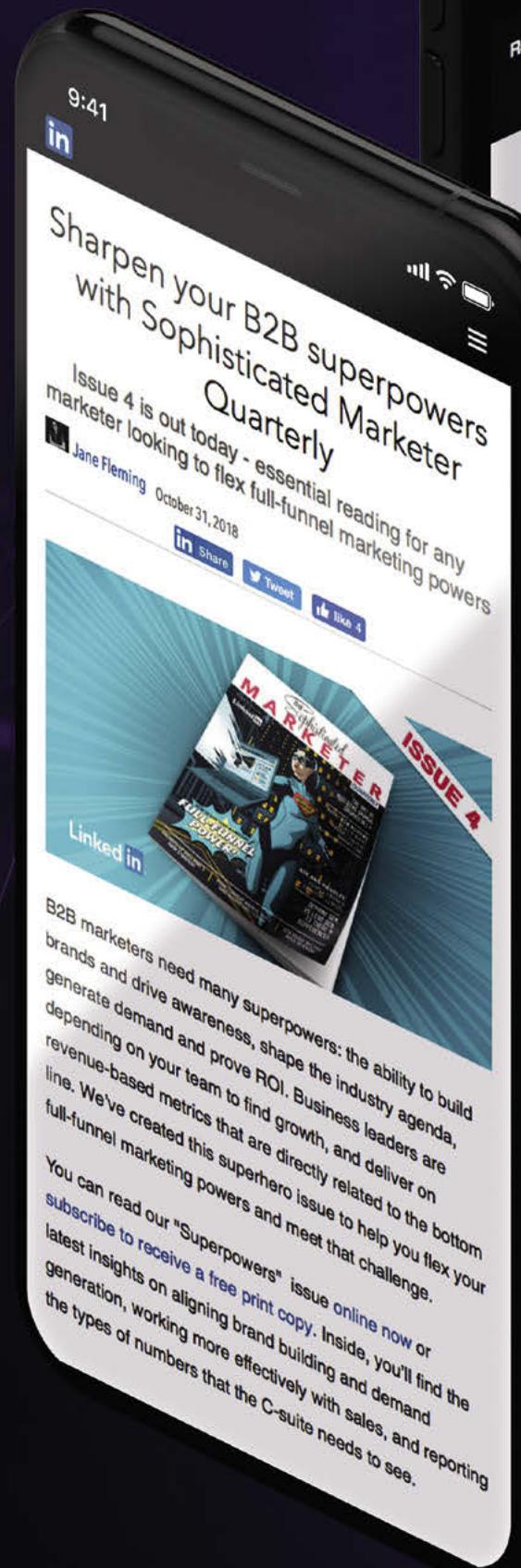
When LinkedIn needed a partner to implement its marketing technology vision, they turned to Verticurl. LinkedIn was seeking brand consistency across a diverse business portfolio, the ability to scale marketing operations globally and help managing a high volume of campaigns.

Verticurl's approach curated a suite of marketing solutions, providing a fully centralised operating model, a marketing operations partner with global scale, unified processes and workflows, systems integration, campaign operations for email and web, and in-region support across approximately 30 markets.

The solution, which enables LinkedIn to deliver 2,640 campaigns annually worldwide, has produced an increase in global campaign deployments and a reduction in costs through process automation and platform governance.

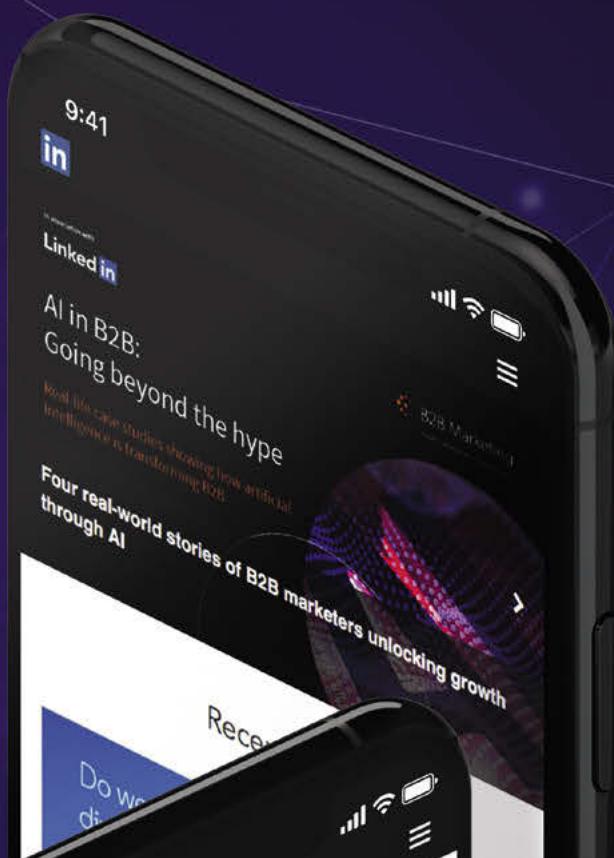
17%
increase in
global campaign
deployments
January-September 2018

22%
reduction in costs
January-September 2018



B2B marketers need many superpowers: the ability to build brands and drive awareness, shape the industry agenda, generate demand and prove ROI. Business leaders are depending on your team to find growth, and deliver on revenue-based metrics that are directly related to the bottom line. We've created this superhero issue to help you flex your full-funnel marketing powers and meet that challenge.

You can read our "Superpowers" issue online now or subscribe to receive a free print copy. Inside, you'll find the latest insights on aligning brand building and demand generation, working more effectively with sales, and reporting the types of numbers that the C-suite needs to see.



PERSONALISATION AT SCALE

AGENCY
COGNIFIDE

CLIENT
FORD

Ford tasked Cognifide with the delivery of a seamless global customer experience and the capability to talk to customers individually, but at scale.

The initial technical vision was to take the model of flexible, scalable vehicle production and apply it to web development. Cognifide created a single platform to equip all European markets with the foundation on which to build their local sites, in their own language, featuring their own vehicles, ensuring the correct specification, legal compliance, consistency across all devices and a joined-up user journey across the sites. All with a globally consistent look and feel.

However, web is just one channel in Ford's mix. The greater challenge was to provide Ford with a single view of the customer across multiple channels to enable them to automatically personalise messaging at scale. Working with Adobe, Wunderman Thompson and GTB, Cognifide achieved a world first in integrating Adobe Experience Manager, Campaign, Target, Audience Manager and Analytics, stitching together the data and capability required to automate a personalised approach.

This innovation, applied to a campaign targeting prospects known to be in the market for new vehicles, saw significant growth in clicks to leads (test drive requests, brochure requests, contact dealer requests) and reduced cost per lead due to platform efficiencies.

76%
rise in clicks
to leads
in the first half
of 2018

16%
reduction in
cost per lead
in the first half
of 2018



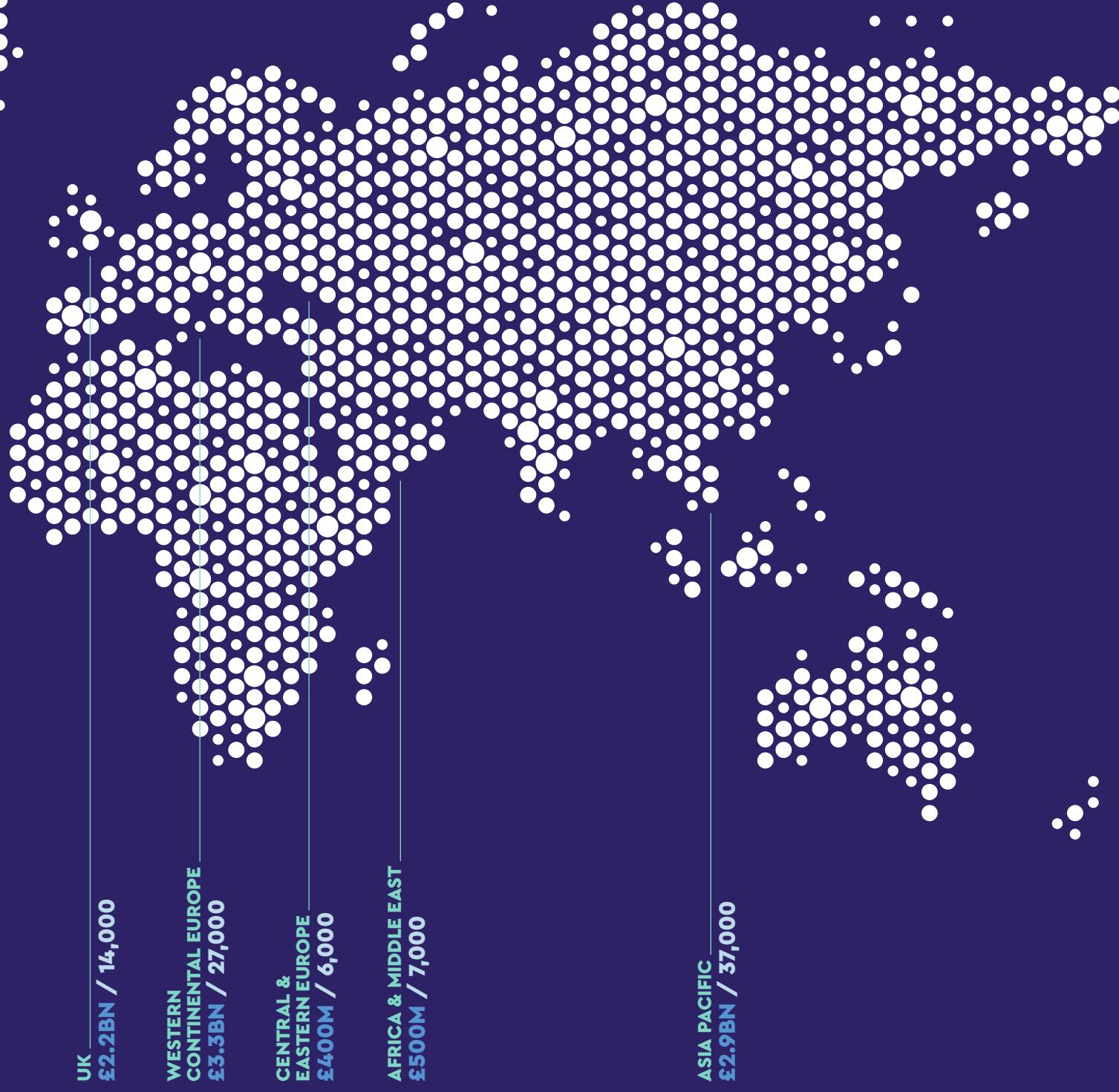


WHERE WE ARE

WPP companies operate in 112 countries. Here we show our presence by region in terms of revenue and headcount.



As at 31 December 2018.

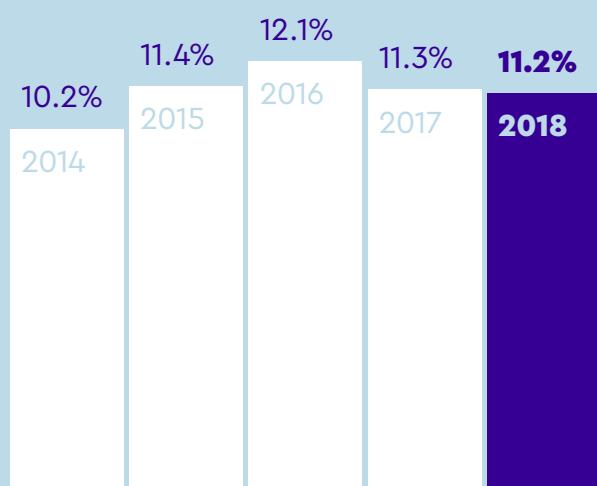


THE MARKET

Technology is rapidly reshaping the market in which we operate

Spending by clients has stayed relatively constant

MARKETING EXPENSE AS A SHARE OF REVENUE



Source: Gartner – CMO spend survey 2018-2019

But they are looking for a broader, technology-enabled service

29%
of marketing budget allocated to technology
(2017: 22%)

2/3
of Chief Marketing Officers' advertising budgets are invested in digital channels

40%
of Chief Marketing Officers say marketing analytics tops their priority list
(2017: 27%)

1 in 6
marketing dollars is spent on innovation

Source: Gartner – CMO spend survey 2018-2019

Our industry is undergoing structural change

The role of “traditional” agencies is being challenged

Clients want our creativity more than ever but they are seeking services beyond our traditional strengths in communications. Agencies in the industry perceived to be lacking in contemporary skills in areas such as data, technology, experience and commerce have come under significant pressure.

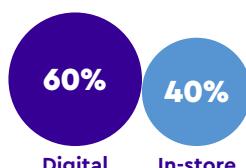
**“WE CAN’T BE
NOSTALGIC ABOUT
OUR AGENCY
BRANDS, AND WE
HAVE NOT BEEN.”**

Mark Read
Chief Executive Officer

Our clients are being disrupted by technology

Every industry, from automotive and packaged goods to drinks and financial services, is facing structural change driven by technology. We need to help our clients navigate this disruption, and to do so we need to adapt more rapidly than we have in the past.

TRANSACTIONS



Source: Kleiner Perkins 2018 Internet Trends Report

Consultants are competing with us on technology and talent

Consulting firms have expanded rapidly into areas in which we compete, to a significant degree through acquisition. We need to recognise that new competition and be ready for it. We also need to promote our existing consulting and technology capabilities more effectively.

\$2.6bn
estimated spend of consulting
firms on agency acquisitions
in 2018

Source: R3 Consulting

Facebook, Google and Alibaba are vying for talent and attention

While their direct competitive threat may be overstated, the giants of the tech industry (Google, Facebook and Alibaba – three of the world’s 10 most valuable companies) are vying with us for talent and attention.

c.\$1.8tn
combined market
capitalisation of Facebook,
Google and Alibaba

As at 26 March 2019

Trust and transparency are paramount

New platforms are changing the way people interact with technology. Privacy, data and security breaches and the issue of fake news have damaged trust between organisations and the public. The industry needs to work hard to restore that trust.

70%
of internet users in the UK and
US are now more concerned
about their online privacy than
they were 12 months ago

Source: Global Web Index

This change also provides significant opportunity for companies like WPP

These trends are driving our industry towards high-growth areas, in addition to our traditional areas of strength in communications, as reflected by the four pillars of our new client offer.

WPP is already one of the most forward-looking and tech-enabled companies in our industry. We have many of the world's leading creative, data and technology agencies, five of which were named as industry leaders and visionaries in the influential Gartner Magic Quadrant study.

We are the largest partner to the world's leading media and technology companies. We invest \$5.5 billion with Google on behalf of our clients, and \$2.5 billion with Facebook. And we drove more traffic to Alibaba on Singles' Day than any other partner globally.

Our marketing technology operation consists of 6,000 experts worldwide, and we have strong, growing relationships with our clients' Chief Information Officers, as well as the Chief Marketing Officers. As we increasingly put technology at the heart of what we do, we are well positioned to capture the opportunities of the changing market, and to help our clients navigate the technology-driven disruption they are facing.

ESTIMATED GLOBAL MARKET

COMMUNICATIONS

\$1tn
market in 2018

+/-3%
growth in 2018

Source: GroupM – This Year Next Year Worldwide Media Forecast

EXPERIENCE

c.\$100bn
market by 2022

5-10%
compound annual growth rate 2017-2022

Source: Exane BNP Paribas

COMMERCE

\$9.5bn
platform spend by 2021

15%
growth FY 2017-FY 2018

Source: Forrester – Data Commerce Platform Technology Forecast

TECHNOLOGY

\$300bn
market by 2022

5-10%
compound annual growth rate 2017-2022

Source: Exane BNP Paribas

OUR STRENGTHS

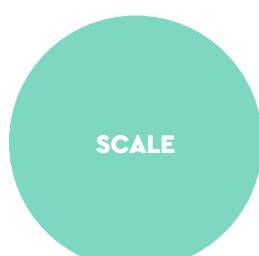
Our substantial assets mean we are well placed to capitalise on that opportunity



Most of the world's largest companies are WPP clients
Largest partner to the world's media and technology companies

We work with
73.8%
of the Fortune Global 500
7
of the top 10 most valuable brands in China

67
of the FTSE 100
>\$8bn
of media spend managed with Facebook and Google in 2018



Strong global networks
Media buying scale
Strength in critical markets for future, eg China, India, Brazil

112
countries
\$1.1bn
revenues in China
#1
in media buying worldwide
>\$45bn
annual media investment managed by GroupM



Our most important source of competitive advantage
Partner to the Chief Marketing Officer
Understanding of consumers

Most Creative
at the Cannes Lions International Festival of Creativity 2011-2017

Most Effective
in the Effie Global Effectiveness Index 2012-2018



Growing Chief Information Officer relationships
Significant marketing technology offer

6,000
people in our marketing technology operation

Largest
global partner for Adobe, Salesforce, Google, Marketo and Oracle marketing clouds

OUR BUSINESS MODEL

WPP IS A CREATIVE TRANSFORMATION COMPANY

We build better futures for our clients through an integrated offer of communications, experience, commerce and technology

WPP is a creative transformation company with a service offering that allows us to meet the present and future needs of our clients. Our business model is client-centric, and we leverage resource and skills across our internal structures to provide the best possible service. WPP works with 369 of the Fortune Global 500, all 30 of the Dow Jones 30, and 71 of the NASDAQ 100.

We are committed to the principles of sustainability in business, through our assignments for clients, our substantial pro bono work and the management of our own operations. We aim to build better futures not only for our people and clients but our wider communities.

Our networks and agencies operate in all major global markets, offering a range of services across four key areas: communications, experience, commerce and technology. Each of these areas is critical to success for modern clients.

By bringing them together WPP can meet clients' needs as they react to the changing marketplace and complex social, economic, and environmental pressures, while expanding our own business in high-growth sectors.

Revenues are principally derived from fees for services on a rate per hour or per project basis. Client engagements include fixed-fee contracts, retainer agreements and commissions on media placements. Some client arrangements include performance incentive provisions designed to link revenue to quantitative and qualitative goals.

We focus on revenue less pass-through costs as a reflection of top-line performance. Pass-through costs comprise fees paid to external suppliers where they are engaged to perform part or all of a specific project and are charged directly to clients – predominantly media and data collection costs.

Our people are our most important assets and our ability to attract and retain diverse talent is a critical element of our competitiveness. Compensation and incentives are aimed at making WPP a home for the best and brightest, and are aligned with our strategy for growth. Our delivery model is based on an increasingly flexible cost structure, with the use of consultants, freelancers and incentives allowing an agile response to any market volatility.

Our transformation programme, encompassing a new vision and offer, a simplified structure including a consistent shared service infrastructure and the development of Campus co-locations, investments in creativity, technology and talent, and a new emphasis on building the Company's culture, will enhance WPP's proposition to clients and drive top-line growth.

FOUNDATIONS FOR GROWTH

During 2018 we focused on a number of short-term strategic priorities, as well as on formulating a new long-term strategy, which was announced in December.

At the half year we set out our short-term priorities to put WPP on a solid foundation for growth. A number of these priorities formed the basis for our longer-term strategy. In addition to the actions taken in 2018 outlined here, further details of progress can be found from page 42 under our new strategy.

FOCUS ON OUR CLIENTS

- Emphasis on providing faster, more agile, more effectively integrated solutions for our clients
- Wins from clients including adidas, Hilton, Mars, Mondelēz, T-Mobile, Volkswagen
- Development of new vision and offer to better position WPP with clients
- Appointment of Chief Client Officer

See vision & offer, page 44

CONTINUE TO SIMPLIFY OUR ORGANISATION

- Creation of VMLY&R, a new brand experience agency formed by the merger of VML and Y&R
- Integration of our healthcare agencies with Ogilvy, VMLY&R and Wunderman
- Began Wunderman and J. Walter Thompson merger to create Wunderman Thompson, a new creative, data and technology agency
- VML, Y&R, Wunderman, J. Walter Thompson and WPP Health & Wellness collectively accounted for 23% of WPP revenue
- Completion of Burson Cohn & Wolfe merger
- Opened/announced further Campus co-locations including New York, Prague and Toronto
- Disposal of non-core minority holdings including AppNexus and Globant

See simpler structure, page 50

EMBED DATA AND TECHNOLOGY MUCH MORE DEEPLY INTO OUR OFFER

- New data and technology team in place
- First WPP Chief Technology Officer appointed
- Technology made a key pillar of WPP's new offer to clients

See data & technology, page 48

INVEST IN TALENT THAT REPRESENTS OUR CHANGING WORLD

- Formation of new central team with key appointments including Chief Operating Officer, Chief Client Officer and Chief Technology Officer
- WPP Executive Committee established for the first time, drawn from corporate and operating company leadership
- New focus, led by the CEO, on the importance of a positive and inclusive culture across WPP

See creativity, page 46 and culture, page 52

EVALUATE THE SHAPE OF THE PORTFOLIO TO MAXIMISE SHAREHOLDER VALUE AND RELEASE CAPITAL

- 30 disposals in 2018, raising £849 million to reduce our debt
- Initiated a strategic review of options in relation to Kantar to maximise shareholder value
- The intention is to continue to develop Kantar while remaining a shareholder with strategic links to the business

See financial review, from page 54

FULL STRATEGY REVIEW BY YEAR-END

Announced 11 December 2018

OUR NEW STRATEGY

Radical evolution: A strategy for growth

We describe our new strategy as a radical evolution. It's radical because we are making tough decisions and taking decisive action – having restructured a large proportion of our revenue base in 2018 – but an evolution because we are changing our business in a way that respects the people and things that make WPP such a great organisation.

WPP has substantial assets, the most important of which is our people. As a talent business we need to transform at the right pace, and bring our people with us on the journey.

Our strategy focuses on growth. The restructuring of our business and associated cost savings will enable increased investment in creativity, technology and talent, so that we are well positioned for top-line growth in the future.

We aim to deliver this strategy over the next three years, incurring cash costs for restructuring of £300 million. The annual savings are anticipated to be £275 million by the end of 2021, approximately half of which will be reinvested in the business.

Our new medium-term financial targets, to be achieved by the end of 2021, are organic growth (defined as like-for-like revenue less pass-through costs growth) in line with peers; headline operating profit margin (excluding the impact of IFRS 16: Leases) of at least 15%; and free cash flow conversion of 80-90%.



VISION & OFFER

Read more on page 44

A new vision developed with our people and clients and a refreshed, more contemporary offer to meet the needs of our clients in a rapidly changing market.



CREATIVITY

Read more on page 46

A renewed commitment to creativity, WPP's most important competitive advantage.



DATA & TECHNOLOGY

Read more on page 48

Harnessing the strength of our marketing and advertising technology, and unique partnerships with technology firms, for the benefit of clients.



SIMPLER STRUCTURE

Read more on page 50

Reducing complexity and making sure our clients can access the best resources from across the Company.



CULTURE

Read more on page 52

Investment in our people, our culture and a new set of values to ensure WPP is the natural home for the best and brightest talent.

Our approach to sustainability aligns with our new strategy. See pages 60-77

VISION & OFFER

Our first step was to set out a new and inspiring vision for the future of WPP, and a modern new offer for our clients.



"THE WAY WE PRESENT OURSELVES HAS TO REFLECT THE CREATIVITY OF THE PEOPLE INSIDE WPP."

Mark Read
Chief Executive Officer

VISION, PURPOSE AND IDENTITY

WPP's vision is to be a creative transformation company, bringing together creativity and expertise in technology and data – with the purpose of building better futures for our people, clients and communities. This competitive positioning was developed in consultation with our people and clients, and is supported by a refreshed brand identity created by WPP agencies Superunion and Landor.

SIMPLER, IMPROVED OFFER

WPP's offer covers four areas: communications, experience, commerce and technology, as set out from page 7. Each of these areas is critical to success for modern clients. By bringing them together the Company will better serve clients' needs as they react to the changing marketplace, and expand WPP's own business in high-growth sectors. The areas of experience, commerce and technology already represent approximately one quarter of WPP's revenue.

Progress in 2018

- Launch of new positioning, visual identity and offer areas
- Merger of VML and Y&R, and Wunderman and J. Walter Thompson, to create integrated technology and creative agency offerings
- Strong start from first merger, VMLY&R, with \$25 million in client wins in first 90 days

Focus for 2019

- Deployment of new offer in market
- Business development effort led by new team, including Chief Client Officer and Chief Marketing and Growth Officer



See our film presenting WPP's vision:
wpp.com/about/who-we-are



"CLIENTS COME TO WPP WHEN THEY WANT US TO UNLOCK GROWTH AND REINVENT FOR THE FUTURE."

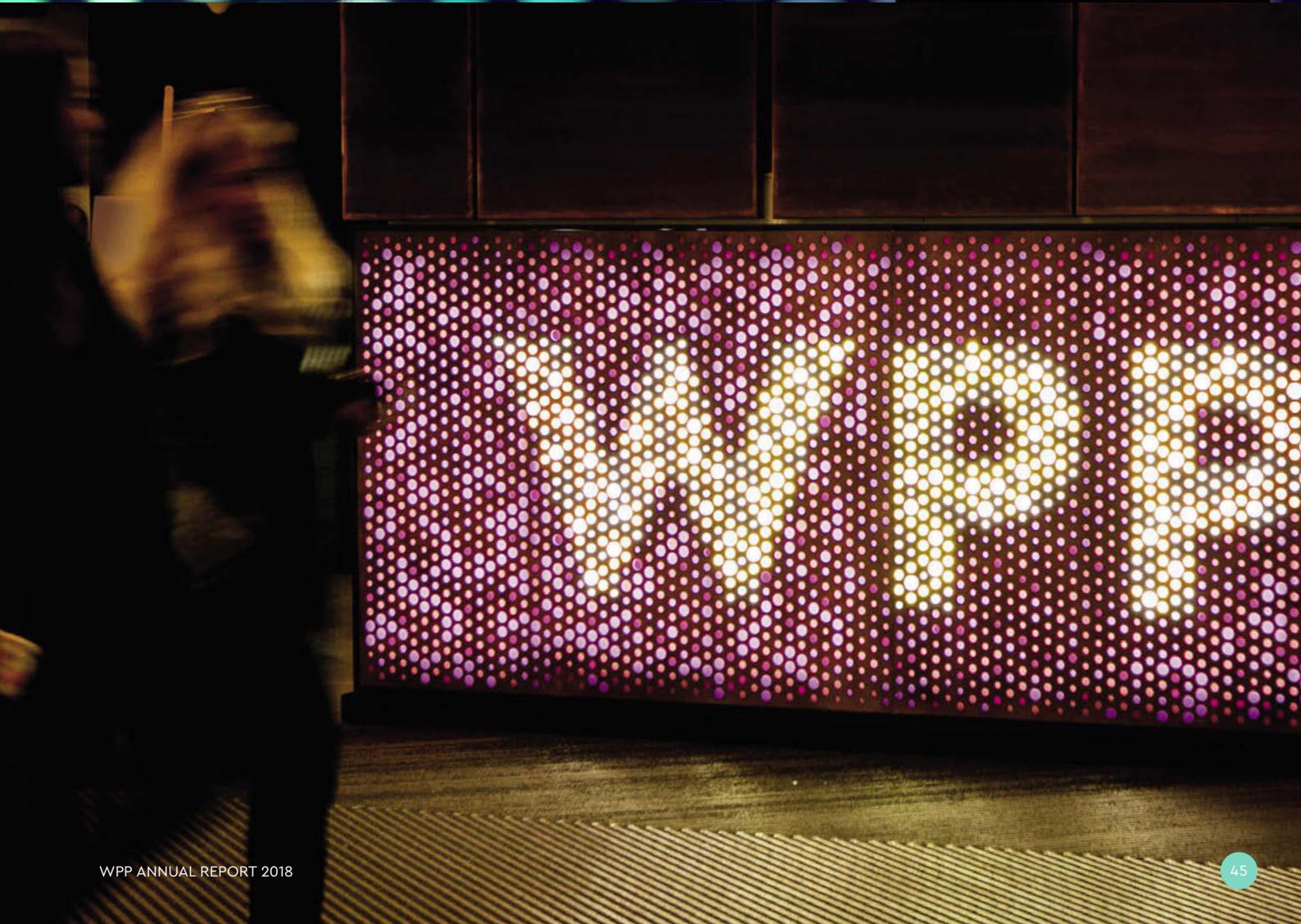
Lindsay Pattison
Chief Client Officer



**WPP BRAND
IDENTITY**

**AGENCIES
SUPERUNION
& LANDOR**

**CLIENT
WPP**



CREATIVITY

We are putting our most important competitive advantage back at the heart of WPP where it belongs.

A RENEWED COMMITMENT

The creativity of our people – their wit and imagination, and the power of their ideas to deliver results for clients – is what makes WPP special and what differentiates us from other professional services firms. WPP has great creative strengths, having won the Holding Company of the Year award at the Cannes Lions International Festival of Creativity for seven consecutive years between 2011 and 2017 – but the business must invest more in this area. As part of our strategic review, we have made a renewed commitment to creativity, and will invest an incremental £15 million a year for the next three years in creative leadership, with a particular focus on the United States.

**LSO BMW
CLASSICS 2018**

**AGENCY
SUPERUNION**

**CLIENT
LONDON SYMPHONY
ORCHESTRA**



**Progress in 2018**

- £15 million annual incremental commitment announced for investment in creative leadership over the next three years
- New competitive positioning, brand identity and corporate narrative placing creativity at the heart of WPP

Focus for 2019

- Recruitment of leading creative talent, with a particular focus on the United States
- Continued focus on exceptional work as evidenced by six spots at Super Bowl 2019
- Enhanced WPP presence at the Cannes Lions International Festival of Creativity

**"CREATIVITY IS
THE CLOSEST WE
COME TO MAGIC
IN THIS LIFE."**

John O'Keeffe
Global Chief Creative Officer



To learn more see
wpp.com/featured

DATA & TECHNOLOGY

We will invest further in our technology and data capabilities and promote them as a clear source of competitive advantage to WPP.

Technology powers WPP, both in terms of our internal operations and our service to clients:

- Infrastructure: to help us connect, collaborate, communicate, share
- Applications we use: to create, deploy and measure work for clients
- Systems we build for clients: we consult on, architect, build, integrate and run platforms and applications for our clients

In 2018, we started the process to organise WPP as a platform business, with a common technology and data strategy that leverages the strengths of our unique technology partnerships and our existing capabilities in marketing and advertising technology.

Progress in 2018

- Stephan Pretorius appointed as WPP's first Chief Technology Officer in October 2018
- Announced additional investment in technology at investor day

Focus for 2019

- Build senior technology team at the centre of WPP
- Creation of new WPP adtech and marketing cloud platform
- Leverage relationships with technology firms through new partnerships such as Google's Waze

ORGANISING WPP AS A PLATFORM BUSINESS

DATA

AN OPEN DATA PLATFORM

Within WPP, we already have enormously valuable data sets that we use to help our clients understand their customers and adapt accordingly. We are building a platform that curates this internal data alongside that of our clients, and other data that exists in the public domain.

The platform will use cloud computing to connect and integrate this data. Through service interfaces our data and tools will be made available to our clients, partners and our own agencies – and always with the right access, privacy and commercial controls. All major data partnerships will be handled centrally at a WPP level, to allow us to leverage our scale commercially.

**LUCK MACHINE**AGENCY
ISLCLIENT
LYFT

**"TECHNOLOGY
WILL DRIVE WPP'S
TRANSFORMATION."**

Stephan Pretorius
Chief Technology Officer

APPLICATIONS**INTELLIGENT, CONNECTED APPLICATIONS**

We have a number of internal applications that we use to do work for our clients, but as with data, we don't have all of the solutions internally. Our intention is not to build applications ourselves, but to partner with established providers where necessary, and focus our investment on developing applications that create true client value and differentiation (such as insights, planning and analytics).

We will also simplify and consolidate our internal overlapping initiatives at an agency level, which will allow us to focus on executing the best innovations internally. All applications will be available to all agencies.

INVESTMENTS**STRATEGIC INVESTMENT FOCUS ON AI**

AI is rapidly changing our industry, driving improved accuracy and speed and reduced cost in marketing, while opening new consumer engagement possibilities. AI also presents significant opportunity for operational efficiency and automation, and harnessing this will make us more effective for our clients.

Our strategy aims to achieve this through a combination of external and internal investment in AI, supported by an investment strategy team and product stewardship board.

SKILLS**A SHARED TECHNICAL SERVICE CAPABILITY**

In the area of marketing technology and marketing systems integration we are already a strong player, competing directly with companies such as Exensio, Deloitte and Capgemini. We are the largest global partners for Adobe, Salesforce, Google, Marketo and Oracle marketing clouds.

Not only do we understand the various platforms that our clients use, we also understand how the tools need to be implemented as marketers. In 2019, we will bring together our existing capability that exists across a range of agencies into an integrated WPP technical services organisation, covering the entire lifecycle for all major adtech, martech and commerce platforms, from consulting and vendor selection to architecture, implementation and ongoing management.

PARTNERS**AN OPTIMISED PARTNER PORTFOLIO**

Our ambition is not to be a primary software developer, but the primary partners to the leaders in the field – a position we already occupy with the world's largest technology firms.

During 2019, our aim is to review our existing relationships, with a view to ensuring that across WPP we only have one integrated relationship with each provider that operates under a single service agreement and is managed at the WPP level. This not only means better commercial terms and less waste, but also better training, and access to innovation which ultimately allows us to do better work for our clients.

SIMPLER STRUCTURE

Central to our new strategy is a simpler structure, built around the needs of clients, to allow easier access to WPP's many resources. The structure is based on three principles: Clients, Companies and Countries.



"WE NEED TO HAVE FEWER, STRONGER COMPANIES THAT ARE BETTER POSITIONED TO GROW."

Andrew Scott
Chief Operating Officer

Over the years WPP has built many tremendous assets, but it has also become too unwieldy, with too much duplication. As a result it has not always been as focused or as fleet of foot as it needs to be to satisfy the needs of all our clients around the globe.

That is changing as we streamline the Company and concentrate 100% of our efforts on our core business of delivering outstanding work and the best outcomes for clients.

In addition to agency mergers to create fewer, more integrated offerings, we have simplified our portfolio, making a number of disposals of non-core investments. And we will continue to develop Campus co-locations to house our agencies in major cities, which deliver world-class working environments and increased efficiencies.

Progress in 2018

- Mergers to create VMLY&R and Wunderman Thompson
- Realignment of US healthcare agencies with major networks and elimination of WPP Health & Wellness sub-holding company
- 30 disposals of non-core investments and associates

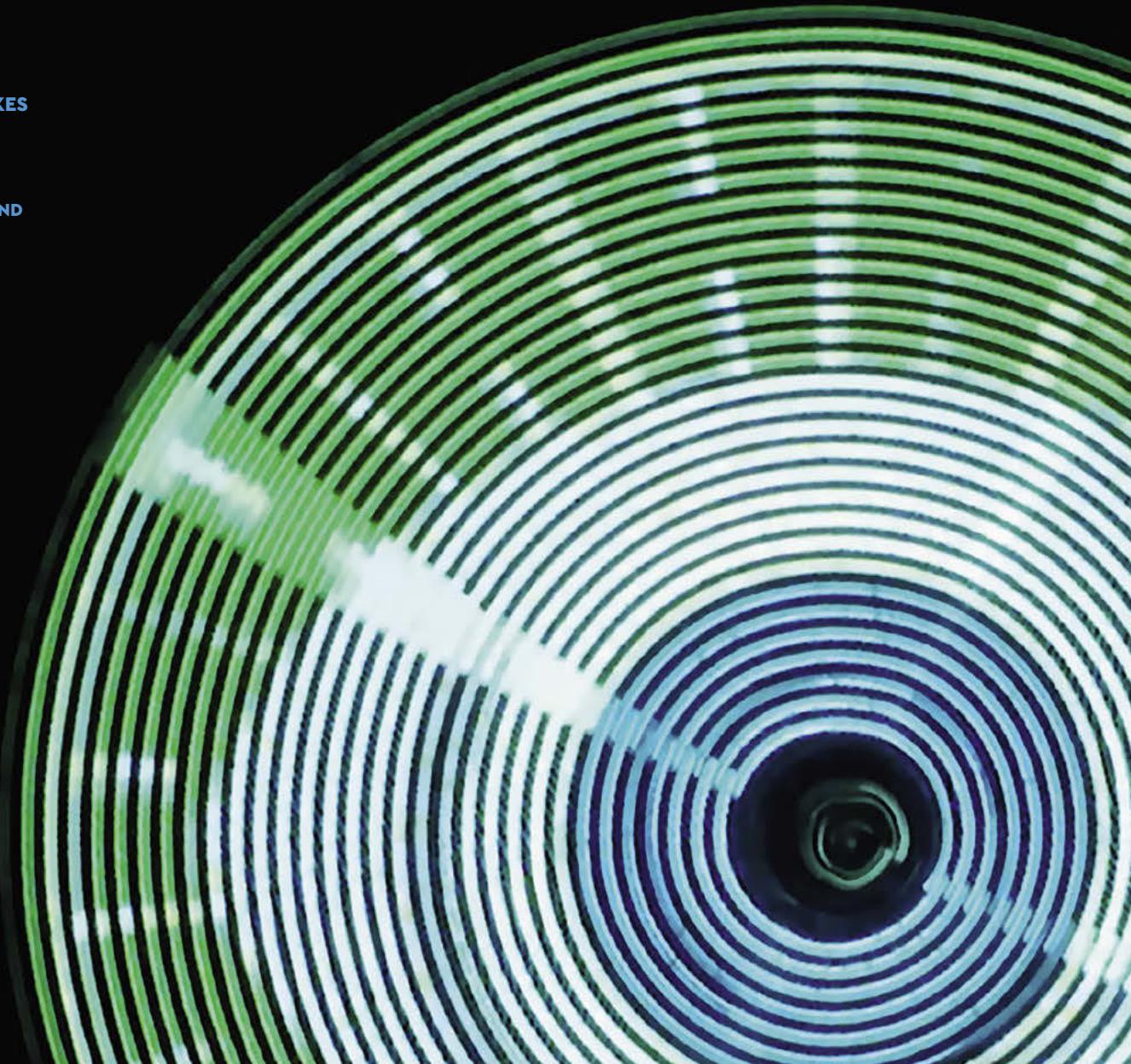
Focus for 2019

- 100 planned mergers and 80 closures at local office level by end of 2019
- Gross reduction in headcount of 3,500 by end of 2019
- Further non-core disposals
- Opening of new WPP Campuses including Amsterdam, Madrid, Milan and Mumbai



"CO-LOCATING IN THE WPP SHANGHAI CAMPUS ENABLES US TO COLLABORATE, TO INTEGRATE OUR OFFER AND TO DELIVER MAXIMUM VALUE TO OUR CLIENTS."

Patrick Xu
China Country Manager

SMART SPOKES**AGENCY**
OGILVY**CLIENT**
EYES JAPAN AND
UBER EATS**OUR THREE PRINCIPLES FOR A SIMPLER STRUCTURE****CLIENTS**

We will become a more client-centric organisation in order to deliver the best of WPP.

28%

of our revenue is generated by our 30 largest clients

COMPANIES

We will have fewer, more integrated companies equipped to adapt to a changing market.

23%

of our Company in revenue terms was subject to merger or realignment in 2018

COUNTRIES

We will integrate further at a country level to leverage our strengths in individual markets.

64,000

people in co-locations by end of 2021

CULTURE

To attract the best and brightest our workplaces must be open, inclusive, respectful, collaborative and diverse in every sense.



"MY JOB IS TO TAKE THE VALUES OF WPP AND EMBED THEM IN THE FABRIC OF THE ORGANISATION."

Judy Jackson
Global Head of Culture

ATTRACTING LEADING TALENT

We believe that greater diversity, inclusion and gender balance leads to more rewarding and successful workplaces. In order to make WPP the natural home for the best and brightest, and to attract the next generation of talent, we will champion a culture across WPP characterised by our new values: openness, optimism and a commitment to extraordinary work.

STRENGTHENING OUR LEADERSHIP

To lead this element of the strategy we have appointed Jacqui Canney as our new Global Chief People Officer. Supporting Jacqui is another new appointment, Judy Jackson, in the role of Global Head of Culture. We have also established WPP's first Executive Committee, drawn from both corporate and company leadership.

Progress in 2018

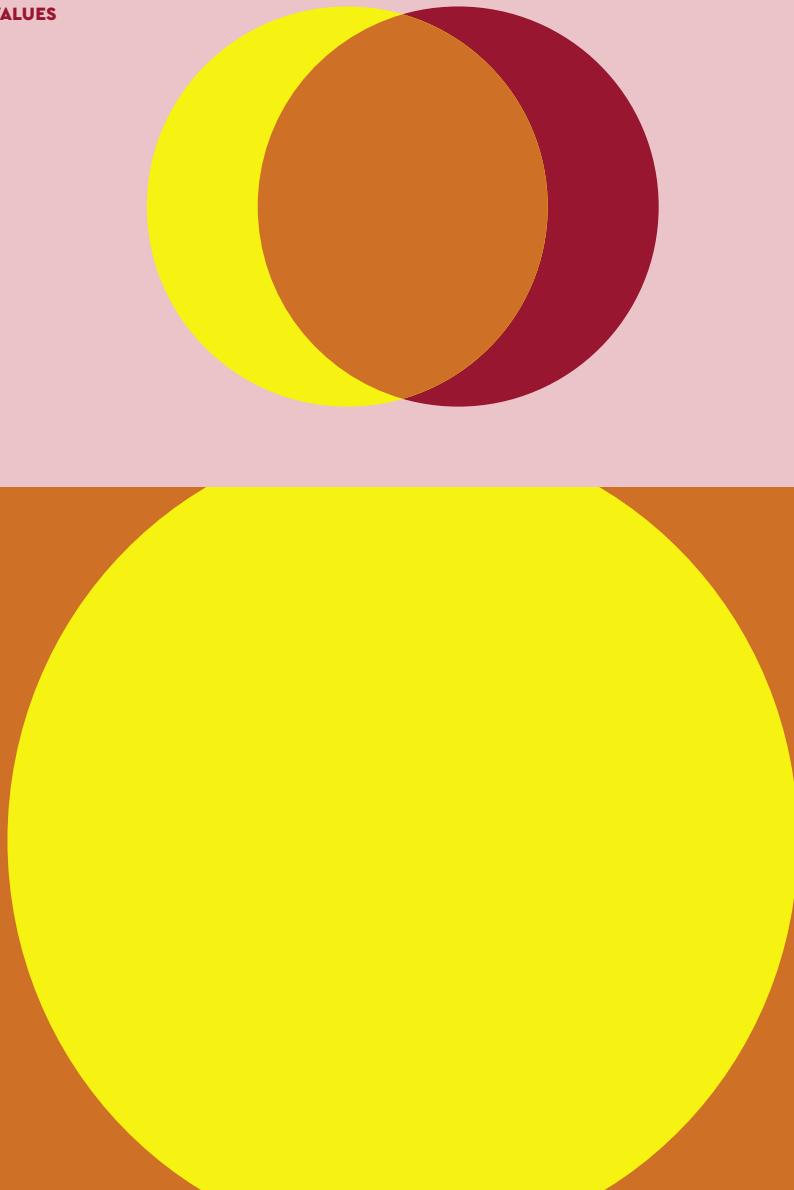
- Launch of our new values
- Established first WPP Executive Committee

Focus for 2019

- Implementation of new people strategy led by Global Chief People Officer
- Programme to promote new values and culture led by Global Head of Culture
- Review of incentive arrangements to align with strategy



To learn more see
wpp.com/our-people

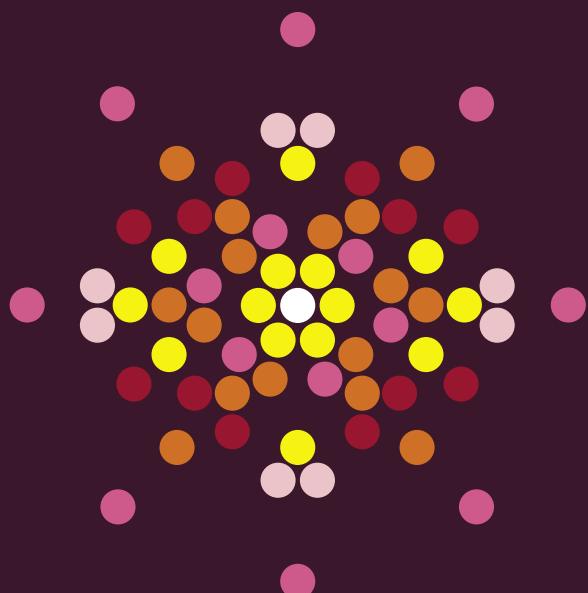
OUR VALUES**OPEN**

We are inclusive and collaborative.

We encourage the free exchange of ideas.

We respect and celebrate diverse views.

We are open-minded: to new ideas, new partnerships, new ways of working.

**OPTIMISTIC**

We believe in the power of creativity, technology and talent to create better futures for our people, clients and communities.

We approach all that we do with confidence: to try the new and to seek the unexpected.

EXTRAORDINARY

We are stronger together: through collaboration we achieve the amazing.

We are creative leaders and pioneers of our industry.

We deliver extraordinary every day.

FINANCIAL REVIEW

REVIEW OF RESULTS

Reported billings were £55.798 billion, up 0.4%, up 3.3% in constant currency and up 3.2% like-for-like.

Reported revenue was down 1.3% at £15.602 billion. Revenue on a constant currency basis was up 1.5% compared with last year, the difference to the reportable number reflecting the strength of the pound sterling against most currencies, particularly in the first half of the year. On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 0.8%.

Reported revenue less pass-through costs was down 2.6%, up 0.2% in constant currency and down 0.4% like-for-like. In the fourth quarter, like-for-like revenue was down 0.1%, a slight deterioration from the third quarter (0.2%), with all regions, except North America, showing an improvement. On the same basis, revenue less pass-through costs in the fourth quarter was down 0.7%, an improvement over the third quarter (1.5%), with North America and the United Kingdom slightly weaker, more than offset by stronger growth in Western Continental Europe and Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe.

OPERATING PROFITABILITY

Headline EBITDA was down 8.8% to £2.311 billion, from £2.534 billion the previous year and down 6.4% in constant currency. The Group's revenue is more weighted to the second half of the year across all regions and sectors, and, particularly, in the faster growing markets of Asia Pacific and Latin America. As a result, profitability and margin continue to be skewed to the second

half of the year, with the Group earning approximately 40% of its profits in the first half and 60% in the second half. Headline profit before interest and tax for 2018 was down 9.7% to £2.047 billion, from £2.267 billion and down 7.4% in constant currencies.

Headline operating margin¹ was down 1.1 margin points to 15.3%, and also down 1.1 margin points in both constant currency and like-for-like, at the upper end of the full-year revised operating margin target. Headline PBIT margin² was down 1.2 margin points to 16.0%, down 1.3 margin points in constant currency and down 1.2 margin points like-for-like. The Group's operating margin of 15.3% is after charging £37 million (\$54 million) of severance costs, compared with £40 million (\$52 million) in 2017 and £326 million (\$435 million) of incentive payments, which were 14.2% of operating profit before incentives, a similar level to the £324 million (\$421 million) or 13.1% in 2017. Achievement of target, at an individual operating company level, generally generates 15% of operating profit before bonus as an incentive pool and 20% at maximum.

On a reported basis, the Group's operating margin, before all incentives³ and income from associates, was 17.8%, down 1.0 margin point, compared with 18.8% last year. The Group's staff costs to revenue less pass-through costs ratio, including severance and incentives, increased by 0.5 margin points to 63.7% compared to 63.2% in 2017. In addition, there was an increase in the Group's general and administrative costs, principally in relation to an increase in the provision for bad debts and higher IT costs.

On a like-for-like basis, the average number of people in the Group, excluding associates, in 2018 was 133,903 compared to 135,521 in 2017, a decrease of 1.2%. On the same basis, the total number of people, excluding associates, at 31 December 2018 was 134,281 compared to 135,187 at 31 December 2017, a decrease of 906 or 0.7%.

EXCEPTIONAL GAINS AND RESTRUCTURING AND TRANSFORMATION COSTS

As outlined in the investor day on 11 December 2018, we have undertaken a strategic review of our operations. As part of that review, restructuring actions have been taken to right-size underperforming businesses, address high-cost severance markets and simplify operational structures. This has included the merging or closure of a number of WPP's operating companies. It also includes transformation costs with respect to strategic initiatives like co-locations in major cities, IT transformation and shared services.

£234 million of restructuring and transformation costs were recorded in the fourth quarter in relation to this plan. This included £63 million of non-cash write-offs and £171 million of actions that have a cash impact in 2018 and beyond. In 2018 the cash outflow was £50 million. The £171 million forms part of the anticipated £300 million total cash cost of the restructuring plan that we announced – with the balance to be incurred in 2019, 2020 and 2021.

REVENUE LESS PASS-THROUGH COSTS GROWTH V 2017

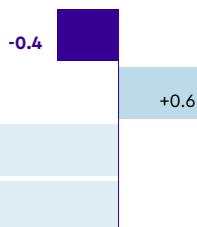
%

Like-for-like

Acquisitions

FX

Reported



This Strategic report should be read in conjunction with pages 88-119 and pages 174-177. The Group's key performance indicators are set out on page 59 and discussed in further detail in this report.

This Strategic report includes figures and ratios that are not readily available from the financial statements. Management believes that these non-GAAP measures, including constant currency and like-for-like growth, and headline profit measures, are both useful and necessary to better understand the Group's results. Where required, details of how these have been arrived at are shown in the notes of the financial statements.

- 1 Headline operating profit (excluding income from associates) as a percentage of revenue less pass-through costs.
- 2 Headline PBIT as a percentage of revenue less pass-through costs.
- 3 Short and long-term incentives and the cost of share-based incentives.

The total of restructuring and transformation costs in 2018 was £302 million. The remaining £68 million relates to severance restructuring costs recorded in the first half, together with costs in relation to the continuing global IT transformation programme.

These exceptional costs of £302 million and £41 million of associate company exceptional losses have been partly offset by exceptional gains of £235 million, primarily relating to the gain on the sale of the Group's investment in Globant S.A.

This gives a net exceptional loss of £108 million and compares with a net exceptional loss in 2017 of £24 million.

INTEREST AND TAXES

Net finance costs (excluding the revaluation of financial instruments) were £184.5 million, compared with £174.6 million in 2017, an increase of £9.9 million. This is due to higher dollar interest rates.

The headline tax rate was 22.5% (2017: 22.0%) and on reported profit before tax was 22.1% (2017: 9.3%). The difference in the rates in 2017 was principally due to an exceptional tax credit, primarily relating to the re-measurement of deferred tax liabilities. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase slightly over the next few years.

EARNINGS AND DIVIDEND

Headline profit before tax was down 11.0% to £1.863 billion from £2.093 billion, and down 8.5% in constant currencies.

Reported profit before tax fell by 30.6% to £1.463 billion from £2.109 billion, the difference between the headline and reported figures reflecting principally the £302 million of restructuring and transformation costs and £184 million of goodwill impairment charges. In constant currencies, reported profit before tax fell by 28.1%.

Reported profit after tax fell by 40.4% to £1.139 billion from £1.912 billion. In constant currencies, profits after tax fell 38.5%.

Profits attributable to shareholders fell 41.5% to £1.063 billion from £1.817 billion, again reflecting principally the £302 million of restructuring and transformation costs and £184 million of goodwill impairment. In constant currencies, profits attributable to shareholders fell by 39.6%.

Headline diluted earnings per share fell by 10.3% to 108.0p from 120.4p. In constant currencies, earnings per share on the same basis fell by 8.1%. Reported diluted earnings per share fell by 40.8% to 84.3p from 142.4p and decreased 38.9% in constant currencies.

As outlined in our investor day presentation, despite the reduction in diluted earnings per share, your Board proposes to maintain the final dividend of 37.3p per share, which, together with the interim dividend of 22.7p per share, makes a total of 60.0p per share for 2018, the same as the prior year. This represents a dividend pay-out ratio of 56%, compared with 50% last year. The record date for the final dividend is 14 June 2019, payable on 8 July 2019.

REGIONAL REVIEW

The pattern of revenue and revenue less pass-through costs growth differed regionally. See the tables on page 56 for details.

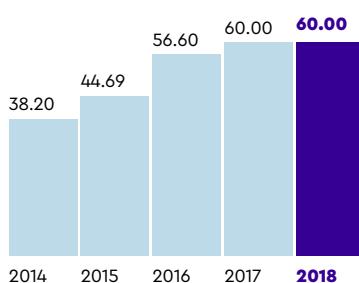
North America constant currency revenue less pass-through costs was down 4.5% in the final quarter, the same as the third quarter, and down 5.7% like-for-like, a slight deterioration on the third quarter (-5.3%). This reflects continuing challenges in our advertising businesses, with data investment management and healthcare also slower, partly offset by a significant improvement in public relations and public affairs. On a full-year basis, constant currency revenue less pass-through costs was down 3.5%, with like-for-like down 4.2%. Addressing our underperforming operations in the US is a key element of WPP's new strategy.

United Kingdom constant currency revenue less pass-through costs was down 2.4% in the final quarter and down 2.7% like-for-like, slightly weaker than the -2.0% shown in quarter three. Media investment management and the specialist communications businesses were particularly strong with data investment management improving. Our public relations and public affairs and direct, interactive and ecommerce businesses were slower. On a full-year basis, constant currency revenue less pass-through costs was up 0.2%, with like-for-like down 0.5%.

Western Continental Europe constant currency revenue less pass-through costs was up 4.1% in the final quarter, a significant improvement on the growth in quarter three

DIVIDEND PER SHARE

Pence (p)



of 1.3%. On a like-for-like basis revenue less pass-through costs was also up 4.1%, the strongest quarter of the year, and compared to -0.4% in quarter three. Twelve of the Group's top 14 markets showed significant growth in quarter four, particularly Austria, Belgium, Denmark, Finland, Germany, Italy, the Netherlands, Portugal, Sweden and Turkey. For the year, Western Continental Europe constant currency revenue less pass-through costs grew 4.1% with like-for-like up 2.0%, the second strongest-performing region.

In **Asia Pacific, Latin America, Africa & the Middle East** and **Central & Eastern Europe**, on a constant currency basis, revenue less pass-through costs was up 0.4% in the fourth quarter and up 2.6% like-for-like, slightly above the third quarter growth of 2.4%. In the fourth quarter, **Latin America** grew over 7%, stronger than the third quarter, with **Central & Eastern Europe** showing double-digit growth in the fourth quarter compared with almost 5% in quarter three. **Asia Pacific** and **Africa & the Middle East** were slightly weaker. On a full-year basis, constant currency revenue less pass-through costs growth in the region was 2.0% with like-for-like growth 2.5%, the strongest-performing region.

REVENUE ANALYSIS

| £ million | 2018 | Δ reported | Δ constant ¹ | Δ LFL ² | % group | 2017 ³ | % group |
|-------------------------------|---------------|--------------|-------------------------|--------------------|---------------|-------------------|---------------|
| N. America | 5,371 | -5.1% | -1.9% | -3.0% | 34.4% | 5,659 | 35.8% |
| United Kingdom | 2,189 | 2.6% | 2.6% | 1.5% | 14.0% | 2,133 | 13.5% |
| W Cont. Europe | 3,335 | 3.2% | 3.5% | 1.7% | 21.4% | 3,231 | 20.4% |
| AP, LA, AME, CEE ⁴ | 4,707 | -1.6% | 3.8% | 4.4% | 30.2% | 4,781 | 30.3% |
| Total Group | 15,602 | -1.3% | 1.5% | 0.8% | 100.0% | 15,804 | 100.0% |

REVENUE LESS PASS-THROUGH COSTS ANALYSIS

| £ million | 2018 | Δ reported | Δ constant | Δ LFL | % group | 2017 | % group |
|--------------------|---------------|--------------|-------------|--------------|---------------|---------------|---------------|
| N. America | 4,474 | -6.7% | -3.5% | -4.2% | 34.9% | 4,794 | 36.4% |
| United Kingdom | 1,691 | 0.2% | 0.2% | -0.5% | 13.2% | 1,688 | 12.8% |
| W Cont. Europe | 2,736 | 4.0% | 4.1% | 2.0% | 21.3% | 2,631 | 20.0% |
| AP, LA, AME, CEE | 3,926 | -3.2% | 2.0% | 2.5% | 30.6% | 4,057 | 30.8% |
| Total Group | 12,827 | -2.6% | 0.2% | -0.4% | 100.0% | 13,170 | 100.0% |

OPERATING PROFIT ANALYSIS (HEADLINE PBIT)

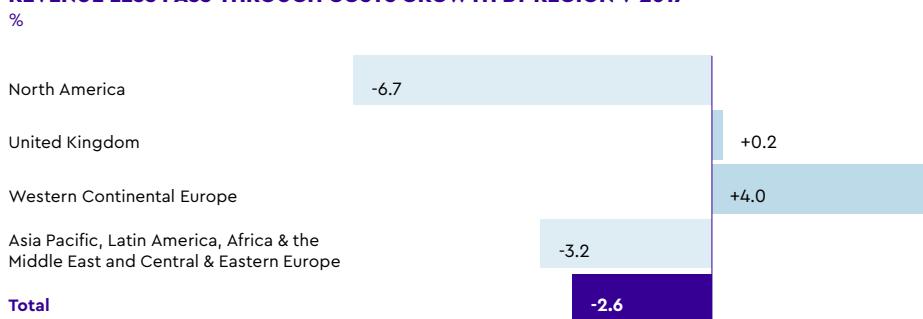
| £ million | 2018 | % margin* | 2017 | % margin* |
|--------------------|--------------|--------------|--------------|--------------|
| N. America | 804 | 18.0% | 937 | 19.6% |
| United Kingdom | 245 | 14.5% | 280 | 16.6% |
| W Cont. Europe | 372 | 13.6% | 376 | 14.3% |
| AP, LA, AME, CEE | 626 | 15.9% | 674 | 16.6% |
| Total Group | 2,047 | 16.0% | 2,267 | 17.2% |

* Headline PBIT as a percentage of revenue less pass-through costs.

Notes

- 1 Percentage change at constant currency exchange rates.
- 2 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.
- 3 Prior year figures have been restated for the impact of the adoption of IFRS 15: Revenue from Contracts with Customers, as described in the accounting policies.
- 4 Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

REVENUE LESS PASS-THROUGH COSTS GROWTH BY REGION V 2017



BUSINESS SECTOR REVIEW

The pattern of revenue and revenue less pass-through costs growth also varied by sector and operating brand. The tables opposite give further details.

Advertising and Media Investment Management

In constant currencies, advertising and media investment management revenue less pass-through costs was down 1.6% in the fourth quarter, a significant improvement on the -6.5% in the third quarter and the strongest quarter of the year. On a like-for-like basis revenue less pass-through costs was up 0.4% in the fourth quarter, the first quarter of positive growth, with both our advertising and media investment businesses showing considerable improvement over the third quarter. However, despite this improvement, our advertising businesses remain under pressure.

The strong revenue less pass-through costs growth across most of the Group's media investment management businesses, offset by slower growth in our advertising businesses in most regions, resulted in the combined reported operating margin of this sector being down 1.2 margin points at 17.6% and down 1.4 margin points in constant currency.

REVENUE ANALYSIS

| £ million | 2018 | Δ reported | Δ constant ¹ | Δ LFL ² | % group | 2017 ³ | % group |
|--------------------------|---------------|--------------|-------------------------|--------------------|---------------|-------------------|---------------|
| AMIM ⁴ | 7,132 | -3.2% | -0.4% | 1.0% | 45.6% | 7,369 | 46.6% |
| Data Inv. Mgt. | 2,582 | -4.5% | -1.8% | -2.0% | 16.6% | 2,703 | 17.1% |
| PR & PA ⁵ | 1,211 | 0.6% | 3.4% | 3.1% | 7.8% | 1,204 | 7.6% |
| BC, HW & SC ⁶ | 4,677 | 3.3% | 6.3% | 1.5% | 30.0% | 4,528 | 28.7% |
| Total Group | 15,602 | -1.3% | 1.5% | 0.8% | 100.0% | 15,804 | 100.0% |

REVENUE LESS PASS-THROUGH COSTS ANALYSIS

| £ million | 2018 | Δ reported | Δ constant | Δ LFL | % group | 2017 | % group |
|--------------------|---------------|--------------|-------------|--------------|---------------|---------------|---------------|
| AMIM | 5,530 | -6.1% | -3.3% | -1.2% | 43.1% | 5,889 | 44.7% |
| Data Inv. Mgt. | 1,966 | -4.2% | -1.3% | -1.8% | 15.3% | 2,052 | 15.6% |
| PR & PA | 1,136 | -0.4% | 2.5% | 2.6% | 8.9% | 1,141 | 8.7% |
| BC, HW & SC | 4,195 | 2.6% | 5.6% | 0.6% | 32.7% | 4,088 | 31.0% |
| Total Group | 12,827 | -2.6% | 0.2% | -0.4% | 100.0% | 13,170 | 100.0% |

OPERATING PROFIT ANALYSIS (HEADLINE PBIT)

| £ million | 2018 | % margin* | 2017 | % margin* |
|--------------------|--------------|--------------|--------------|--------------|
| AMIM | 972 | 17.6% | 1,109 | 18.8% |
| Data Inv. Mgt. | 301 | 15.3% | 350 | 17.1% |
| PR & PA | 184 | 16.2% | 183 | 16.1% |
| BC, HW & SC | 590 | 14.1% | 625 | 15.3% |
| Total Group | 2,047 | 16.0% | 2,267 | 17.2% |

* Headline PBIT as a percentage of revenue less pass-through costs.

Notes

1 Percentage change at constant currency exchange rates.

2 Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.

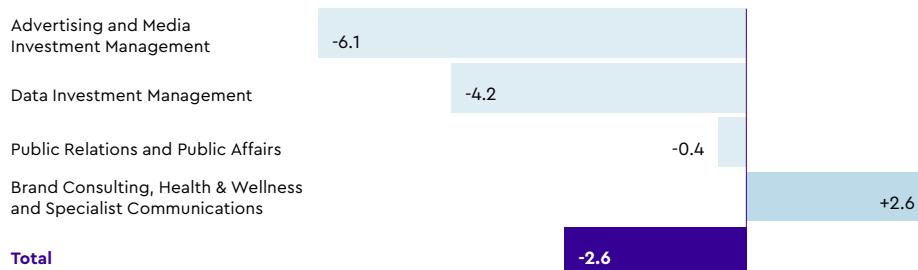
3 Prior year figures have been restated for the impact of the adoption of IFRS 15: Revenue from Contracts with Customers, as described in the accounting policies.

4 Advertising and Media Investment Management.

5 Public Relations & Public Affairs.

6 Brand Consulting, Health & Wellness and Specialist Communications (including direct, interactive and ecommerce).

REVENUE LESS PASS-THROUGH COSTS BY BUSINESS V 2017 %



Data Investment Management

In constant currencies, data investment management revenue less pass-through costs was down 2.8% in the fourth quarter, and down 2.8% like-for-like. On a full-year basis, constant currency revenue less pass-through costs was down 1.3%, down 1.8% like-for-like. Geographically, revenue less pass-through costs was up strongly in Asia Pacific and Latin America, but North America was weaker. Kantar Worldpanel and Kantar Media showed strong like-for-like revenue less pass-through costs growth, with Kantar Insights, Kantar Health, Kantar Public and Lightspeed less robust. Reported operating margins were down 1.8 margin points to 15.3% and down 1.8 margin points in constant currency.

Public Relations and Public Affairs

In the fourth quarter, in constant currencies and like-for-like, our public relations and public affairs businesses were the strongest-performing sector, as they were in the first half and third quarter, with growth of 3.3% and 1.2% respectively. On a full-year basis, constant currency revenue less pass-through costs grew 2.5% with like-for-like growth 2.6%. Geographically, all regions showed strong growth, with the United Kingdom and Africa & the Middle East particularly strong. Burson Cohn & Wolfe, Hill+Knowlton Strategies and the specialist public relations and public affairs businesses Finsbury, Hering Schuppener and Buchanan, performed particularly well. Overall operating margins improved 0.1 margin points to 16.2% and by 0.1 margin points in constant currency.

Brand Consulting, Health & Wellness and Specialist Communications

Our brand consulting, health & wellness and specialist communications businesses (including direct, interactive and ecommerce), performed less well in the fourth quarter with constant currency revenue less pass-through costs up 0.2%, compared with 6.5% in the third quarter, with like-for-like down 1.6%, as our healthcare businesses in North America and some direct, interactive and ecommerce businesses came under pressure. On a full-year basis, revenue less pass-through costs was up 5.6% in constant currency and up 0.6% like-for-like. In brand consulting, Landor and FITCH performed strongly, and in the direct, interactive and ecommerce businesses, Wunderman, Hogarth, AKQA, Blue State Digital, F.biz and Deeplocal performed well. Operating margins, for the sector as a whole, were down by 1.2 margin points to 14.1% and down 1.3 margin points in constant currency, with operating margins negatively affected as parts of our direct, interactive and ecommerce, brand consulting and healthcare businesses in North America slowed.

CASH FLOW HIGHLIGHTS

In 2018, operating profit was £1.431 billion, depreciation, amortisation and goodwill impairment £728 million, non-cash share-based incentive charges £85 million, working capital and provisions inflow £166 million, net interest paid £162 million, tax paid £384 million, capital expenditure £375 million, earnout payments £120 million and other net cash outflows £266 million, principally £235 million gains on disposal of investments and subsidiaries. Free cash flow available for debt repayment, acquisitions (excluding earnouts), share buy-backs and dividends was, therefore, £1.103 billion.

This free cash flow was enhanced by £849 million of proceeds from the disposal of associates and investments, offset by £289 million in cash acquisition costs (investments and new acquisition payments), £207 million in share buy-backs and £747 million in dividends, a net outflow of £394 million. This resulted in a net cash inflow of £709 million.

Free cash flow conversion¹ in 2018 was 81%.

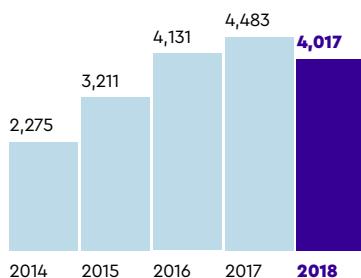
BALANCE SHEET HIGHLIGHTS

Average net debt in 2018 was £4.966 billion, compared to £5.125 billion in 2017, at 2018 exchange rates. On 31 December 2018 net debt was £4.017 billion, against £4.483 billion on 31 December 2017, a decrease of £466 million (a decrease of £605 million at 2018 exchange rates). The reduced period end debt figure reflects the benefit of £849 million proceeds in relation to disposal of our interests in certain associates and investments, the principal of which were Globant S.A., Imagina, AppNexus and Bruin. This trend has continued in the first two months of 2019, with average net debt of £4.015 billion, compared with £4.569 billion in the same period in 2018, a decrease of £554 million (a decrease of £671 million at 2019 exchange rates).

The net debt figure of £4.017 billion at 31 December compares with a current market capitalisation of approximately £10.966 billion (\$14.345 billion), giving an enterprise value of £14.983 billion (\$19.600 billion). The average net debt to EBITDA ratio, at 2.1x, is above the revised target range of 1.5-1.75x to be achieved by the end of 2021.

NET DEBT

£ million



¹ Free cash flow conversion is the ratio of free cash flow to headline earnings. Free cash flow is after earnouts and changes in working capital and before new acquisition spend, disposals and shareholder distributions as set out in note 29 of the financial statements.

RETURN OF FUNDS TO SHAREHOLDERS

Dividends paid in respect of 2018 will total approximately £753 million for the year. Funds returned to shareholders in 2018 totalled £955 million, including share buy-backs.

In 2018, 16.6 million shares, or 1.3% of the issued share capital, were purchased at a cost of £207 million.

PROGRESS ON GROWTH STRATEGY

In the last seven months, we have made significant progress in simplifying our operations to make them more client-centric and improving WPP's financial position. Milestones include the launch of a new vision, offer and brand identity for WPP, the creation of two new integrated networks (VMLY&R and Wunderman Thompson), the realignment of the US healthcare agencies with major networks, the formation of WPP's first Executive Committee and the initiation of the process to find a financial and strategic partner for Kantar.

As part of the restructuring plan we outlined in the investor day presentation, 70 of the 100 planned office mergers have been completed, 57 of the 80 offices have been closed and approximately 2,650 of the 3,500 planned redundancies have been actioned. The anticipated gross savings remain in line with the £160 million estimate in December. As we outlined in the investor day a proportion of these gross savings will be reinvested in talent and technology development.

In addition, 30 disposals were completed in 2018 realising proceeds of £849 million, helping to strengthen the Group's balance sheet and improve leverage. The disposal programme will continue in 2019 and a further six disposals have been completed year-to-date.

OUTLOOK

Financial guidance

Our 2019 targets are:

- Like-for-like revenue less pass-through costs down 1.5% to 2.0%, with stronger headwinds in the first half, due to client losses in 2018; and
- Headline operating margin to revenue less pass-through costs down around 1.0 margin point on a constant currency basis (excluding the impact of IFRS 16: Leases).

In 2019, our primary focus will remain on addressing our issues in North America. We will achieve this through investment in leadership, creative talent and technology and delivering on the potential of the newly merged businesses of VMLY&R and Wunderman Thompson. In addition, we will ensure the gross benefits from the restructuring actions taken in 2018 and continuing to be taken in 2019 are realised. To help drive top-line growth, the incentive plans for 2019 will include up to half of the incentive pools being funded based on improving growth in revenue less pass-through costs, with the remaining proportion based on growth in operating profit and margin.

Medium-term financial targets

At our investor day in December, we set out our new medium-term financial targets that will allow us to invest in talent and technology, improve our competitive position and deliver sustainable long-term growth rates. Our targets, to be achieved by the end of 2021, are:

- Organic growth (defined as like-for-like revenue less pass-through costs growth) in line with peers;
- Headline operating margin (excluding the impact of IFRS 16: Leases) of at least 15%; and
- Free cash flow conversion of 80%-90%.

USES OF FUNDS

As per the investor day in December, over the next three years we will prioritise the dividend over share buy-backs and will balance targeted M&A with divestments.

For more information on our strategy see pages 42-53

SUSTAINABILITY

At WPP we build better futures for our people, our clients – and our wider communities.

WHY SUSTAINABILITY MATTERS

2018 has seen record heatwaves on four continents, and perilous water shortages in South Africa, Australia and India. It has seen women the world over say #MeToo, and consumers take a stand on plastic packaging at supermarket checkouts.

From technological disruption, climate change and resource scarcity to skills shortages, demographic shifts and political uncertainty, our clients, across every sector, face a complex set of interconnected social, economic and environmental pressures.

The potential upside to tackling sustainability challenges is significant – it is estimated that sustainable business model innovation could open economic opportunities worth \$12 trillion and create 380 million jobs¹.

Consumer expectations are changing. Today's consumers want more from their favourite brands than just a great product – they expect transparency across the supply chain and want brands to have a point of view and to play an active role in society. Yet there is often cynicism and a lack of trust about corporate motivations and actions.



"WE HAVE A STRONG TRACK RECORD OF BUILDING BRANDS WITH PURPOSE THAT HELP OUR CLIENTS ACHIEVE THEIR SUSTAINABILITY GOALS. BUT WE CAN AND MUST DO MORE."

Andrea Harris
Group Chief Counsel
and Head of Sustainability

¹ Better Business, Better World, Business & Sustainable Development Commission, January 2017.

**FRIENDLY ARMS**

AGENCY

AKQA SÃO PAULO

CLIENT

AACD,
ORTHOPAEDIC
HOSPITAL

To learn more see
wpp.com/friendlyarms

As the importance of sustainability grows for our clients, so does its impact on WPP.

OUR RESPONSE

Our clients look to us to provide the insight, expertise and creative solutions they need to navigate this changing landscape and communicate their purpose effectively and authentically. Our own sustainability strategy helps us to do this with credibility, meeting changing client expectations while reducing risks and creating a more resilient business for the long term.

SUSTAINABILITY AND OUR STRATEGY

Our sustainability strategy aligns with all five elements of our new corporate strategy, which we introduced in late 2018. The table opposite sets out the most material ways in which sustainability supports our strategy.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We support the UN SDGs which provide a framework for government agencies, civil society, the private sector and citizens to work together to create a more sustainable future. Good communications are essential to bring about the shift in attitudes and behaviour needed to tackle extreme poverty, inequality and climate change by 2030. We aim to play our part through the improvements we are making in our business, our pro bono work and our work for clients on social and environmental themes.

We have analysed the 17 Global Goals and the 169 targets which sit behind them to identify those which are most relevant for our business. To learn more about the Goals we believe we can make the most significant contribution towards, see page 8 of our full Sustainability Report 2018, available as a PDF download.

For our full review of our sustainability activities and outcomes, download our Sustainability Report 2018.



wpp.com/sustainability

| STRATEGIC ELEMENT | SUSTAINABILITY STRATEGY | |
|------------------------------|---|---|
| VISION & OFFER | <p>A STRONGER OFFER FOR OUR CLIENTS</p> <p>A growing number of clients are grappling with sustainability challenges and looking to articulate the purpose of their brands. They look for partners who share their sustainability values and aspirations. Our commitment to responsible and sustainable business practices helps us to broaden and deepen these partnerships, and to meet the growing expectations and sustainability requirements in client procurement processes.</p> | <p>A stronger offer for our clients, see pages 66 and 67</p> <p>Transparency and trust, see pages 74 and 75</p> |
| CREATIVITY | <p>SOCIAL INVESTMENT</p> <p>Our pro bono work can make a significant difference to charities and NGOs, enabling our partners to raise awareness and funds, recruit members, and achieve campaign objectives.</p> | <p>Social investment, see pages 68 and 69</p> |
| | <p>DIVERSE AND INCLUSIVE TEAMS</p> <p>Creativity thrives on diversity of background and thought. This makes having a diverse and inclusive workplace essential to our long-term business success. We want all of our people to feel valued and able to fulfil their potential, regardless of gender, ethnicity, age or disability.</p> | <p>Attracting and retaining talent, see pages 70 and 71</p> |
| DATA & TECHNOLOGY | <p>PRIVACY AND DATA ETHICS</p> <p>Data – including consumer data – can play an essential role in our work for clients. Data security and privacy are increasingly high-profile topics for regulators, consumers and our clients. We have a responsibility to look after this data carefully, to collect data only when needed and with consent where required, and to store and transfer data securely.</p> | <p>Privacy and data ethics, see page 76</p> |
| SIMPLER STRUCTURE | <p>GREENER OFFICE SPACE</p> <p>Our work to simplify our structure and consolidate our office space is driving a positive impact on our energy use and carbon footprint. We are reducing the overall number of offices we occupy, moving to locations that use green building standards and reduce our impact, help us to use space more efficiently and encourage collaboration between our companies.</p> | <p>Environment, see page 72</p> |
| CULTURE | <p>SHARED VALUES ACROSS OUR BUSINESS AND SUPPLY CHAIN</p> <p>Strong employment policies, investment in skills and inclusive working practices help us recruit, motivate and develop the talented people we need to serve our clients in all disciplines across our locations.</p> | <p>Attracting and retaining talent, see pages 70 and 71</p> <p>Supply chain, see page 73</p> |

**"A NEW KIND OF
ACTIVISM SHAPED
BY PEOPLE FROM
AROUND THE
WORLD THROUGH
SOCIAL MEDIA."**

Sir David Attenborough



HOW GOOD MARKETING MAKES FOR BETTER DEMOCRACY

AGENCY

**MULTI-AGENCY TEAM
LED BY GREY LONDON**

CLIENT

**UNITED NATIONS DPI
AND UNFCCC**

In an age of growing grassroots activism, many people feel that action happens on the street, not behind the closed doors of the United Nations. We brought together a multi-agency team, led by Grey London, to help the UN reconnect with the world's people and put them back at the centre of their work.

The team put a new People's Seat in the UN plenary, right among world leaders. It was the first seat in UN history not representing a nation or specific interest. Instead it was there to give the world a voice on climate change. The campaign asked people around the world to express their thoughts, fears and experiences of climate change. These testimonials were crafted into a UN address delivered by Sir David Attenborough to key leaders poised to negotiate one of the most important decisions in the history of our planet.

The speech dominated the global news agenda, reaching some 1.3 billion people and ensuring the climate talks made headlines in countries including the UK, US and China.

RESULT

1.3bn+

people reached within
the first month of
The People's Seat launch
December 2018



To learn more see
wpp.com/peopleseat

A STRONGER OFFER FOR OUR CLIENTS

Our biggest sustainability impact is through the work we do for clients, which reaches billions of people each year.

We partner with a growing number of clients on sustainability-related briefs. Our blend of expertise means we can offer clients cutting-edge technology alongside the creativity needed to inspire consumers and help to make behavioural shifts more desirable.

Marketing is a powerful tool with the potential to change people's attitudes and behaviour. So it is important that we apply high ethical standards to our work. We continue to maintain high standards and compliance procedures in areas such as business ethics, human rights and data security and privacy.

WORK WITH PURPOSE

Increasingly, our clients aspire to create brands with purpose and look to us to help them to integrate sustainability into brand strategy, communications and marketing. This work is of growing importance to WPP. A survey of our top client team leaders in 2018 found that over 80% had recently discussed sustainability with their clients, with almost half of these discussions relating to the development of a brand campaign.

Our work in this area can include:

- **Brand and strategy consulting:** integrating social and environmental values into brand and business strategy.
- **Technology and research:** using technology and data to understand consumer attitudes and behaviour in relation to sustainability.
- **Communications:** helping clients communicate credibly on social and environmental issues with all audiences from consumers, employees and citizens to investors, regulators, the media and NGOs. This can include social marketing campaigns that raise awareness or drive behaviour change on issues of public interest, often for government and NGOs as well as corporate clients.

Given our clients' growing focus on sustainability, during 2019 we will explore how we can further build our sustainability capabilities and facilitate collaboration between WPP agencies on sustainability-related briefs.

COMPLIANCE WITH MARKETING STANDARDS

We expect our companies to comply with all relevant legal requirements and codes of practice for marketing standards in the work they produce for clients. A small number of the campaigns we produce give rise to complaints, some of which are upheld by marketing standards authorities. Our companies take action where needed to prevent a recurrence.

ETHICAL DECISIONS IN OUR WORK

Our work for clients can sometimes raise ethical issues, for example work for government clients, work relating to sensitive products or marketing to children. We have a review and referral process for work that may present an ethical risk.

Before accepting potentially sensitive work, our people are required to elevate the decision to the most senior person in the relevant office and then to the most senior WPP executive in the country concerned, who will decide if further referral to a global WPP executive is required. This referral process is covered in our How We Behave online training.

Companies also have copy-checking and clearance processes through which campaigns are reviewed by the legal team before publication. Requirements are particularly comprehensive in sectors such as pharmaceutical marketing which are highly regulated.

£2.07bn
revenues generated through clients who engaged with us on sustainability

13%
equivalent to approximately 13% of our total revenue

To find more examples of our client and pro bono work to address social and environmental issues download our Sustainability Report 2018.



wpp.com/sustainability



I'M FINE

AGENCIES
OGILVY & MINDSHARE

CLIENT
DOVE (UNILEVER)

This campaign by Ogilvy for Dove, with Mindshare handling media, saw the creation of four animations, each telling the real story of a girl's struggles with self-esteem. The films were launched in social, digital and cinema in markets across the world, giving parents the tools to help their kids build body-confidence.



To learn more see
wpp.com/imfine

SOCIAL INVESTMENT

Charities and NGOs have a vital role to play in tackling issues such as health, education, human rights and the environment, often with very limited resources. We can help them increase their impact by providing communications and creative services on a pro bono basis (for little or no fee).

This can have a significant positive impact on the organisations we support, enabling them to raise awareness and funds, recruit members, and achieve campaign objectives. It benefits our business too, providing rewarding creative opportunities for our people that often result in award-winning campaigns and raise the creative profile of our companies. Our agencies also negotiate free media space for charity campaigns, enabling them to reach a wide audience.

Alongside our pro bono work, our social investment is one of the main ways we can contribute to progress on the UN Sustainable Development Goals. We established our Charity Committee of senior executives in 2018 to oversee our approach and help us to target our support effectively.

We encourage our people to get involved as volunteers. 41% of our companies have a formal volunteering policy and 56% organised volunteering activities for their people during 2018.

WHAT WE GAVE IN 2018

Our pro bono work was worth £11.3 million in 2018 (2017: £12.7 million). We also made cash donations to charities of £6.2 million (2017: £7.7 million), resulting in a social investment worth £17.5 million (2017: £20.4 million). This is equivalent to 1.20% of reported profit before tax (2017: 0.97%).

WPP media agencies negotiated free media space worth £23.8 million on behalf of pro bono clients (2017: £29 million), making a total social contribution of £41.3 million (2017: £49.4 million).

SOCIAL IMPACT

Our support helps NGOs and charities to carry out important work in areas such as improving health and education, and protecting human rights. With pro bono work this can often be worth more than an equivalent cash donation because it enables charities to raise awareness, increase donations, recruit members, impact behaviour and achieve campaign goals. We have conducted research to quantify this wider impact.

Our most recent analysis shows that our pro bono work in 2018 created wider social benefits worth £91 million to society (2017: £103 million). This includes, for example, the impact of charities being able to improve health and wellbeing in communities. The wider social benefits created by our pro bono work, charitable donations and free media space is worth an estimated £331 million (2017: £397 million).

COMMON GROUND

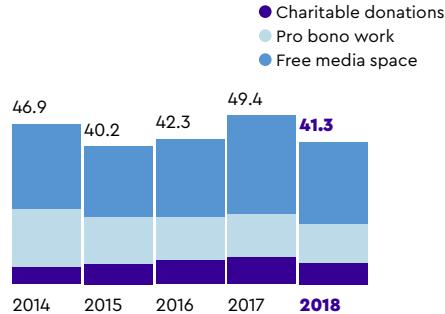
We launched Common Ground in 2016 as a collaboration between the world's six biggest advertising and marketing services groups and the United Nations to use the power of communication to accelerate progress towards achieving the 17 Sustainable Development Goals by 2030.

At WPP our focus is gender equality (Goal 5), with an emphasis on tackling gender-biased stereotypes in the media and on promoting equal opportunities for women and girls.

During 2018, GroupM and other WPP agencies launched Creativity for Equality, a strategic partnership with UN Women to help positively impact the lives of girls and women. The partnership began with a 16-day campaign against gender-based violence across six countries.

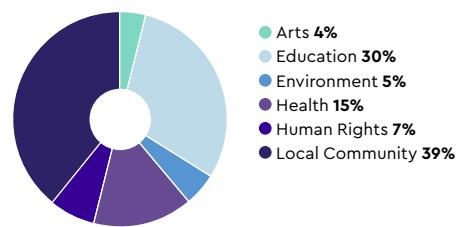
TOTAL SOCIAL CONTRIBUTION

£m



PRO BONO WORK BY SECTOR

%



£11.3m
in pro bono work

£23.8m
free media space
negotiated by WPP
companies

1.20%
social investment
as a percentage
of reported
profit before tax

£331m
wider social
benefits of pro bono
work, charitable
donations and
free media space

For more examples of our pro bono work download our Sustainability Report 2018.



wpp.com/sustainability



OCEAN OF THE FUTURE

AGENCY
OGILVY UK

CLIENT
GREENPEACE

This film follows children visiting an aquarium, where they see some of the 800,000 tonnes of plastic packaging generated by UK supermarkets every year, and encourages people to sign a petition calling on retailers to reduce plastic waste.

RESULT

>970,000
people signed the petition
since April 2018



Watch the video:
wpp.com/oceanofthefuture

BLINK AND THEY ARE GONE

AGENCY
WUNDERMAN THOMPSON
MUMBAI AND AMSTERDAM

CLIENT
JIMMY NELSON

This film uses over 1,500 images to document the lives of the world's last remaining indigenous communities, warning us that we are losing our global cultural heritage.

RESULT

\$1m

in free media
December 2018–February 2019



Watch the video:
wpp.com/blink



ATTRACTING AND RETAINING TALENT

Our clients choose WPP on the strength of our people's insights, creativity and original ideas.

To attract and retain the best, most forward-thinking talent, we are focusing on:

- Embedding a culture based on our new values of being open, optimistic and doing extraordinary work;
- Improving diversity and inclusion;
- Investing in skills and creativity; and
- Offering attractive compensation, flexible working practices and opportunities for collaboration and growth.

SKILLS, TRAINING AND DEVELOPMENT

We invest in training and development to build the creative, technical and leadership skills our business needs. Training and opportunities for professional and personal development contribute to employee engagement and retention.

Overall, we spent £45.5 million on training in 2018 (2017: £44.9 million) with 65% of our people taking part in formal training programmes, averaging 5.7 hours per person.

We follow up with training participants to understand the impact of our courses and identify opportunities for improvement.

During 2018, 76% (2017: 80%) of our people participated in a formal appraisal process, and 69% (2017: 70%) of executive leaders and 66% (2017: 68%) of senior managers had a 360-degree appraisal.

ENGAGEMENT AND FEEDBACK

In 2018, we began the process to set up our first employee forum in the UK. We will roll this out to more markets starting with India, China and Turkey. The views and ideas raised through these forums will be shared with the two Non-Executive Board Directors responsible for workforce engagement.

We use employee surveys to assess employee engagement and satisfaction. In 2018, a set of consistent questions to assess employee

views on sustainability-related topics was used in surveys covering 75% of our employees. During 2019, we plan to launch a Company-wide employee survey.

LABOUR RELATIONS

We support the right of our people to join trade unions and to bargain collectively, although trade union membership is relatively low in our industry. In 2018, around 7% of our employees were either members of a trade union or covered by a collective bargaining agreement (2017: 8%). There were 1,267 consultations with works councils, of which the majority were in Europe (2017: 4,116).

As part of our transformation programme we announced we will be making around 3,500 redundancies in our business, as we merge and restructure some of our agencies and as a result of changes in our client base. We aim to support employees affected by redundancy including through our employee assistance programmes.

DIVERSITY AND INCLUSION

Creativity thrives on diversity of background and thought. This makes having a diverse and inclusive workplace essential to our long-term business success. We want all of our people to feel valued and able to fulfil their potential, regardless of gender, ethnicity, age or disability.

WPP does not tolerate harassment, sexual harassment, discrimination or offensive behaviour of any kind. We select and promote our people on the basis of their qualifications and merit, without discrimination or concern for factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. These commitments are set out in our Code of Business Conduct, which applies to all our people and is available on the WPP website, in our Policy Book and on our intranet.

GENDER DIVERSITY

Board and Executive

| | | |
|-------------|-------------|------|
| 36% (1,796) | 64% (3,189) | 2018 |
| 35% (1,820) | 65% (3,436) | 2017 |

Senior Managers

| | | |
|-------------|--------------|------|
| 49% (9,949) | 51% (10,407) | 2018 |
| 49% (9,754) | 51% (10,017) | 2017 |

All other employees

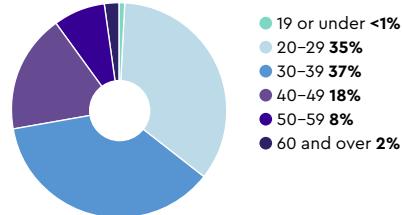
| | | |
|--------------|--------------|------|
| 56% (60,601) | 44% (47,216) | 2018 |
| 56% (60,456) | 44% (47,555) | 2017 |

Total employees

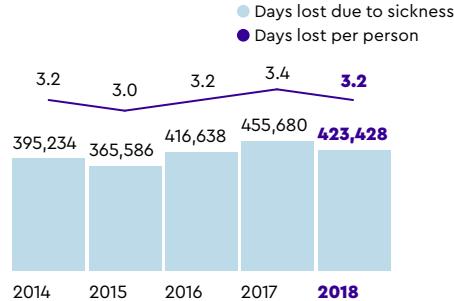
| | | |
|--------------|--------------|------|
| 54% (72,346) | 46% (60,812) | 2018 |
| 54% (72,030) | 46% (61,008) | 2017 |

● Female ● Male

AGE DIVERSITY



DAYS LOST DUE TO SICKNESS



Employees are trained on our commitments through our online ethics training, How We Behave, which includes training on diversity and unconscious bias.

GENDER BALANCE

Our workforce is gender-balanced overall and the proportion of women in executive leadership roles increased this year. At the Board level the appointment of Cindy Rose raises the proportion of women on the Board to 33%. Achieving gender balance at leadership levels remains a priority.

In 2018, we signed up to the Women's Empowerment Principles, established by UN Women and UN Global Compact as a guide for businesses on how to empower women in the workplace, marketplace and community.

Our WPP Stella network, now active in India, Italy, Mexico, South Africa, Taiwan and the UK, aims to tackle barriers that may prevent women progressing to the most senior roles. It runs events, networking opportunities, coaching and training as well as a speaker database to raise the internal and external profile of our senior women. A series of podcasts was launched in 2018 featuring some of our female leaders. The network will be rolled out to further markets during 2019.

To learn more about our programmes, including information about

- Training programmes
- Development programmes supporting career progression for our senior and mid-level women

download our Sustainability Report 2018.

wpp.com/sustainability

HEALTH, SAFETY AND WELLBEING

We aim to support our people to look after their physical and mental health and wellbeing. The main health and safety risks in our business are work-related stress and ergonomic injuries. 76% of our companies have appointed someone with specific responsibility for health and safety management. There were no work-related deaths in 2018.

We offer a range of programmes to address health and safety risks which can include: fitness facilities or subsidised gym memberships; health and nutrition services; health insurance and medical assessments; counselling and employee assistance services; and ergonomic risk assessments and specialist equipment.

We estimate around 25% of our workforce have flexible working arrangements which include part-time working, flexible start and finish times and home working, as well as career breaks and sabbaticals.



THE BEST MEN CAN BE

AGENCY
GREY NEW YORK

CLIENT
GILLETTE

Gillette took a fresh look at what it means to be "the best" in today's world, celebrating stories of men who challenge the culture of toxic masculinity.

RESULTS

110m

video views

January 2019–February 2019

15bn

impressions

January 2019–February 2019



Watch the video:
wpp.com/bestmencanbe

Recognition for WPP

Industry Leader

in the Bloomberg Gender-Equality Index

ENVIRONMENT

We recognise the major threat that climate and environmental change poses to global social and economic development. We support urgent action to tackle climate change through the Paris Agreement. As a result, we have environmental management programmes in place to reduce our carbon emissions and environmental impact and identify and mitigate climate-related risk in our operations.

KEY TARGETS AND COMMITMENTS

- 0.41 tonnes of CO₂e per employee by 2030, a 50% reduction from 2017
- 50% of electricity from renewable sources by 2030
- 25% of global floor space certified to advanced green building standards by 2020
- 100% of emissions from air travel offset through the purchase of high-quality carbon credits

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

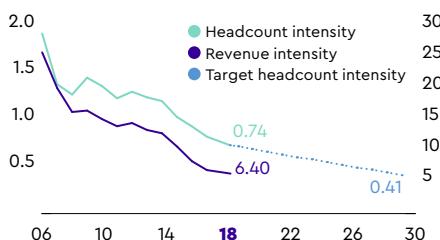
We support the Taskforce on Climate-related Financial Disclosures and aim to develop our disclosures in line with its recommendations. This voluntary framework seeks to encourage businesses to disclose climate-related risks and opportunities and is structured around four themes: governance, strategy, risk management, and metrics and targets.

For our TCFD disclosure, see page 173

PERFORMANCE SUMMARY

SCOPE 1 AND 2 EMISSIONS 2006-2018

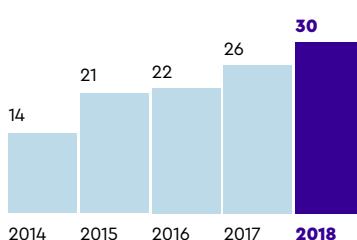
Tonnes CO₂e/head (market-based)



Our scope 1 and 2 market-based emissions for 2018 were 0.74tCO₂e/head, a 9% reduction from 2017. Our carbon intensity per £1 million revenue was 6.40 tCO₂e/head, an 8% reduction since 2017.

PROPORTION OF ELECTRICITY FROM RENEWABLE SOURCES

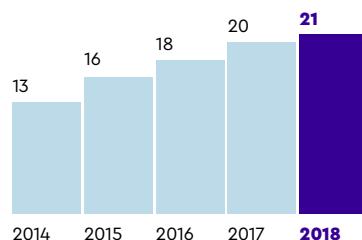
%



We increased the percentage of electricity purchased from renewable sources to 30% (2017: 26%), making substantial progress towards our 50% target.

CERTIFIED FLOORSPACE

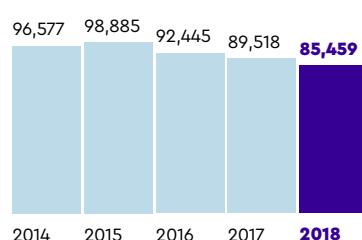
%



In 2018 21% of our floorspace was certified to advanced sustainability standards like LEED and BREEAM.

CARBON OFFSETS PURCHASED

tCO₂e



Since 2007 we have purchased and permanently retired almost 1.5 million carbon credits to offset our carbon emissions from air travel. We offset 100% of our air travel emissions in 2018.

30%

electricity purchased from renewable sources (target: 50% by 2030)

0.74

tonnes of CO₂e per person (target: 0.41 tCO₂e by 2030)

21%

floor space certified to advanced green building standards (target: 25% by 2020)

A-

rating for our climate change strategy and reporting in the CDP climate change programme

To learn more about our approach to environmental management, our full performance and our approach to carbon emissions accounting, download our Sustainability Report 2018.



wpp.com/sustainability

SUPPLY CHAIN

We work with over 130,000 companies across our supply chain, and aim to select suppliers who meet high standards in areas such as human rights and the environment. Where we can, we work with our suppliers to positively influence standards in the wider supply chain. This reduces risks to our business and our clients and enables us to respond to the growing number of client tender processes that include supply chain management criteria.

We take a risk-based approach to supplier engagement focusing on suppliers in high-risk countries or sectors, those with whom we have a direct commercial relationship and those with centrally negotiated contracts managed by our procurement team.

SOURCING STANDARDS

Our Supplier Code of Conduct includes requirements relating to labour practices, human rights, social impacts as well as other sustainability issues. Our Code requires suppliers to apply similar standards to companies in their own supply chain.

SUPPLIER SELECTION

We evaluate potential new suppliers on factors such as assurance of supply, quality, service, cost, innovation and sustainability. We launched two additional sustainability questionnaires in 2018 to strengthen our due diligence processes for supplier selection. In 2019 we plan to roll out new training for our procurement teams on conducting due diligence for supply chain sustainability risks.

HUMAN RIGHTS

Respect for human rights is a fundamental principle for WPP. We aim to prevent, identify and address any negative impacts on human rights associated with our business activities.

Our Human Rights Policy Statement summarises our approach. It reflects international standards and principles, including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Children's Rights and Business Principles.

We are a member of the **United Nations Global Compact** and report progress against its 10 principles annually.

Our most direct impact on human rights is as a major employer. We recognise the rights of our people including those relating to freedom of association and collective bargaining and we do not tolerate harassment or any form of forced, compulsory or child labour.

See **attracting and retaining talent, pages 70 and 71**

We work with clients to manage any human rights risks from marketing campaigns, for example by protecting children's rights in relation to marketing. WPP companies will not undertake work designed to mislead on human rights issues.

MODERN SLAVERY

We do not tolerate any form of modern slavery, forced labour or human trafficking in any part of our business or supply chain. Our risk assessment shows that almost 90% of our spend with preferred supplier partners is in medium- or low-risk categories for modern slavery such as HR and professional services. Higher-risk categories include facilities and promotional goods suppliers.

SUPPLIER DIVERSITY

We work with many small and diverse suppliers. In the US, around 2.1% of our spend is with certified diverse suppliers including women- and minority-owned businesses.



T-SHIRTS THAT FIGHT SLAVERY

AGENCY

HILL+KNOWLTON STRATEGIES,
SÃO PAULO

CLIENT

BRAZIL MINISTRY
OF PUBLIC LABOR

Slavery is a reality in Brazil, despite being illegal. #SomosLivres invites Brazilians to fight to protect this law. Leading fashion journalists and trendsetters received branded t-shirts during Fashion Week.

RESULTS

| | |
|--|--------------------------------|
| 17m | 140,000 |
| people reached via print and digital media | mentions |
| November 2018- January 2019 | November 2018- January 2019 |

To learn more about our Supplier Code of Conduct, Human Rights Policy, and Modern Slavery Act Transparency Statement see:



[wpp.com/sustainability/
policies-and-resources](http://wpp.com/sustainability/policies-and-resources)

TRANSPARENCY AND TRUST

By establishing clear policies and procedures in areas such as data security, ethical conduct, supply chain management and human rights, and reporting transparently on our progress, we can reduce risks to our business and to our clients.

OUR CODE OF CONDUCT

We set clear ethical standards for our people and companies through our policy framework and training.

The WPP Code of Business Conduct summarises our principles and key points of policy that apply to everyone at WPP. It is supported by more detailed policies in areas such as anti-bribery and corruption, hospitality and gifts, facilitation payments and the use of third-party advisors as well as our Human Rights Policy Statement and Sustainability Policy.

Our online ethics training, How We Behave, is updated every two to three years. Our people are required to take the training on joining and on a regular basis, and repeat the training following each update. Topics covered include diversity, human rights, conflicts of interest and avoiding misleading work. In 2018, we added unconscious bias training, and updated our ethics and anti-bribery and corruption training. Over 115,000 employees have completed the training since this update.

Our online training on anti-bribery and corruption covers the Foreign Corrupt Practices Act and UK Bribery Act on issues such as hospitality and gifts, facilitation payments and the use of third-party advisors.

MANAGEMENT AND COMPLIANCE

Our Group Chief Counsel and Head of Sustainability oversees our approach to ethics and compliance. Senior managers in all our companies and our business and supplier partners are asked to sign a copy of the WPP Code of Business Conduct each year to confirm they will comply with its principles.

Breaches or alleged breaches of our Code are investigated by the WPP legal and internal audit teams. Our people can report concerns or suspected cases of misconduct in confidence through our third party-managed Right to Speak facility, overseen by our legal and compliance departments. We relaunched Right to Speak following the appointment of the new CEO in 2018 to ensure all our people are aware of how they can raise concerns. There were 200 reports (2017: 106) made via Right to Speak during 2018, all of which were followed up, investigated where appropriate and reported to the Audit Committee.

ASSOCIATES, AFFILIATES AND ACQUISITIONS

We expect associate companies (those in which we hold a minority stake) and affiliate companies (preferred partners to whom we may refer business) to adopt ethical standards that are consistent with our own.

Our due diligence process for acquisitions and expansion into new markets includes a review of ethical risks including those relating to bribery and corruption, human rights or ethical issues associated with client work.

We identify any specific human rights risks associated with different countries of operation, using sources such as the Transparency International Corruption Index, Human Rights Watch country reports and government guidance.

Acquired businesses must adopt our policies and their people must undertake our ethics training within a month of joining the Company. This is included in the integration plan agreed before the acquisition is finalised and we monitor progress after acquisition.

PUBLIC POLICY

We are involved in public policy activity in two ways. Our public affairs businesses carry out work for clients, including direct lobbying of public officials and influencing public opinion. On occasion, we also engage in the public policy process on issues that affect WPP and our companies.

115,000+
people completed refreshed
ethics training in 2018

We believe that business can make a valuable contribution to the debate on regulation and government policy. However, to protect the public interest, it is important that business lobbying is conducted with honesty, integrity and transparency.

The majority of our work takes place in the US and the EU, although many clients are multinational businesses.

OUR STANDARDS

Our political activities are governed by our Code of Business Conduct and our Political Activities and Engagement Policy, both available on our website. These commit us to acting ethically in all aspects of our business and to maintaining the highest standards of honesty and integrity. Political activities should be conducted legally, ethically and transparently. All communication should be honest, factual and accurate. Our policies apply to all employees, Directors and entities.

Many of our companies are members of professional organisations and abide by their codes of conduct. Examples include the UK's Association of Professional Political Consultants (APPC), the self-regulatory body for UK public affairs practitioners, and the European Public Affairs Consultancies' Association (EPACA), the representative trade body for public affairs consultancies working with EU institutions.

WPP companies comply with all applicable laws and regulations governing the disclosure of public affairs activities. In the US, this includes the Lobby Disclosure Act and the Foreign Agent Registration Act, which are designed to achieve transparency on client representation and require lobby firms to register the names of clients on whose behalf they contact legislators or executive branch personnel. A number of our companies are listed on the voluntary EU Transparency Register of lobbying activities.

It is WPP's practice that those of its US companies whose sole or primary business is lobbying have representatives of both major political parties among senior management.

We will not undertake work that is intended or designed to mislead. We do not knowingly represent "front groups" (organisations which purport to be independent NGOs but are controlled by another organisation for the purpose of misleading) and seek to ensure we are aware of who the underlying client is before taking on work.

Our Group Chief Counsel and Head of Sustainability has responsibility for development and implementation of our political activity policy and public reporting procedures. Our Chief Talent Officer had overall responsibility for implementation of this policy within our public affairs companies. The CEO and CFO in each country or region are responsible for implementing this policy at the local level.

Any third parties conducting political activities on behalf of WPP or its companies must comply with our Political Activities and Engagement Policy. Third parties should complete the WPP ethics training or equivalent training within their own organisation.

POLITICAL CONTRIBUTIONS

WPP companies are not permitted to make direct cash donations. Other political donations can only be made with the prior written approval of a WPP Executive Director. Donations must be reported to WPP legal before they are made to confirm they comply with this policy and to obtain the necessary approvals.

POLITICAL ACTION COMMITTEES

In countries where it is consistent with applicable law, individuals working at WPP companies may make personal voluntary political contributions directly to candidates for office. Several of our businesses, including Burson Cohn & Wolfe/Prime Policy, Glover Park Group and Hill+Knowlton Strategies, also maintain political action committees (PACs) which accept voluntary donations from their people to support political candidates. In 2017 and 2018, these PACs made disbursements worth \$307,948.

LOBBYING AND POLITICAL ADVOCACY

We occasionally contribute to the debate on public policy issues relevant to our business, sometimes operating through our public affairs companies.

We engage in partnerships and advocacy on sustainability issues, for example through the Common Ground initiative in support of the UN Global Goals. Karen Blackett OBE, WPP UK Country Manager and Chairwoman of MediaCom UK & Ireland, is serving as the UK Government's Race at Work Champion, supporting the Race at Work Charter.

Our companies also contribute to public debate in areas where they have expertise and a special interest – our digital and research companies, for example, are involved on privacy and data protection issues.

WPP companies must implement clear procedures for the employment of serving or former politicians. This includes, for example, a six-month "cooling-off" period for people joining WPP from public office or the public sector.

MEMBERSHIP OF TRADE ASSOCIATIONS

We are members of trade associations, industry groups and membership organisations which undertake lobbying activity on behalf of their members. It is important that we select organisations whose priorities and values are aligned with our own and which have robust governance processes. WPP companies must nominate a senior manager with responsibility for managing and overseeing trade association relationships. Memberships are listed in our full Sustainability Report 2018.

PRIVACY AND DATA ETHICS

Data – including consumer data – can play an essential role in our work for clients. We have a responsibility to look after this data carefully, to collect data only when needed and with consent where required, and to store and transfer data securely.

Data security and privacy are increasingly high-profile topics for regulators, consumers and our clients.

We focus on building our people's awareness and knowledge so everyone understands and takes responsibility for data privacy and security. We have robust standards and governance processes in place to reduce risks and comply with regulation. We partner with clients, peers and industry organisations to promote best practice.

We reviewed, and where necessary updated, all our policies, processes and training to respond to the EU's General Data Protection Regulation (GDPR), which came into force in 2018, and we are reviewing on an ongoing basis pending global privacy laws such as those which will come into force in Brazil and California.

POLICIES AND GOVERNANCE

In 2018, we launched WPP's Data Privacy and Security Charter to help us communicate our approach to data to our people and our clients. This brings together our Data Code of Conduct, which sets out core principles for responsible data management, with our IT security, privacy and social media policies, and our security standards (which are based on ISO 27001). It also includes our acceptable use, data handling and retention, business continuity, incident response and subject access policies. Many of the policies have been rewritten to make them clearer and more accessible to a wide audience.

Our Group Chief Privacy Officer leads our work on privacy and partners with our companies and security and audit teams to promote privacy best practices. We appointed a Data Protection Officer in 2018 whose role is: to provide practical guidance and support to our agencies on data ethics; ensure that privacy risks are well understood across the business; help us prepare for new data and privacy regulation; and promote best practices.

Privacy leads in our companies oversee the implementation of our policies at a local level. They report progress to the Company via our Group Chief Counsel and Group Chief Privacy Officer. Each of our networks has appointed privacy leads to oversee data practices.

AUDIT AND DUE DILIGENCE

Our Group Chief Privacy Officer and Data Protection Officer are working with our internal audit team to review privacy risks and practices as part of our Company-wide audit programme.

Any supplier who collects, manages or stores employee, consumer or client data on behalf of WPP, our companies and our clients must have the right data security and privacy standards in place. We conduct due diligence on data suppliers and embed privacy requirements in our supplier contracts.

TRAINING AND ENGAGEMENT

Our Safer Data platform provides information, guidance and resources to help our people understand privacy risks and to apply our policies to their work. We have expanded its scope to include additional resources on data privacy and security including guidance on: recognising "phishing" and similar techniques; looking after data valuables; and communicating with clients on WPP's data security and privacy practices.

The platform also includes our GDPR toolkit, which contains guidance notes, model data protection contract clauses, template privacy impact assessment tools, policy templates and other resources, and we will be including additional resources to deal with privacy laws coming into force globally.

We updated our mandatory global online Privacy and Data Security Awareness training in 2018. The updated training has been completed by 111,747 employees. Our team also ran face-to-face training for around 50 of our operating companies covering GDPR compliance and privacy best practices.

We have developed a range of materials to help our companies communicate our approach to clients including during pitches and contract negotiations. Our Chief Privacy Officer also meets with clients to explain our approach and share insights and privacy best practices.

We partner with clients, industry organisations and peer companies on privacy issues. For example, we are working with the Internet Advertising Bureau (IAB) in Europe, contributing to work on their Transparency and Consent Framework which aims to help all parties in the digital advertising chain comply with the increased consent requirements of the GDPR.

DATA HEALTH CHECKER

We use our Data Health Checker to review privacy risks and data security practices in our businesses. This provides us with insight into how data is used, stored and transferred and helps to identify any parts of the business that need further support on data practices. The results showed that the majority of our companies have mitigation measures that match or exceed their level of privacy risk, with the average risk score being 2.16 out of 5, where 5 is the maximum score possible indicating maximum risk. Of those companies surveyed, 80% have a dedicated privacy lead.

111,747
people completed updated
online Privacy and Data Security
Awareness training in 2018

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Paul Richardson, WPP's Group Finance Director, was the Board Director responsible for sustainability in 2018. Andrea Harris, Group Chief Counsel and Head of Sustainability, has operational responsibility for sustainability.

At Board level, the Nomination and Governance Committee has responsibility for sustainability. We have established a Charity Committee to oversee our donations and pro bono work (see page 68).

Environmental, social and governance (ESG) risks are integrated into the Company's assessment of principal risks which are set out in detail from page 78.

EMBEDDING SUSTAINABILITY IN OUR COMPANIES

WPP sets sustainability policy, with every company responsible for implementation. The Company has a clear policy framework through our Code of Business Conduct, Sustainability Policy, Supplier Code of Conduct, Data Code of Conduct and Human Rights Policy Statement and other policies included in the WPP Policy Book. We track progress using our social and environmental key performance indicators.

Our internal sustainability advisors are working to ensure consistent implementation of our standards and ESG risks are included in our programme of internal audits.

STAKEHOLDER ENGAGEMENT

Dialogue with our stakeholders, including our people, clients and investors, provides valuable feedback and insight into sustainability risks and opportunities, for our Company and our clients.

Most stakeholder engagement takes place in the course of doing business. We also carry out more formal research as part of our materiality process. We work with clients on sustainability issues (see page 66). Information on employee engagement is on page 70.

INVESTOR ENGAGEMENT

We engaged with investors, rating agencies and benchmarking organisations on sustainability during 2018 including: Bloomberg Gender-Equality Index; CDP; Ecovadis; Ethibel; Euronext Vigeo Europe; FTSE Russell; Human Rights Campaign Foundation's 2018 Corporate Equality Index; ISS Data Verification; MSCI Research Inc; Sustainalytics; Thomson Reuters D&I index; Trucost; and Workforce Disclosure Initiative (WDI).

We are included in the FTSE4Good Index and participate in the CDP climate benchmark, receiving a rating of A- in 2018 (2017: B).

OUR MATERIALITY PROCESS

Our first formal materiality assessment in 2014 included interviews with clients, investors, NGOs and sustainable business experts as well as senior executives in the centre and our operating companies. Further reviews were conducted in 2016 and 2017, and we plan to update our materiality assessment in light of our new corporate strategy. Our reporting focuses on the issues identified as being of high or medium importance.

ABOUT OUR REPORTING

Data included in this review is for the calendar year 2018 and covers all subsidiaries of the Company. Some key environmental and people data is verified by Bureau Veritas, an independent assurance provider.

NON-FINANCIAL INFORMATION STATEMENT

This section (pages 60-77) provides information required by regulation in relation to:

- Environmental matters
- Our people
- Social matters
- Human rights
- Corruption and bribery

In addition, other related information can be found as follows:

- Business model (page 40)
- Principal risks and how they are managed (pages 78-83)
- Non-financial key performance indicators (page 6)

To find further details, data, our materiality analysis and case studies download our full Sustainability Report 2018.



wpp.com/sustainability

ASSESSING AND MANAGING OUR RISKS

RISK MANAGEMENT AND INTERNAL CONTROL

The success of our strategic objectives discussed in this report depends to a significant extent on understanding and responding to the risks we face. The Board, assisted by the Audit Committee, has overall responsibility for the system of our internal control and risk management. It has reviewed the design and effectiveness of the system during the year and up to the date of this report and carried out a robust assessment of the principal risks we face. The system of controls described below is designed to manage and mitigate, but may not eliminate, the risks of failure to achieve our strategic objectives and is not an absolute assurance against material misstatement or loss.

CONTROL, CULTURE AND ANTI-BRIBERY AND CORRUPTION

The quality and competence of our people, their integrity, ethics and behaviour and the culture embedded within our businesses are all vital to the maintenance of our system of internal control which is maintained and reviewed in accordance with the UK Corporate Governance Code and FRC guidance on risk management and internal control.

Our Code of Business Conduct, which is regularly reviewed by the Board, sets out the principal obligations of all of our people. Our senior managers are required to sign our Code each year and all employees are required on joining, and at regular intervals, to complete the How We Behave, Anti-Bribery & Corruption and Privacy & Data Security Awareness training courses, which embed all of the principles of the Code in addition to individual training programmes. Our Anti-Bribery & Corruption Policy prohibits any form of bribery across the Group and is supported by the Advisor Payment Policy which restricts the use of advisors and details the due diligence that must be undertaken in the limited cases where advisors may be used. Our gifts and entertainment policy sets limits on values that may be given or received, supported in each company by a gift register. Our Code of Conduct for suppliers replicates these

obligations in our supply chain. Our Policy Book includes required practices in many operational, tax, legal and human resource areas.

Breaches of our Code are investigated by our legal and business integrity teams and external advisors where appropriate.

We relaunched our independently operated helpline, Right to Speak, in 2018. We encourage a culture of transparency and integrity and part of this culture is making sure our people and stakeholders have the confidence to speak up and raise concerns if they experience or hear about behaviour which conflicts with the principles stated in our Code. In 2018 we saw an increase in the number of issues raised to us through Right to Speak. There were 200 reports (2017: 106), all of which have been followed through, investigated and disciplinary action taken where appropriate, and the details reported to the Audit Committee.

The Compensation Committee continues to review how the Group's performance rewards support the risk management and internal control systems.

CONTROL ACTIVITIES AND MONITORING

Our policies and procedures are set out and communicated in our Policy Book, internal control bulletins and accounting guidelines. The application of these policies and procedures is monitored within each company and by the internal audit, legal and compliance functions.

Our companies must maintain and update documentation of their internal controls and processes. This documentation incorporates an analysis of business risks, detailed control activities and monitoring, together with IT and financial controls and controls over security of data and the provision of timely and reliable information to management.

The internal audit function was responsible for reviews and testing of the documentation and the relevant controls for a majority of the businesses during 2018 and the results reported to the Audit Committee.

RISK ASSESSMENT

We use a "three lines of defence" model in relation to risk management:

COMPANY REVIEWS

1. Each company undertakes monthly and quarterly procedures and day-to-day management activities to review their operations and business risks, supported by our policies, training and guidance on required internal controls over financial reporting and monitoring controls and reviews within their network.

EXECUTIVE MANAGEMENT REVIEWS

2. The reviews are formally communicated to executive management in monthly reports and quarterly review meetings and, in turn, to the Board. At each Board meeting, the management team presents a business review of each of the operations, including an assessment of the risks in each business, and details of any change in the risk profile since the last Board meeting. The business review includes the possibility of winning or losing major business; succession and the addition or loss of a key employee; regulatory changes; sustainability, including risks relating to marketing ethics, privacy, diversity and employment; political instability; and changes in accounting or corporate governance practice.

INTERNAL AUDIT AND AUDIT COMMITTEE OVERSIGHT

3. The internal audit function, with Audit Committee oversight and external resource as required, provides an independent review of risk management and internal control via internal audits and management of the testing programme for SOX.

FINANCIAL REPORTING

Each company annually updates a three-year strategic plan, which incorporates financial objectives. These are reviewed by executive management and are agreed with the Chief Executive of the relevant company.

We operate a rigorous procedure for the development of company budgets, which build up the Group's budget. During the final quarter of each financial year, operating companies prepare detailed budgets for the following year for our review. The Group's budget is reviewed by the Board before being adopted formally. Company results are reported monthly and are reviewed locally, regionally and globally by the business groups and by Group management on a consolidated basis and ultimately by the Board. The results are compared to budget and the previous year, with full-year forecasts prepared and updated quarterly throughout the year.

At each year-end, all companies supply their full-year financial results. This information is consolidated to allow the Group to present the necessary disclosures for International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the IASB.

The Disclosure Committee gives further assurance that publicly-released information is free from material omission or misstatement.

RISK REVIEW AND RISK APPETITE

The Audit Committee instigated a review of risk management in 2018 to evolve our enterprise risk management process. Risk Committees are being established at network level during 2019, the first of which has been formed at GroupM, and risk assessments conducted with the aim of ensuring accountability at network level to monitor risk and compliance. Risk appetite statements, drivers and tolerances will be finalised with the Audit Committee during 2019 and new technology implemented for monitoring and tracking risks.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has carried out a robust assessment of the principal risks and uncertainties affecting the Group and the markets we operate in and strategic decisions taken by the Board as at 31 December 2018 and up to the date of this report and which are described in the table on the following pages.

A risk dashboard and map are discussed regularly by the Audit Committee and bi-annually by the Board.

VIABILITY STATEMENT

RISK ASSESSMENT

ASSESSMENT OF PROSPECTS

An understanding of the Group's business model and strategy is key to understanding its prospects and this has been discussed in detail from page 40.

The Group's business model, transformation programme and diversification across marketing communication services sectors which operate in 112 countries worldwide and with a broad spectrum of clients and suppliers, provide resilience which is relevant to any consideration of prospects and viability.

The Directors assess the Group's prospects on a regular basis through the financial reporting and planning process which is detailed above, the business reviews which take place at each Board meeting, quarterly reviews of our businesses by the executive team and ongoing reviews of the Group's profitability, cash flows and funding requirements. The Board considers the longer-term risks and opportunities for the Group discussed in the strategic report and the potential impact of economic volatility, competition for talent and competition from consulting firms, technological disruption and regulation.

VIABILITY STATEMENT

The Directors' assessment of the Group's viability for the next three years has been made with reference to:

- the Group's current position and prospects;
- the transformation programme detailed in this report;
- the short-term notice periods or assignment nature of many of the client contracts;
- the volatility of global economic conditions and uncertainty for our clients and people created by Brexit;
- the changing competitive landscape;
- the long-term impact of technological disruption;
- the need for simplification of the Group structure and integrated service offering to clients; and
- the Company's ability to achieve the stated dividend policy and cover interest payments on the Group's debt.

This period has been chosen as it aligns with our three-year transformation programme and strategic plan and budgets. Sensitivity analysis has been applied to reflect the potential impact of one or a combination of the principal risks on the Group and consequential contract breach, loss of reputation, client loss and inability to win new business and the impact of revenue loss.

GOING CONCERN

The Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and, in particular, the three-year plan and budget, the Directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore, the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

| PRINCIPAL RISKS | POTENTIAL IMPACT | HOW IT IS MANAGED AND REFLECTED IN OUR STRATEGIC PRIORITIES |
|--|--|--|
| CLIENTS | | |
| We compete for clients in a highly-competitive and evolving industry which is undergoing structural change. Client loss to competitors or as a consequence of client consolidation or a reduction in marketing budgets due to economic conditions or a shift in client spending may have a material adverse effect on our market share, business, revenues, results of operations, financial condition or prospects. | The competitive landscape in our industry is constantly evolving and the role of traditional agencies is being challenged. Competitors include multinational advertising and marketing communication groups, regional and national marketing services companies, database marketing information and measurement, social media and professional services and consultants and consulting internet companies. | Three-year transformation plan commenced in December 2018. Emphasis on providing faster, more agile and more effectively integrated solutions for our clients. |
|  | Client contracts can generally be terminated on 90 days' notice or are on an assignment basis and clients put their business up for competitive review from time to time. The ability to attract new clients and to retain or increase the amount of work from existing clients may be impacted if we fail to react quickly enough to changes in the market and to evolve our structure and by loss of reputation and may be limited by clients' policies on conflicts of interest. | Continue to simplify our organisational structure such as the creation of VMLY&R and Wunderman Thompson and the disposal of non-core minority holdings. |
|  | The global economy continues to be volatile with uncertainties such as those caused by Brexit in the UK and Europe and technological disruption from disintermediators. In the past clients have responded to weak economic and financial conditions by reducing or shifting their marketing budgets which are easier to reduce in the short term than their other operating expenses. The risk of client loss or reduction in marketing budgets has increased. | Launch of further Campus co-locations. Embedding data and technology more deeply into our offer to clients. |
| We receive a significant portion of our revenues from a limited number of large clients and the net loss of one or more of these clients could have a material adverse effect on our prospects, business, financial condition and results of operations. | A relatively small number of clients contribute a significant percentage of our consolidated revenues. Our 10 largest clients accounted for 14.4% of revenues in the year ended 31 December 2018. Clients can reduce their marketing spend, terminate contracts, or cancel projects on short notice. The loss of one or more of our largest clients, if not replaced by new accounts or an increase in business from existing clients, would adversely affect our financial condition. | CEO focus on the importance of a positive and inclusive culture across our business to attract and retain talent and clients. |
| | | Continuous improvement of our creative capability and reputation of our businesses. |
| | | The development and implementation of senior incentives to align more closely with our strategy and performance. |
| | | Business review at every Board meeting to identify the potential risk of client loss. |
| | | Formation of new central team with key appointments including Chief Client Officer, Chief Technology Officer and Chief Operating Officer. |
| | | Increase flexibility in the cost structure (including incentives, consultants and freelancers). |
| | | Business review at every Board meeting and regular engagement at executive level with our clients. |

KEY

-  Increased risk
-  No change from last year
-  Reduced risk
-  New risk in 2018

| PRINCIPAL RISKS | POTENTIAL IMPACT | HOW IT IS MANAGED AND REFLECTED IN OUR STRATEGIC PRIORITIES |
|--|---|--|
| CYBER AND DATA SECURITY | | |
| We are subject to strict data protection and privacy legislation in the jurisdictions in which we operate and rely extensively on information technology systems. We store, transmit and rely on critical and sensitive data such as strategic plans, personally identifiable information and trade secrets. Security of this type of data is exposed to escalating external threats that are increasing in sophistication, as well as internal data breaches. | We may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs and client loss if we fail to adequately protect data or observe privacy legislation in every instance. A system breakdown or intrusion could have a material adverse effect on our business, revenues, results of operations, financial condition or prospects. | We develop principles on privacy and data protection and compliance with local laws. We implemented extensive training ahead of GDPR implementation in 2018 and the roll out of a GDPR toolkit to assist our people to prepare for implementation and will do the same as new legislation is adopted in other markets. |
| Existing and new data protection laws, GDPR and e-privacy regulation in the EU concerning user privacy, use of personal information, consent and online tracking may restrict some of our activities and increase costs. | | A Chief Privacy Officer and Data Protection Officer have been appointed at the Company and Data Protection Officers are in place at a number of our companies. |
| We are part way through an IT transformation project and rely on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business. During the transformation, we are still reliant on legacy systems which could restrict our ability to change rapidly. | | Our people must take Privacy & Data Security Awareness training and understand the WPP Data Code of Conduct and WPP policies on data privacy and security. |
|  | | The Data Health Checker survey is performed annually to understand the scale and breadth of data we collect so the level of risk associated with this can be assessed. |
| FINANCIAL | | |
| We are subject to credit risk through the default of a client or other counterparty. | We are generally paid in arrears for our services. Invoices are typically payable within 30 to 60 days. | Evaluating and monitoring clients' ongoing creditworthiness and in some cases requiring credit insurance or payments in advance. |
|  | | Our treasury position is a recurring agenda item for the Audit Committee and the Board. |
| | We commit to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look to us to pay those amounts. | We are cash generative and working capital management remains a key focus for the Board. |

| PRINCIPAL RISKS | POTENTIAL IMPACT | HOW IT IS MANAGED AND REFLECTED IN OUR STRATEGIC PRIORITIES |
|--|---|--|
| OPERATIONAL | | |
| Our performance could be adversely impacted if we failed to ensure adequate internal control procedures are in place in relation to media trading. | Failure to ensure that trading activities are compliant with client obligations could adversely impact client relationships and business volumes. | Transparency and contract compliance are embedded through the networks and reinforced by audits at a WPP and network level. Regular monitoring of key performance indicators for trading are undertaken to identify trends and issues. An authorisation matrix on inventory trading is agreed with the Company and the Audit Committee. |
| We have commenced a three-year strategic plan to return the business to growth by the end of 2021 which includes the merger of some operations, disposals and the simplification of our structure. | A failure or delay in implementing the transformation plan may have a material adverse effect on our market share and our business, revenues, results of operations, financial condition or prospects. | Board oversight of the implementation of the transformation plan. Formation of new central team with key appointments including Chief Client Officer, Chief Technology Officer and Chief Operating Officer. |
| PEOPLE AND SUCCESSION | | |
| Our performance could be adversely affected if we do not react quickly enough to changes in our market and fail to attract, develop and retain key creative, commercial and management talent. | We are highly dependent on the talent, creative abilities and technical skills of our personnel as well as their relationships with clients. We are vulnerable to the loss of personnel to competitors (traditional and emerging) and clients, leading to disruption to the business. | Our incentive plans are structured to provide retention value, for example by paying part of annual incentives in shares that vest two years after grant date. We are working across the businesses to embed collaboration and investing in training and development to retain and attract talented people. The investment in co-located properties is increasing the co-operation across our companies and provides extremely attractive and motivating working environments. Succession planning for the Group Chief Executive, the Group Finance Director and key executives of the Company is undertaken by the Board and Nomination and Governance Committee on a regular basis and a pool of potential internal and external candidates identified in emergency and planned scenarios. Compensation Committee oversight for the Group's incentive plans and compensation. |

KEY

- ▲ Increased risk
- No change from last year
- ▼ Reduced risk
- ✳ New risk in 2018

| PRINCIPAL RISKS | POTENTIAL IMPACT | HOW IT IS MANAGED AND REFLECTED IN OUR STRATEGIC PRIORITIES |
|--|--|---|
| REGULATORY, SANCTIONS, ANTI-TRUST AND TAXATION | | |
| We may be subject to regulations restricting our activities or effecting changes in taxation. | Changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), changes arising from the application of existing rules, or new challenges by tax or competition authorities, for example, the European Commission's State Aid investigation into the UK CFC rules, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge. | We actively monitor any proposed regulatory or statutory changes and consult with government agencies and regulatory bodies where possible on such proposed changes. Annual briefings to the Audit Committee of significant changes in tax laws and their application and regular briefings to executive management. We engage advisors and legal counsel to obtain opinions on tax legislation and principles. |
| We are subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which we operate. | We operate in a number of markets where the corruption risk has been identified as high by groups such as Transparency International. Failure to comply or to create a culture opposed to corruption or failing to instil business practices that prevent corruption could expose us to civil and criminal sanctions. | Online and in-country ethics, anti-bribery, corruption and anti-trust training on a Group-wide basis to raise awareness and seek compliance with our Code of Conduct and the Anti-Bribery & Corruption Policy. Extension of our business integrity internal function to ensure compliance with our codes and policies and remediation of any breaches of policy. |
| We are subject to the laws of the US, the EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries. | Failure to comply with these laws could expose us to civil and criminal penalties including fines and the imposition of economic sanctions against us and reputational damage and withdrawal of banking facilities which could materially impact our results. | Relaunch of the Right to Speak confidential, independently operated helpline for our people and stakeholders to raise any potential breaches of our Code and policies, which are investigated and reported to the Audit Committee on a regular basis. Due diligence on acquisitions and on selecting and appointing suppliers and restrictions on the use of third-party consultants in connection with any client pitches. The establishment during 2019 of Risk Committees across the networks to monitor risk and compliance at the network level and the enhancement of our business integrity function across our markets. Gift and hospitality register and approvals process. |

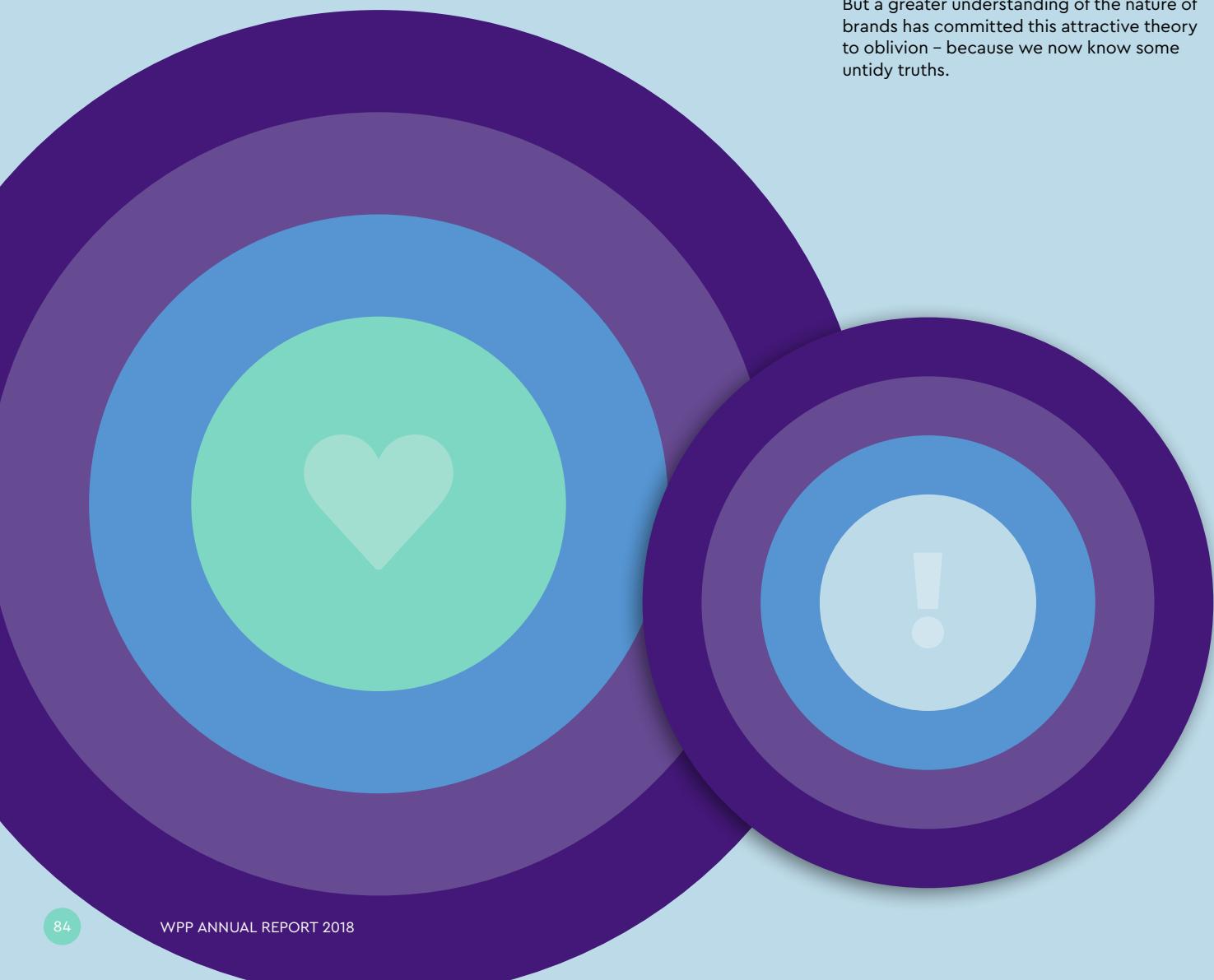
£6BN OF OTHER PEOPLE'S MONEY: THE WATERTIGHT CASE FOR BUILDING YOUR BRANDS

BY JEREMY BULLMORE

Since the birth of modern brand marketing, marketers have debated one specific question: for maximum efficiency, what proportion of their marketing expenditure should be allocated to achieve an immediate sales effect; and what proportion to protect and enhance a brand's long-term profitability?

An innocent person, addressing this question, might be puzzled. Surely the answer is obvious? After all, the long-term is nothing more complicated than an extension of the short-term. Keep getting the short-term right – and, hey presto, the long-term solves itself. Next!

But a greater understanding of the nature of brands has committed this attractive theory to oblivion – because we now know some untidy truths.





Short-term and long-term targets are different in kind; can be best achieved through different media; demand different forms of creativity; differ greatly in their susceptibility to research; and while one may benefit volume growth, the other is more likely to maximise profitability. Between them, these imbalances make comparisons difficult – so the allocation of resources to each may fall well below the optimal.

These highly significant findings – and many more – are derived from a report first published six years ago. Today, its lessons deserve even more urgent attention.

The report is called *The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies*. It was written by Les Binet and Peter Field for the UK's Institute of Practitioners in Advertising (IPA) and their source material was the world's most comprehensive library of provenly effective advertising campaigns: the IPA Effectiveness Databank.

At the time of the report, the Databank held data from 996 campaigns that had been entered in the biennial national and international effectiveness competitions between 1980 and 2010. The data contained in each of those case studies had been confirmed and formally endorsed by their respective clients. An additional data source was the Gunn Report, a record of advertising campaigns that had won at 46 major creative competitions around the world and the closest approximation that exists to an objective ranking of that elusive quality called creativity.

.....

Vocabulary can be confusing, particularly when discussing the long-term role for advertising. Andrew Ehrenberg called for *salience*, others call for the creation of *brand fame*. The authors of *The Long and the Short of It* call the short-term function *activation* and the long-term, *brand-building* – so we'll stick with those; though it may be helpful to think of activation as *effecting an immediate sale* and brand-building as *creating and maintaining saleability*.

Before the internet, activation was achieved mainly through the use of coupons in the press and telephone numbers. Today, online techniques offer equivalent opportunities: their function is the same and so are their advantages. They are simple to understand; you can pre-test them easily and cheaply; and their pay-back value can be instantly assessed. But the evidence is clear: activation-only campaigns do little or nothing to enhance the overall desirability of a brand. Indeed, some promotions, in particular price promotions, may actually cheapen a brand in the minds of its potential users.

Successful brands, as every bit of evidence shows, need both activation and brand-building. Of the two, brand-building (or brand-nourishment) campaigns are usually the more valuable – but also by far the more difficult to create, to explain, to test and to measure. Activation campaigns are usually rational and fact-based. By contrast, the most successful brand-building campaigns are low on fact but high on emotion. They seldom take immediate effect but over time build and refresh an emotional bond between a brand and its public. They may take the form of a creative idea which seems not directly pertinent to the brand or its function. They are fiendishly difficult to pre-test – and it may be many months before there's any hard evidence of their return on investment.

The creation of such campaigns is the ultimate test of any advertising agency. They cannot be conjured up by algorithms, bots or even management consultants. They require a deep understanding of both brands and human beings – with an added pinch of inexplicable imagination. The media that serve them best are the big, broad, public media.

At a time when there's so much emphasis on the achievement of quarterly targets, monitored by metrics, obtaining approval for such campaigns has never been more difficult; and that's why *The Long and the Short of It* is an even more imperative document than it was in 2013.

Let's now return to those 996 advertising campaigns that were forensically dissected by the authors of the report.

- Between them, over that time period, they spent an estimated total of £6 billion on media exposure.
- That expenditure delivered an estimated total Return on Marketing Investment (ROMI) of 211 per cent – or £23.2 billion.
- Emotional campaigns were more than twice as efficient as rational ones.
- Creatively awarded campaigns, as identified by the Gunn Report, were almost twice as likely to generate positive results as non-awarded campaigns.

They delivered sales, yes; but even more importantly, these campaigns delivered buoyant brands, more resistant to competitors' price inducements and confident in their future.

To commit, say, 60 per cent of your marketing budget to advertising designed to build, nourish, sustain, protect and advance your most valuable assets shouldn't have to be an act of faith. History – and 6 billion pounds' worth of evidence – are unequivocally on your side.

Many thanks to the IPA for their permission to quote so liberally from *The Long and the Short of It* and for their help in the preparation of this essay. Any errors and omissions are mine; not theirs.

Two other reports from the IPA have followed *The Long and the Short of It*, both of them highly recommended: *Media In Focus*, *Marketing Effectiveness in the Digital Era*; and *Effectiveness in Context, A Manual for Brand Building*.

CORPORATE GOVERNANCE

| | |
|--|-----|
| Chairman's letter | 88 |
| Our Board | 90 |
| Corporate governance report | 92 |
| Nomination and Governance Committee report | 98 |
| Audit Committee report | 99 |
| Compliance with the Code | 102 |
| Compensation Committee report | 104 |

CHAIRMAN'S LETTER



CEO APPOINTMENT

The Board of any company has no more important task than to select its leader.

The process to appoint the new Chief Executive Officer of WPP was a rigorous one, and we considered a range of outstanding candidates for the role. The external benchmarking was especially valuable in helping us to gauge the strength of the internal pool.

The Board was unanimous in its decision to name Mark Read as CEO. His stewardship of the business alongside Andrew Scott in the weeks following Sir Martin Sorrell's resignation was exemplary, and he demonstrated all the qualities required of an inspiring and effective leader.

The interim arrangements, with Mark and Andrew stepping up as co-Chief Operating Officers, and Mark's subsequent appointment as CEO, reflect the robustness of the Board's succession planning over a number of years.

We engaged with investors and clients throughout the recruitment process and we were grateful for the strong levels of support for the Company and management team during the period of transition, and for the choice of Mark as CEO.

NEW STRATEGY

In a year of significant change for WPP – and challenges on a number of fronts – the Board and the executive team worked together very constructively to stabilise the business and position it for future success.

WPP, like the wider industry, faces deep structural shifts that – as well as posing questions – present significant opportunities. We have been pleased by the backing we have received from investors, clients, partners and our own people for the new strategy that will help the Company to capture those opportunities, and for the new leadership team assembled to deliver it.

BOARD CHANGES

As your Company changes, so too does its Board. In October 2018 Paul Richardson, Group Finance Director, informed the Board that he would step down during the course of 2019, and the process to find his successor is well underway. We would like to thank Paul for his contribution to WPP over 27 years with the Company. Paul joined as Director of Treasury, was appointed to his current role four years later, and is one of the architects of the present-day WPP. He leaves with our best wishes for the future.

ANNUAL GENERAL MEETING 2019

12 noon on Wednesday 12 June 2019
Purcell Room, Southbank Centre
Belvedere Road, London SE1 8XX

We also thank Hugo Shong, who decided to retire from the Board in 2018 due to additional commitments outside WPP and increased pressure on his time and availability. He was an important contributor to the Board and its Compensation, Audit and Nomination and Governance Committees during his five years as a Director, and we are grateful for his ongoing assistance with WPP's businesses in China. As Ruigang Li comes to the end of his tenure in 2019, and will not be standing for re-election at this year's Annual General Meeting, we are seeking a new Director with similar levels of experience of the Chinese market as we refresh the Board's composition.

We are delighted to be joined by Cindy Rose OBE as the newest member of the Board and the Audit Committee. Cindy is hugely respected within the worlds of technology and business, and her input will be of great benefit as WPP responds to a changing marketplace and transforms its business.

VALUES AND CULTURE

Mark and the wider executive team have the Board's full support as they implement the plan to restore the Company to sustainable top-line growth. A key element of that plan is an emphasis on promoting the kind of values and building the kind of culture that make WPP a magnet for talented people, and a company everyone is proud to work for.

The new team places great importance on listening to people across the Company and taking their opinions into account when formulating strategy. We have established our first employee forum in the UK, and these will be rolled out in other markets.

The views from these forums will be shared with Sally Susman and Daniela Riccardi, who are responsible on behalf of the Board for engagement with our people.

GENDER DIVERSITY

The commitment to create diverse and inclusive workplaces applies throughout WPP – including at the level of the Board. Cindy's appointment raises the proportion of women on the Board to 33%. We are pleased to have made progress but clearly we still have work to do to reach gender parity in terms of Board-level representation. This mirrors the position in WPP as a whole and, indeed, the wider sector.

Although WPP has good gender balance up to and including senior management level, the proportion of women falls significantly in the most senior executive tiers – as seen in our UK Gender Pay Gap figures for 2018. It is encouraging, as we work to address this imbalance, that WPP was recognised in Bloomberg's 2019 Gender-Equality Index (GEI) as an industry leader committed to transparency in gender reporting and advancing women's equality – the only company among its peers to be included in the list.

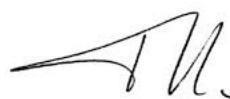
SUSTAINABILITY

The team's determination to place culture and values at the heart of the new strategy builds on WPP's longstanding commitment to sustainable business and sustainability reporting. The Board welcomes the focus on sustainable business and purpose within the new UK Corporate Governance Code.

WPP has been a leader in its sector on sustainability; we provide details of our approach – from the work we do for clients and our substantial pro bono contribution to the ongoing programme to reduce our carbon intensity – from page 60. We support the Taskforce on Climate-related Financial Disclosures and this year we have underlined its importance in our report and made our voluntary disclosures.

OUR PEOPLE

Finally, I would like to say how much the Board appreciates the dedication and passion for great work shown by the thousands of people worldwide who make up WPP and our agencies. WPP is a talent business and we are fortunate to have so much of it within our Company.



Roberto Quarta
Chairman
10 April 2019

"IN A YEAR OF SIGNIFICANT CHANGE FOR WPP, THE BOARD AND THE EXECUTIVE TEAM WORKED TOGETHER TO STABILISE THE BUSINESS AND POSITION IT FOR FUTURE SUCCESS."

Roberto Quarta
Chairman

OUR BOARD

The Board is collectively responsible for promoting the success of WPP by directing and supervising policy and strategy. It is responsible to shareholders for the Company's financial and operational performance and risk management.



ROBERTO QUARTA
CHAIRMAN
Appointed: 1 January 2015
(Chairman 9 June 2015)
Nationality: Italian and American

Roberto has extensive and diverse experience in corporate governance and global commerce.

He is Partner and Chairman of Clayton, Dubilier & Rice Europe, a private equity firm, which allows him to bring valuable perspective to WPP, particularly when evaluating acquisitions and new business opportunities.

Roberto has an in-depth understanding of differing global governance requirements having served on the boards of a number of UK and international companies, including as Chairman of BBA Group plc and Rexel SA and as Non-Executive Director of BAE Systems plc, Equant NV and Foster Wheeler AG.

Other current appointments:
Chairman, Smith & Nephew plc.



MARK READ
CHIEF EXECUTIVE OFFICER
Appointed: 3 September 2018
Nationality: British

Mark has held multiple leadership positions at WPP, having first joined the Company in 1989. He was responsible for WPP's expansion into technology through the acquisition of 24/7 Real Media, the creation of the POSSIBLE network and the launch of Stream, WPP's celebrated "unconference".

In 2015, he was appointed Global CEO of Wunderman, which he transformed into one of the world's leading creative, data and technology agencies.

Wired magazine ranked Mark as one of the Top 25 Digital Influencers in Europe in 2014 and he was named The Drum's Digital Individual of the Year in 2015 and 2017. In September 2018 he was named as a Financial Times and HEROes Champion of Women in Business.

Other current appointments:
None.



PAUL RICHARDSON
GROUP FINANCE DIRECTOR
Appointed: 1996
Nationality: British and American

Paul became Group Finance Director of WPP in 1996 after four years as Director of Treasury.

Paul is responsible for the Company's worldwide functions in finance, information technology, procurement, property, treasury, taxation, internal audit and sustainability. Paul is a chartered accountant and fellow of the Association of Corporate Treasurers.

In October 2018 he informed the Board he would step down during the course of 2019.

Other current appointments:
None.



NICOLE SELIGMAN
SENIOR INDEPENDENT DIRECTOR,
NON-EXECUTIVE DIRECTOR
Appointed: 1 January 2014
Nationality: American

Nicole is a global business leader and an internationally recognised lawyer. She brings to the Board analytical skills, in-depth knowledge of public company corporate governance and a comprehensive understanding of media and business issues.

Nicole was previously President of Sony Entertainment, Inc. and global General Counsel for Sony Corporation. Prior to that, as a partner at law firm Williams & Connolly, Nicole represented key public figures and major media and other companies in complex litigation.

Other current appointments:
Non-Executive Director, Viacom Inc.
Non-Executive Director, Far Point Acquisition Corporation.
Chairman, The Doe Fund.



JACQUES AIGRAIN
NON-EXECUTIVE DIRECTOR
Appointed: 13 May 2013
Nationality: Swiss and French

Jacques brings business, corporate finance and governance expertise to his role on the Board of WPP. Currently a Senior Advisor at Warburg Pincus LLP, from 2001 to 2009 he was a member of the Executive Committee of Swiss Re AG. Prior to Swiss Re, he spent 20 years with JPMorgan Chase.

Jacques was previously Chairman of LCH Clearnet Group Ltd, a Director of the Qatar Financial Center Authorities and a Supervisory Board Member of Lufthansa AG and Swiss International Airlines AG.

Other current appointments:
Chairman, LyondellBasell NV.
Non-Executive Director,
London Stock Exchange Group plc.
Chairman, Self Trade Bank S.A.U.



TAREK FARAHAT
NON-EXECUTIVE DIRECTOR
Appointed: 11 October 2016
Nationality: Brazilian and Egyptian

Tarek has extensive leadership and brand-building experience gained in different markets around the world.

He worked for Procter & Gamble for over 26 years in Europe, the Middle East and Latin America, leading multi-billion-dollar businesses for the company. His last position at Procter & Gamble was President of Procter & Gamble Latin America and member of the Global Leadership Council.

Tarek was previously Chairman of the board of JBS S.A. and a board member of Pilgrims Pride Corporation and Alpargatas. He is currently a strategic advisor and partner for several companies.

Other current appointments:
None.

COMMITTEE MEMBERSHIP KEY

- Audit
- Compensation
- Nomination and Governance
- Committee Chairman

For full biographical details of our Board members, please see wpp.com/about/our-leadership



SIR JOHN HOOD
NON-EXECUTIVE DIRECTOR
Appointed: 1 January 2014

Nationality: New Zealander

Sir John brings deep knowledge and experience of international business to the Board, and provides analytical rigour arising from his leadership roles in higher education and research.

He has held advisory roles for the New Zealand and British governments and has served as a Non-Executive Director of British and New Zealand-based enterprises.

He was formerly Vice Chancellor of the University of Oxford and the University of Auckland.

Other current appointments:

President and CEO, Robertson Foundation. Chairman, BMT Group. Non-Executive Director, Study Group Limited. Non-Executive Director, Aurora Energy Research. Non-Executive Director, Blackstone Group LP.



RUI GANG LI
NON-EXECUTIVE DIRECTOR
Appointed: 12 October 2010

Nationality: Chinese

As Founding Chairman and CEO of CMC Capital Group, China's leading equity investment group in the entertainment, technology and consumer sectors, and of CMC Inc., a media and entertainment conglomerate, Rui Gang offers WPP insight into the Chinese media and technology sectors.

Rui Gang was Chairman and President of Shanghai Media Group for over 10 years and was previously Chief of Staff of Shanghai Municipal Government.

Other current appointments:

Chairman and CEO, CMC Capital Group. Chairman and CEO, CMC Inc. Board Member, City Football Group. Director, Creative Artists Agency. Vice Chairman, TVB (Hong Kong). Chairman, Shaw Brothers (Hong Kong). Board Member, Special Olympics.



DANIELA RICCARDI
NON-EXECUTIVE DIRECTOR
Appointed: 12 September 2013

Nationality: Italian

A senior FMCG, retail and fashion products executive, Daniela is a recognised leader in business development and branding. She is currently CEO of Baccarat, the international luxury goods company, and was previously CEO of Diesel Group.

Daniela has substantial global business experience, having spent 25 years at Procter & Gamble in senior management roles around the world – including Vice President of Procter & Gamble Columbia, Mexico and Venezuela, Vice President and General Manager of Procter & Gamble Eastern Europe & Russia and President of Procter & Gamble Greater China.

Other current appointments:

CEO, Baccarat. Non-Executive Director, Kering. Non-Executive Director, Comite Colbert.



SALLY SUSMAN
NON-EXECUTIVE DIRECTOR
Appointed: 13 May 2013

Nationality: American

Sally brings expertise in communications, public affairs, governance and strategy to the Board. She is Executive Vice President, Chief Corporate Affairs Officer for Pfizer, the world's largest biopharmaceutical company. She also heads Pfizer's corporate responsibility group and plays a key role in shaping policy initiatives.

Before joining Pfizer in 2007, Sally was EVP of Global Communications at Estée Lauder, where she directed global corporate affairs strategy and served as a member of the Executive Committee.

Sally previously held several senior corporate affairs posts at American Express, in both London and the US.

Other current appointments:

Co-Chair, International Rescue Committee.



SOLOMON D. (SOL) TRUJILLO
NON-EXECUTIVE DIRECTOR
Appointed: 12 October 2010

Nationality: American

An international business executive with three decades of leading high-cap global companies in the US, Europe and Asia Pacific, Sol has wide board and corporate governance experience in the technology, media and digital sectors.

Sol has managed operations in over 25 countries from Europe and North America to China, Australasia, Africa and the Middle East.

He is a Senior Advisor to Bain & Company and Chairman of Trujillo Group LLC, which manages investments and examines emerging trends in the broader digital space.

Other current appointments:

Director, Western Union. Chairman, Silk Road Telecommunications.

DIRECTOR APPOINTMENTS SINCE YEAR-END



CINDY ROSE
NON-EXECUTIVE DIRECTOR
Appointed: 1 April 2019

Nationality: British and American

A high-profile leader in the technology and media sectors, Cindy has a deep understanding of the role of technology in business transformation.

As Microsoft UK CEO since 2016, she is responsible for Microsoft's product, service and support offerings across the UK. Prior to Microsoft, she was Managing Director of the UK Consumer division at Vodafone where she led the expansion of its retail store estate from 350 to over 500 stores.

Before Vodafone, Cindy was Executive Director of Digital Entertainment at Virgin Media. She also spent 15 years at The Walt Disney Company, ultimately as SVP & Managing Director of Disney Interactive Media Group.

Other current appointments:

Non-Executive Director, Informa plc.

CHANGES TO THE BOARD DURING THE YEAR:

Sir Martin Sorrell – retired from the Board on 14 April 2018

Hugo Shong – retired from the Board on 31 July 2018

Mark Read – appointed to the Board on 3 September 2018

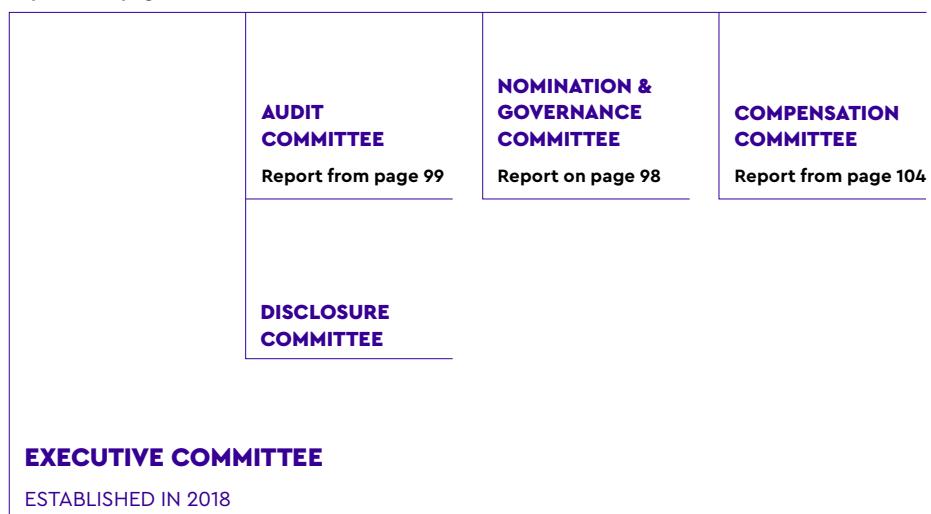
CORPORATE GOVERNANCE REPORT

The WPP Board is committed to ensuring there is a strong and effective system of corporate governance in place to support the successful execution of the Company's strategy.

OUR GOVERNANCE STRUCTURE

BOARD

Report from page 88



BOARD ATTENDANCE TABLE

| | Board (scheduled meetings) | Board (unscheduled meetings) ¹ | Audit Committee | Compensation Committee | Nomination and Governance Committee |
|---|----------------------------------|---|--------------------|---------------------------|---|
| Roberto Quarta | 6/6 | 3/3 | | 8/8 | 5/5 |
| Mark Read ² – appointed on 3 September 2018 | 5/5 | 3/3 | | | |
| Paul Richardson | 6/6 | 3/3 | | | |
| Jacques Aigrain | 6/6 | 2/3 | 10/10 | 8/8 | |
| Tarek Farahat | 6/6 | 2/3 | 10/10 | | |
| Sir John Hood | 6/6 | 3/3 | | 8/8 | |
| Ruigang Li | 5/6 | 1/3 | | | 4/5 |
| Daniela Riccardi | 6/6 | 3/3 | | | 5/5 |
| Nicole Seligman – appointed to Nomination and Governance Committee on 17 April 2018 | 6/6 | 3/3 | | 8/8 | 3/3 |
| Sally Susman | 6/6 | 1/3 | | | 5/5 |
| Solomon D. (Sol) Trujillo | 6/6 | 2/3 | 10/10 | | |
| Former Directors who served for part of the year | | | | | |
| Sir Martin Sorrell – retired on 14 April 2018 | | 1/1 | | | |
| Hugo Shong – retired on 31 July 2018 | | 3/4 | | | 3/4 |

¹ Additional unscheduled meetings of the Board took place in relation to the resignation of Sir Martin Sorrell on 14 April 2018.

² Mark Read attended two scheduled meetings of the Board as CEO and three scheduled meetings of the Board as Joint COO.

● Chair

COMPOSITION AND DIVERSITY

ENSURING A BALANCED BOARD

The composition of the Board and its Committees is under regular review and the range of skills and capabilities at Board level is assessed for relevance to the execution of our transformation and strategy. Cultural and gender diversity, expertise in important markets such as China, and experience in technology, ecommerce and finance are key requirements for future Non-Executive Directors.

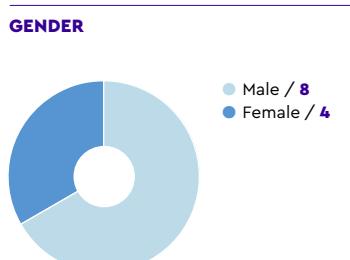
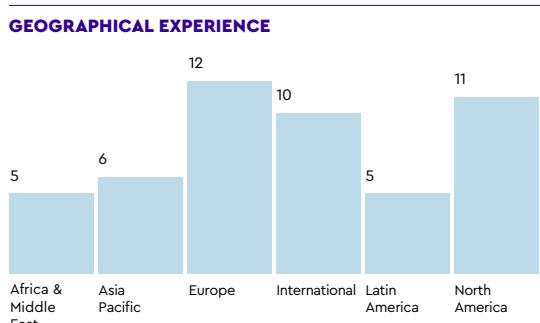
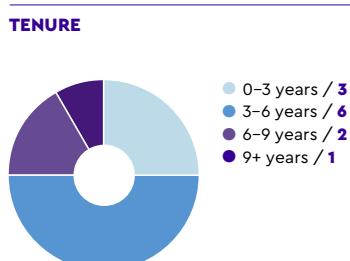
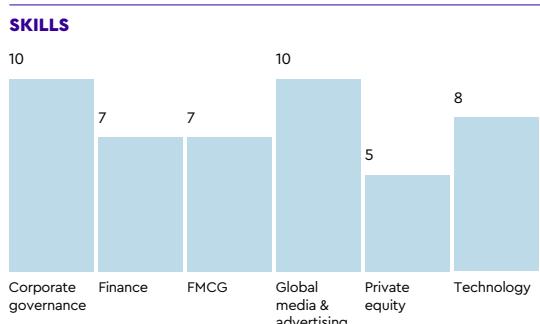
DIVERSITY

The Board's policy on diversity commits WPP to increasing diversity across the Company and supports the development and promotion of all talented individuals. As at the date of this report women comprised 33% of the WPP Board and 40% of Non-Executive Directors including the Senior Independent Director.

INDEPENDENCE AND RE-ELECTION TO THE BOARD

The independence, effectiveness and commitment of each of the Non-Executive Directors have been reviewed by the Nomination and Governance Committee and as part of the external Board evaluation facilitated by Dr Tracy Long and detailed on page 95. We were satisfied with the contributions and time commitment of all the Non-Executive Directors during the year. We conducted a specific review of those Directors who had been in office for more than six years. The Committee was confident that each of the Non-Executive Directors remains independent and will be in a position to discharge their duties and responsibilities in the coming year. With the exception of Ruigang Li who is retiring from the Board and Mark Read and Cindy Rose whose appointments are being ratified for the first time, all the Directors will stand for re-election at the AGM with the support of the Board.

OUR BOARD – A DIVERSE MIX OF SKILLS, EXPERIENCE AND KNOWLEDGE*



* Information as at the date of this report

SUCCESSION PLANNING

Following the resignation of Sir Martin Sorrell, the Nomination and Governance Committee established a succession planning subcommittee, tasked with appointing a new CEO for the Company. The subcommittee was supported by Russell Reynolds Associates, which is independent of and only provides recruitment services to the Company. Russell Reynolds had already been engaged by the Nomination and Governance Committee on its executive succession planning, prior to the resignation of Sir Martin Sorrell.

In October 2018, Paul Richardson, Group Finance Director, informed the Board that he would step down during the course of 2019. The Nomination and Governance Committee is overseeing the search for his successor, with the assistance of Spencer Stuart Associates.

For further details on the succession planning subcommittee and Non-Executive Director succession planning, see our Nomination and Governance Committee report on page 98.

PROCESS OF APPOINTING THE NEW CHIEF EXECUTIVE

| SETTING ROLE REQUIREMENTS | IDENTIFYING CANDIDATES | PROCESS | RECRUITMENT |
|--|---|---|---|
| With input from the Board, shareholders, clients and senior management, the Nomination and Governance Committee prepared a detailed specification for the role of CEO, specifying the skills, knowledge, experience and attributes required. | Russell Reynolds identified internal candidates, and also undertook an extensive search process to identify potential candidates in the external market. Internal candidates were evaluated against external candidates as part of a benchmarking exercise. | The succession planning subcommittee met frequently and extensively discussed the merits of the external and internal candidates and interviewed those with the most potential. | It was concluded that the Company already had the strongest candidate internally and that making an internal appointment would best serve the Company and the structural challenges it faced. |

PROCESS OF APPOINTING THE NEW GROUP FINANCE DIRECTOR

| SETTING ROLE REQUIREMENTS | IDENTIFYING CANDIDATES | PROCESS | RECRUITMENT |
|---|--|--|---|
| With input from the Board, shareholders, clients and senior management, the Nomination and Governance Committee prepared a detailed specification for the role of Group Finance Director, specifying the skills, knowledge, experience and attributes required. | Spencer Stuart Associates is assisting with the search for candidates and has prepared a shortlist of internal and external candidates that are most suited to the role specification. | The subcommittee has reviewed the shortlist and has identified a number of candidates for interview. Interviews have focused on each candidate's skills and experience for the role. | An update will be provided as soon as is practical. |

INDUCTION AND TRAINING

INDUCTION FOR NEW CEO

As Mark Read clearly knows our business well and has previously served as a Director of WPP plc, his induction focused on how the role and responsibility as a director of a listed company has evolved and developments in governance since he was last on the Board such as the new UK Corporate Governance Code, stakeholder engagement and the NYSE and SEC regulatory environment.

PROFESSIONAL DEVELOPMENT AND DIRECTOR TRAINING

The Board held a number of specific knowledge development sessions during the year on such issues as technology disruption and economic and sustainable risk factors impacting a number of our major clients, with CEOs and CMOs from our clients attending Board sessions to share their insights. The Board received training on the new UK Corporate Governance Code from the Group Chief Counsel and a detailed briefing on Brexit from Global Counsel.

The Board also refreshed its view of enterprise risk management this year and carried out a session on risk and risk appetite with EY and this programme will continue in 2019.

The Board continued to receive regular reports building greater awareness of our businesses and the legal, regulatory and industry-specific challenges it faces. This is complemented by Board meetings being held in our co-location sites which enables greater contact with the businesses and an opportunity to meet with senior and local management teams.

BOARD INDUCTION

On completion of the induction programme, all new Directors should have sufficient knowledge and understanding of the business to enable them to effectively contribute to strategic discussions and oversight of the operations and the work of the Committees they are joining.

BOARD PERFORMANCE EVALUATION

PROCESS

In line with the UK Corporate Governance Code, it is the Board's policy to undertake an externally facilitated Board performance evaluation every three years.

The 2018 Board performance evaluation was externally facilitated by Dr Long of Boardroom Review Limited who has no other connection with the Company. Dr Long undertook the previous externally facilitated review in 2015, which was completed in 2016.

In addition to the Board evaluation, Dr Long also evaluated the performance of the:

- Chairman
- Senior Independent Director
- Chair of all three Board Committees

Dr Long has attended Board and Committee meetings as an observer and has held one-on-one discussions with each Director, the Company Secretary, Group Chief Counsel and Chief Operating Officer.

OUTCOMES

The Board has effective leadership in place, with strong support for and relationships between the Chairman, CEO, the Senior Independent Director and Committee Chairs. Following the CEO appointment, the Board is engaging with the strategic process and transformation agenda. Alongside the CEO, who is rebuilding the leadership team and resetting its culture, the Board is developing metrics for performance, development and succession. There is an increased focus on cyber and information security and geographic risk, and strong leadership from the Audit Committee on the risk and control framework. There is open communication with shareholders and preparation for potential challenges in 2019.

OUR BOARD EVALUATION PROCESS

OBSERVE

Attendance as an observer at all Board and Committee meetings in December 2018.

ENGAGE

One-on-one meetings with all Board members, as well as:

- Company Secretary
- Chief Operating Officer
- Group Chief Counsel

EVALUATE

The work of the Board, individual and collective contribution and use of time and quality of information.

FEEDBACK

A discussion document and individual feedback sessions followed by verbal feedback presented by Dr Long at a session of the Board.

KEY AREAS OF FOCUS



CHAIRMAN'S EVALUATION

Following the CEO succession process, the Chairman is transitioning the Board through a period of change and transformation and developing a supportive relationship with the new CEO. There are constructive relationships between the Chairman, the Senior Independent Director and the Committee Chairs and in collaboration with the CEO, the Chairman is redeveloping the Board's modus operandi.

KEY RECOMMENDATIONS FOR 2019

BOARD COMPOSITION

The Board's contribution is dependent on ability to add strategic relevance, diversity of perspective and governance expertise and should constantly evolve the Board's skills mix.

SUPPORTING THE TRANSFORMATION

Continuous level of domain knowledge and visibility of the changing landscape.

CONTINUED FOCUS ON THE RISK FRAMEWORK

The transformation will demand continued focus on risk, enterprise resilience and the global compliance framework from the Board and its Committees.

HOW OUR BOARD ENGAGES

OUR APPROACH TO ENGAGEMENT

The success of our business is dependent upon our ability to understand and respond to the needs of the various stakeholders connected with WPP. When making decisions, our Board considers which course of action best leads to the success of the Company over the long term, which requires an understanding of how our decisions impact these groups.

During the year, and particularly in relation to the development of our new strategy, we have engaged with key stakeholders, as set out on the following page.

Looking ahead, we plan to expand our engagement activities. We are supportive of the new requirements contained within the new UK Corporate Governance Code and regulations and will report against these as required next year.

A CHANGING STAKEHOLDER ENVIRONMENT

As our industry continues to change, so too has the way in which we interact with our stakeholders. The line that separates client, stakeholder, partner and competitor has become increasingly blurred, as they are all interconnected. Google is a client, supplier and competitor, for example.

ENGAGEMENT IN ACTION

SHAREHOLDERS

During the year, we have engaged extensively with shareholders and the most frequently asked shareholder questions are set out below.

Other topics we engaged on in 2018 included our preparation for GDPR and data ethics, Brexit, our sustainability credentials, workforce engagement and Diversity and Inclusion (D&I).

TOP 5 QUESTIONS FROM SHAREHOLDERS

1 Describe the competitive environment and if there is intense pricing behaviour

Our competitive environment is described from page 36. Our industry has always been competitive on pricing as well as quality, but we believe the client should pay us a fair amount for the services that we provide and our view on that has not changed.

2 Why are the creative agencies suffering and what do you need to do?

The role of traditional agencies is being challenged. Clients want our creativity

more than ever but they are seeking services beyond our traditional strengths in communications. Our new strategy was developed specifically to respond to these challenges, and is set out from page 42.

3 Are clients in-housing media or creative and how are you responding?

While there is an increase in demand from some clients to bring our people closer to them, on-site, in-housing is not at the heart of the economics of WPP. In-housing is difficult and, particularly in media and digital media, the challenges of recruiting, retaining and training people should not be underestimated. It is worth remembering that Essence, part of GroupM, is Google's digital media planning and buying agency. It buys the media for Google on Google.

4 Why are you losing share in the US and how will you turn your largest market around?

In the past we have been too slow to adapt, become too complicated and have under-invested in core parts of our business. Core to our strategy is addressing our under-performing operations, particularly in

the United States. The creation of VMLY&R and Wunderman Thompson is an important part of that plan, as is the additional investment in creative leadership talent.

5 What are you most concerned about – consultants, in-housing or Google/Facebook?

The technology firms are vying with us for talent and attention, but the direct competitive threat of Google, Facebook and Alibaba is overstated. They are important partners to WPP.

Consulting firms have expanded rapidly into areas in which we compete. We need to recognise that new competition, be ready for it and promote our existing consulting and technology capabilities more effectively. As above, in-housing is not currently at the heart of the economics of WPP.



"ENGAGEMENT WITH OUR PEOPLE IS A KEY PART OF OUR NEW CULTURE."

Daniela Riccardi
Non-Executive Director



"OUR ROLE IS TO HELP THE BOARD UNDERSTAND THE VIEWS AND INTERESTS OF OUR PEOPLE."

Sally Susman
Non-Executive Director

WORKFORCE

In 2018 we set up our first employee forum in the UK. We will roll this out to more markets starting with India, China and Turkey. The views and ideas raised through these forums will be shared with the two Non-Executive Directors, Sally Susman and Daniela Riccardi, who are responsible for workforce engagement. We use employee surveys to assess employee engagement and satisfaction and in 2019 we plan to launch a Company-wide employee survey.

OUR ENGAGEMENT DURING 2018

The following table summarises our key stakeholders, as well as the engagement that has been undertaken across the business during the year:

| STAKEHOLDER GROUP | HOW WE ENGAGED IN 2018 |
|-------------------------------------|--|
| SHAREHOLDERS | <p>At the WPP investor day in December we updated investors and financial analysts on the new strategy for the Company. The presentations remain on our website, together with updates on our progress.</p> <p>We held meetings with all major shareholders through the CEO succession process and launch of the new strategy, in major cities in the UK, US and Europe and attended all the major conferences in our sector.</p> |
| PEOPLE | <p>During the year, we launched our employee forum. Further details can be found on page 96.</p> <p>Our HR surveys covered 75% of employees, giving us an informed picture of how our employees feel about the Company – some of the key results are summarised in our Sustainability Report. We also carried out 1,267 consultations with works councils about initiatives impacting our employees.</p> <p>Mark Read communicated directly with employees through all-staff emails and video on the new strategy, new hires, client wins and the new culture.</p> <p>We created the first WPP Executive Committee in 2018 and held a number of D&I forums bringing together people from across our Company to</p> |
| CLIENTS AND PARTNERS | <p>During the year this included client presentations at our Board meetings and client participation in events, such as our WPP investor day and strategy conference. Our people participated in multiple joint hackathons with Amazon and Google during the year focused on new products and workflow innovation.</p> <p>The issues we engaged with our clients and partners on in 2018 included CEO succession,</p> |
| GOVERNMENT/NGOs | <p>We are a founding member of the Business Against Slavery Forum in conjunction with the Modern Slavery Unit at the UK Home Office and participated in the forum throughout the year.</p> <p>We are a member of the United Nations Global Compact and have continued our Common Ground collaboration with the six marketing services groups and the UN, using the power of communication to accelerate progress towards gender equality. We are a signatory to the</p> |
| INDEXES/TRADING ASSOCIATIONS | <p>We are members of the IPA in the UK and the 4A's in the US and engaged on topics such as transparency in media trading and brand safety. We participated in the Business Disability Forum, Business in the Community and the CBI, particularly related to their workstream around Brexit.</p> |
| | <p>Our 2018 AGM was well attended, and all proposed resolutions passed. The AGM gave our shareholders the opportunity to pose questions directly to the Board. We provided live webcasts of our AGM and investor day which allowed for engagement by all shareholders, regardless of location.</p> <p>Our investor relations team responded to daily questions from shareholders and analysts and we have listed some of these on page 96.</p> |
| | <p>discuss how we could continuously improve our culture and working practices.</p> <p>We launched The Weekly in 2018, an email of the latest news, work and thinking across WPP for all our people worldwide, and relaunched the Company website and intranet with an emphasis on our people and their work.</p> <p>We offered a wide range of initiatives and training programmes to our people including mentoring, volunteering, apprenticeships, training programmes with our partners at Amazon and Adobe, GroupM University, SAFER DATA, Stella and the WPP Africa Academy and the WPP School of Communications in Mumbai to give just a few examples.</p> |
| | <p>our new strategy and the changes taking place in our market and understanding the changes taking place in our clients' and suppliers' markets, our preparations for and impact of GDPR and our SAFER DATA training, the issues raised by Brexit for our Company and people and the due diligence undertaken on our supply chain, diversity and inclusion, transparency in our media businesses, brand safety and sustainability initiatives.</p> |
| | <p>Women's Empowerment Principles and participated in the Workforce Disclosure Initiative. We also launched Creativity for Equality, a strategic partnership with UN Women to help positively impact the lives of girls and women.</p> <p>We responded to numerous government consultations including, in the UK, the Kingman review of the FRC, the Insolvency and Corporate Governance consultation, the UK Immigration White Paper and the Good Work consultation papers.</p> |
| | <p>We also participated in the Corporate Equality Index and the Corporate Political Engagement Index.</p> |

NOMINATION AND GOVERNANCE COMMITTEE REPORT

Committee members:

- Roberto Quarta (Chairman)
- Ruigang Li
- Daniela Riccardi
- Nicole Seligman – appointed 17 April 2018
- Sally Susman

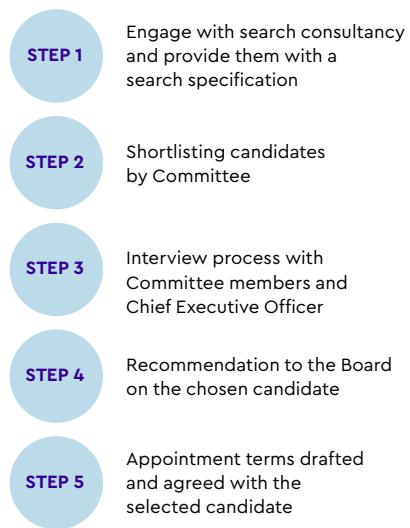
Highlights

- CEO and Group Finance Director succession
- Focus on Board composition and succession to support the transformation plan
- First year of TCFD disclosures

Key responsibilities

- Evaluates Board composition and ensures Board diversity and a balance of skills
- Reviews executive succession plans to maintain continuity of skilled resource
- Oversees matters relating to corporate governance and sustainability

NON-EXECUTIVE DIRECTOR APPOINTMENT PROCESS



DEAR SHAREHOLDER

I am pleased to present the Nomination and Governance Committee report which reviews our significant work over the past year, the focus of which has been the succession of the Executive Directors, Board composition and succession planning for Non-Executive Directors and senior management to support the transformation plan.

BOARD AND COMMITTEE CHANGES

2018 was a year of great change for the Company following the resignation of Sir Martin Sorrell. I became Executive Chairman for an interim period while we followed a succession process to identify our new Chief Executive Officer, Mark Read.

The Group Finance Director, Paul Richardson, announced his intention to retire during the course of 2019 and the succession process for his role is well advanced with the assistance of Spencer Stuart Associates, which is independent of the Company.

Following the 2018 AGM, Hugo Shong retired from the Board and this Committee and Nicole Seligman became a member of this Committee on 17 April 2018.

Ruigang Li has served on our Board for nearly nine years and will not stand for re-election at the AGM in 2019. We are seeking a new Non-Executive Director with similar levels of experience of the Chinese market.

As part of our ongoing succession planning for the Board, the Committee is delighted to welcome Cindy Rose as a new Non-Executive Director to the Board and the Audit Committee effective 1 April 2019.

COMMITTEE EFFECTIVENESS

The externally facilitated Board performance evaluation concluded that the Committee operated well and has managed a challenging and significant level of change in the Board during this past year.

APPOINTMENT PROCESS

When considering the recruitment of new Directors, the Committee adopts a formal and transparent process with due regard to the skills, knowledge and level of experience required including geographic experience and diversity.

EXECUTIVE DIRECTORS

Following the resignation of Sir Martin Sorrell, the Committee established a succession planning subcommittee comprising me as Chairman, Nicole Seligman, Jacques Aigrain and Sally Susman.

Further details of the succession planning process for Executive Directors in 2018 can be found on page 94.

NON-EXECUTIVE DIRECTORS

Russell Reynolds has assisted the Committee during the search process for new Non-Executive Directors, to find those candidates who have the skills and experience to align the Board's composition with the Company's strategic objectives and transformation plan whilst increasing our diversity.

SUCCESSION PLANNING

In addition to succession planning for Board roles, the Committee received presentations from the new Chief Executive Officer on succession planning for senior management to support the transformation plan. The Committee monitors a schedule on the length of tenure, skills, experience and diversity of the Board.

ACTION PLAN

For 2019 the Committee plans to continue the focus on the Group Finance Director recruitment and review succession plans for the Board and key roles across the business, as well as employee engagement and sustainability initiatives.

GOVERNANCE AND SUSTAINABILITY

The Committee oversees the governance and sustainability agenda on behalf of the Board and received updates on corporate governance developments and the sustainability strategy during the year and has considered the impact of those developments and strategy on the Company.

Roberto Quarta

Chairman of the Nomination and Governance Committee

10 April 2019

AUDIT COMMITTEE REPORT

Highlights

- Instigated a detailed risk management review to evolve the Company's enterprise risk management process
- Carried out an in-depth review of the internal audit function and the continued compliance with Section 404 of SOX
- Oversaw the selection of a new Deloitte lead audit partner and the associated transition period

Key responsibilities

- Reviews the integrity, adequacy and effectiveness of the Group's system of internal control, including the risk management framework and related compliance activities

MEMBERS AND MEETINGS

The members of the Committee during 2018 were Jacques Aigrain (Committee Chairman), Solomon D. (Sol) Trujillo and Tarek Farahat.

The Committee held 10 meetings during the year, which were attended by Deloitte LLP (the Company's external auditors, "Deloitte"), the Company's Chairman, the Senior Independent Director, the Group Finance Director, the Chief Executive Officer, the Chief Operating Officer, the Director of Internal Audit, the Group Chief Counsel, the Group Chief Accountant and the Company Secretary. Individual attendance by the Committee members during 2018 is set out in the table on page 92.

The Committee also held separate private meetings with Deloitte, the Director of Internal Audit and the Group Chief Counsel. The Committee Chairman held pre-meetings with Deloitte and regular meetings with the Company's Directors of Internal Audit, Tax and Treasury and the Group Chief Counsel. The Committee Chairman has an ongoing dialogue with the Group Finance Director, the Group Chief Accountant, the Director of Internal Audit and the Director of Tax and reports to the Board, as a separate agenda item, on the activities of the Committee at the following Board meeting.

COMMITTEE RESPONSIBILITIES AND HOW THEY WERE DISCHARGED IN 2018

The key responsibilities of the Committee during 2018 were as follows:

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting judgements;
- Reviewing and monitoring the Group's internal control framework and the activities and effectiveness of the Group's internal audit function;
- Assisting the Board in meeting its responsibilities in carrying out a robust assessment of the principal risks facing the Group and reviewing and reporting on the systems and key elements of risk management as they affect the Group;

- Regular consideration of the risk dashboard and risk map for presentation to the Board. Reviewing the Group's risk management processes, including the establishment of Risk Committees at network level;
- Reviewing the Group Treasury policy with a particular focus on debtors, working capital and cash management and the continued ability of the Group to adopt the going concern basis in preparing the financial statements;
- Reviewing reports on any material litigation or regulatory reviews involving Group companies;
- Reviewing the Group's mergers and acquisitions strategy, reviewing the analytical integrity for material M&A transactions and the earn-out payments profile of previous acquisitions. Reviewing integration processes;
- Reviewing the Group's tax position and its UK tax strategy and reviewing the impact of any significant changes in tax laws;
- Monitoring the accounting and legal reporting requirements applicable to the Company, including all relevant regulations of the UK Listing Authority, the SEC, the NYSE and the Jersey Financial Services Commission and the provisions of the UK Corporate Governance Code;
- Reviewing the implementation of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, adopted from 1 January 2018 and the future implementation of IFRS 16 Leases from 1 January 2019;
- Overseeing the Group's continued compliance with Section 404 of SOX, setting the SOX agenda, considering and approving audit plans and monitoring through regular status reports submitted by the Director of Internal Audit and Deloitte;
- Reviewing the continued implementation of the Group's IT transformation project and reviewing the Group's co-location and shared services initiatives; and
- Reviewing matters reported on the Group's Right to Speak helpline, the investigations into such matters and the actions taken by the Group in response.

FAIR, BALANCED AND UNDERSTANDABLE

A subcommittee of the Board including members of the Committee examined whether the Annual Report & Accounts for 2018 was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The subcommittee received an early final draft of the report for review and comment and a report from the Disclosure Committee relating to the composition of the report. The Board subsequently considered the report as a whole and discussed the report's tone, balance and language for compliance with these standards. The Board's statement on the report is on page 175.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Company's management team make key decisions and accounting judgements in the process of applying the Group's accounting policies. The key judgements were detailed in reports and presentations by management to the Committee during 2018, which were examined by the Committee and discussed with management and Deloitte.

Deloitte also reported to and discussed with the Committee whether suitable accounting policies had been adopted in the financial statements for the year ended 31 December 2018 and whether management had made appropriate estimates and judgements.

The areas of significant judgement considered by the Committee in respect of the financial statements for the year ended 31 December 2018 and how these were addressed are set out below and reflect a number of the principal risk areas identified by the Board on pages 80-83.

| AREA OF FOCUS | ACTIONS TAKEN/CONCLUSION |
|---|--|
| The assessments made for goodwill impairment testing purposes. | The Committee received detailed reports and presentations from management and challenged management's assumptions and goodwill impairment assessment model, with a particular focus on VMLY&R in the current year given relative sensitivity. The Committee Chairman met with management and Deloitte to consider the goodwill impairment assessments further. |
| The judgements made in respect of the release of provisions related to other media income. | Based on management's expectations of future performance of certain businesses and consideration of sensitivity, the Committee was satisfied with the appropriateness of the analysis performed by management and the level of disclosure and goodwill impairment charges recognised in 2018. |
| The valuations of non-controlled investments and unlisted associates. | The Committee considered information from management summarising the judgements taken in addition to the results of testing undertaken by Deloitte to support the judgements made and agreed those were appropriate. |
| The accuracy of forecasting the potential future payments due under earnout agreements in respect of acquired businesses. | The Committee examined the valuations with management which are based on local management forecasts, recent third-party investment and/or other supporting information such as industry valuation multiples. The Committee considered the sample testing of the investments performed by Deloitte and agreed that the valuations were appropriate. |
| The valuation of year-end provisions in respect of working capital. | The Committee considered the forecasting with management and the testing undertaken by Deloitte and agreed that earnouts have been accounted for appropriately. |
| Accounting for the judgemental elements of remuneration, including pensions, bonus accruals, severances and share-based payments. | The Committee received briefings on the approach taken by management in assessing the level of exposure across the Group and considered Deloitte's audit procedures in this respect. The Committee concluded that management's approach was appropriate. |
| The judgements made in respect of tax, in particular the level of central tax provisioning. | The Committee supported management's assumptions in both these areas and believe the current level of provisions is reasonable. |
| The going concern assessment and viability statement and key forecast assumptions. | The Committee concur with management's going concern, viability and forecasting assumptions as set out on page 79. |
| The judgements made as to whether the Kantar group constituted a disposal group 'held for sale' for the purposes of IFRS 5. | The Committee considered management's assessment of the conditions that must be satisfied in order to conclude a disposal group is 'held for sale' and agreed with management's application of the guidance and ultimate conclusion that those conditions were not satisfied. |
| Recognition of restructuring and transformation costs. | The Committee reviewed management's key accounting judgements and procedures in this area and the testing carried out by Deloitte. The Committee was satisfied with the quantum of costs recognised in 2018 and the presentation of such costs in the financial statements. |

EXTERNAL AUDIT

Deloitte has been the Group's auditors since 2002. The lead audit partner rotates every five years. After five years in post, Richard Muschamp will step down as the Group's lead audit partner and the Committee welcomes Rob Topley as his replacement in respect of accounting periods commencing from 1 January 2019. The Committee oversaw the selection of the new lead partner and the associated transition process. In 2018, the effectiveness of the audit process was evaluated through a Committee review of the audit planning process and discussions with key members of the Group's finance function. The Committee considered the Audit Quality Review's 2017/18 Audit Quality Inspection Report on Deloitte and the actions taken by Deloitte to address the findings in the report. The 2018 evaluations concluded that there continued to be a good quality audit process and constructive challenge where necessary to ensure balanced reporting. The Committee held private meetings with Deloitte and the Committee Chairman met privately with Deloitte before each meeting. The Committee continues to be satisfied with the performance of Deloitte and confirms that Deloitte continues to be objective and independent. The Committee recommends the reappointment of Deloitte at the AGM on 12 June 2019.

The Committee considered the Group's position on its audit services contract in the context of the regulations concerning the audit market. Although there is no immediate intention to tender the audit contract, the Company will re-tender at the latest by the 2022 year-end in compliance with the transitional arrangements for competitive tender that require mandatory rotation after the 2023 fiscal year-end.

The Company confirms that it has complied with the Competition and Markets Authority final order on mandatory tendering and Audit Committee responsibilities.

INTERNAL AUDIT

The annual internal audit plan is approved by the Committee at the beginning of the financial year. Progress against the plan is monitored through the year and any significant changes to the plans require Committee approval. Significant issues identified within internal audit reports are considered in detail along with the remediation plans to resolve those issues. The Committee also considers the level of internal audit resource to ensure it is appropriate to provide the right level of assurance over the principal risks and controls throughout the Group. The Committee Chairman holds pre-meetings with the Director of Internal Audit and regular update meetings, to ensure the internal audit function has adequate standing and is free from management restrictions and has direct access to the Committee if required.

NON-AUDIT FEES

The Committee has established a policy regarding non-audit services that may be provided by Deloitte, which prohibits certain categories of work in line with relevant guidance on independence, such as the FRC revised ethical standards and ethical standards issued by the SEC. The prohibited categories of work include advice on remuneration and on tax services being provided by Deloitte in the European Union and a general default to an alternative provider elsewhere subject to adherence to regulations. Other categories of work may be provided by the auditors if appropriate and if pre-approved by the Committee, either as individual assignments or as aggregate amounts for specified categories of services. All fees are summarised periodically for the Committee to assess the aggregate value of non-audit fees against audit fees. The level of fees for 2018 is shown in note 3 of the financial statements on page 135.

COMMITTEE COMPOSITION AND EVALUATION

The Committee and its members were formally assessed by the Nomination and Governance Committee as part of the review of Committee composition in 2018 and as part of the externally facilitated evaluation process described on page 95 for their technical suitability to be members and also for its overall effectiveness. The Board has designated the Committee Chairman as the Committee's financial expert for Sarbanes-Oxley Act (SOX) purposes and together with Tarek Farahat as having recent and relevant financial experience for the purposes of the UK Corporate Governance Code and competence in accounting or audit for the purposes of DTR 7.1. The members of the Committee are considered by the Board to be independent and (when considered as a whole) have competence relevant to the sectors in which the Company operates, and have financial and/or financial services experience as set out on pages 90 and 91.

Cindy Rose has been appointed as an additional member of the Committee with effect from 1 April 2019.

TERMS OF REFERENCE

The Committee's terms of reference are adopted by the Board and reviewed annually by the Committee, most recently on 21 March 2019. A copy of the Committee's terms of reference is available on the Company's website at wpp.com/about/corporate-governance.



Jacques Aigrain
Chairman of the Audit Committee
10 April 2019

COMPLIANCE WITH THE CODE

This statement of compliance summarises how the Company has implemented the principles and provisions of the 2016 UK Corporate Governance Code (the Code). The Code is available at www.frc.org.uk.

The Board considers that WPP complied in all material respects with the principles of the Code. The Board also confirms that it complies with all of the provisions of the Code, with the exception of A.2.1. The Code requires that the role of the Chairman and Chief Executive should not be exercised by the same individual. While this is ordinarily the case for the Company, following the resignation of the previous Chief Executive, Sir Martin Sorrell, on 14 April 2018, the Board appointed Roberto Quarta as (interim) Executive Chairman until a new Chief Executive was appointed. Roberto Quarta held this role for just under five months, until 3 September 2018, when Mark Read was appointed as the new Chief Executive.

The FRC issued a new Code in July 2018 (the UK Corporate Governance Code 2018). The Board will assess its governance practices against the principles of the new Code during 2019 and will report on its implementation in next year's Annual Report & Accounts.

A. LEADERSHIP

A.1 THE ROLE OF THE BOARD

The Board is collectively responsible for promoting the long-term success of the Company by directing and supervising the Company's policy and strategy and is responsible to shareholders for the Company's financial and operational performance and risk management. Responsibility for the development and implementation of Company policy and strategy and for day-to-day management issues is delegated by the Board to the Group Chief Executive and Group Finance Director. The list of matters reserved to the Board can be downloaded from wpp.com/about/corporate-governance.

Details of 2018 Board attendance at Board and Committee meetings are set out on page 92.

The Company provides insurance cover for its Directors and Officers.

A.2 DIVISION OF RESPONSIBILITIES

As noted above the role of the Chairman and Chief Executive are ordinarily separated. The separate roles are set out in writing and are agreed by the Board.

A.3 THE CHAIRMAN

The Board is chaired by Roberto Quarta, who chairs the Nomination and Governance Committee and is a member of the Compensation Committee and attended all meetings of the Audit Committee at the invitation of its Chairman. The Chairman provides the leadership of the Board and is the main point of contact between the Board and the CEO. The Chairman represents the Board in discussions with shareholders and investor bodies, ensures that systems are in place to provide Directors with timely and accurate information, represents the Company in external gatherings, and is also responsible for the Board governance principles. He has led the ongoing emphasis on management development and CEO and senior management succession planning.

A.4 NON-EXECUTIVE DIRECTORS

The Non-Executive Directors have a diverse range of skills, experience and backgrounds. As detailed in their biographies on pages 90 and 91, the Non-Executive Directors work across the globe in media and advertising, investment banking and investment management, pharmaceuticals, logistics and bioenergy, FMCG, international management consulting, private equity and angel investing, business education, manufacturing, consumer products and retail management, internet start-ups, government and non-profit organisations. They provide constructive challenge and assistance to the Group Chief Executive in developing the Company's strategy.

The Senior Independent Director is Nicole Seligman who is available to shareholders and acts as a sounding board for the Chairman and as an intermediary for the other Directors with the Chairman, when necessary. The Senior Independent Director's role includes responsibility for the Chairman's appraisal and succession and this year the Board evaluation process. Nicole Seligman was appointed to the Board in January 2014 and is a member of the Compensation Committee and the Nomination and Governance Committee. As the Senior Independent Director, Ms Seligman customarily attends the Audit Committee meetings at the invitation of the Chairman of that Committee.

B. EFFECTIVENESS

B.1 COMPOSITION OF THE BOARD

As at the date of this report, the Board is composed of 12 Directors. Two current members are Executive Directors and 10, including the Chairman, are Non-Executive Directors. One Non-Executive Director will be retiring at the AGM in 2019, following which the Board will be composed of 11 Directors. The independence of each Non-Executive Director is assessed annually by the Board. The Board has confirmed that all of the Non-Executive Directors standing for election and re-election at the 2019 AGM continue to demonstrate the characteristics of independence.

B.2 APPOINTMENTS TO THE BOARD

The Nomination and Governance Committee leads the process for appointments to the Board and makes recommendations to the Board. The Nomination and Governance Committee is chaired by the Chairman of the Board and comprises only Non-Executive Directors. The terms of reference of the Nomination and Governance Committee are available on the Company's website at wpp.com/about/corporate-governance.

Mark Read was appointed to the Board on 3 September 2018 and Cindy Rose has been appointed to the Board with effect from 1 April 2019. For more details on the appointment process refer to the Nomination and Governance Committee report on page 98.

B.3 COMMITMENT

Letters of appointment for Non-Executive Directors do not set out a fixed time commitment for Board attendance and duties but give an indication of the likely time required. It is anticipated that the time required by Directors will fluctuate depending on the demands of the business and other events.

B. EFFECTIVENESS**B.4 DEVELOPMENT**

On joining WPP, Non-Executive Directors are given an induction which includes one-to-one meetings with management and the external auditors, briefings on the duties of Directors of a Jersey company, the Company's Share Dealing Code, WPP Code of Conduct and the UK Corporate Governance Code. The induction also covers the Board Committees that a Director will join. All Directors are fully briefed on important developments in the various business activities which the Company carries out worldwide and regularly receive extensive information concerning the Company's operations, finances, risk factors and its people, enabling them to fulfil their duties and obligations as Directors. The Directors are also frequently advised on regulatory and best practice requirements which affect the Company's businesses on a global basis.

B.5 INFORMATION AND SUPPORT

All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties.

B.6 EVALUATION

Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to WPP, was engaged to lead the Board effectiveness evaluation that was started in 2018 and completed in 2019. More information on the evaluation is on page 95.

B.7 RE-ELECTION

The Directors submit themselves for annual re-election at each AGM, if they wish to continue serving and are considered by the Board to be eligible. Directors may be appointed by shareholders by ordinary resolution or by the Board on the recommendation of the Nomination and Governance Committee and must then stand for re-election at the next AGM, where they may be re-elected by ordinary resolution of the shareholders. With only specific exceptions to ensure Board continuity, Non-Executive Directors shall not stand for re-election after they have served for the period of their independence, as determined by applicable UK and US standards, which is nine years.

C. ACCOUNTABILITY**C.1 FINANCIAL AND BUSINESS REPORTING**

The Board is responsible for the presentation of a fair, balanced and understandable assessment of the Company's position and prospects, within the Annual Report as well as all publicly available financial information. We have an appropriate system in place to meet this responsibility. See page 175 for further information.

C.2 RISK MANAGEMENT AND INTERNAL CONTROL

The Company operates a system of internal control, which is maintained and reviewed in accordance with the UK Corporate Governance Code and the FRC guidance on risk management and internal control. See pages 78 and 79.

C.3 AUDIT COMMITTEE AND AUDITORS

During 2018, the Audit Committee comprised three Non-Executive Directors and was chaired by Jacques Aigrain. On 1 April 2019, Cindy Rose was appointed as a Director of the Company and a member of the Audit Committee. Details of Mr Aigrain's extensive recent and relevant financial experience are set out on page 90. The terms of reference of the Audit Committee are available on the Company's website at wpp.com/about/corporate-governance. Refer to page 99 for the review of the Audit Committee's responsibilities and how these were discharged in 2018.

D. REMUNERATION**D.1 THE LEVEL AND COMPONENTS OF REMUNERATION**

The Company's compensation policy is designed to attract the best talent and ensure people are rewarded fairly and competitively. The policy sets out a reward structure that looks at the short, medium and long term and is designed to promote sustainable performance aligned with shareholder interests. Shareholders approved the Directors' Compensation Policy at the 2017 AGM and this is available on the Company's website.

D.2 PROCEDURE

The Compensation Committee is responsible for setting and managing the compensation of all Executive Directors. Controls and procedures are in place to manage compensation of all other employees in the Group.

E. RELATIONS WITH SHAREHOLDERS**E.1 DIALOGUE WITH SHAREHOLDERS**

The relationship with shareholders, potential shareholders and investment analysts is given high priority by the Company.

The Company has a well-developed and continuous programme to address the needs of shareholders, investment institutions and analysts for a regular flow of information about the Company, its strategy, performance and competitive position. Given the wide geographic distribution of the Company's current and potential shareholders, this programme includes regular visits to investors, particularly by the Group Chief Executive, the Group Finance Director and the Head of Investor Relations, in the UK, Continental Europe and the major financial centres in North America and also in Asia Pacific and Latin America. The Company's Chairman meets with investors and regularly consults with investors' governance representatives and advisory bodies. The Company provides a preliminary announcement, an interim management statement at the end of the first and third quarters that includes a trading update, an interim report at half year and a trading update and presentation at the AGM.

The Company ensures that it has a proper dialogue with shareholders and their representative bodies through Executive and Non-Executive Directors in relation to remuneration and corporate governance matters. The Chairman and Senior Independent Director provide thorough feedback to the Board on issues raised with them by shareholders.

The Company's website, wpp.com, provides current and historical financial information, including trading statements, news releases and presentations and the Company's statement of its corporate governance practices.

E.2 CONSTRUCTIVE USE OF GENERAL MEETINGS

The AGM is a key opportunity for the Board to communicate with the Company's shareholders. Notice of the 2019 AGM will be available on the Company's website. All Directors will attend the AGM and the Chairmen of the Audit Committee, the Compensation Committee and the Nomination and Governance Committee will be available to answer questions.

COMPENSATION COMMITTEE REPORT

LETTER FROM THE CHAIRMAN OF THE COMPENSATION COMMITTEE

"THE COMMITTEE'S KEY FOCUS IS TO ENSURE OUR COMPENSATION STRUCTURE ALIGNS THE INTERESTS OF EXECUTIVES TO THOSE OF OUR SHAREHOLDERS AND IS IMPLEMENTED FAIRLY AND RESPONSIBLY."

Sir John Hood
Chairman of the
Compensation Committee

Highlights

- Setting the compensation package for the new CEO
- Managing the retirement arrangements of departing executives
- Consultation with our shareholders

Key responsibilities

- Aligning compensation to business strategy and shareholder interests
- Setting measures and targets for the incentive plans
- Ensuring that our practice aligns with corporate governance standards

DEAR SHAREHOLDER

On behalf of the WPP Board I am pleased to present the Directors' Compensation report for the year ended 31 December 2018. In my letter to you, I will bring to your attention the main issues that we addressed during 2018 and the plans for the year ahead. I have included a short summary of the key financial highlights from the report, at the end of my letter, before the formal report. At the front of each section in the report, we have included a summary of the relevant part of the Directors' Compensation Policy for your guidance. The full policy is available on our website at wpp.com/about/corporate-governance.

During 2018 several important issues were dealt with by the Committee, including the appointment of the new CEO, Mark Read, the resignation of the former CEO, Sir Martin Sorrell, and the forthcoming retirement of the Group Finance Director, Paul Richardson. These matters are all discussed in more detail below.

2018 AGM VOTING RESULT

At last year's AGM, we were disappointed to receive a 27% vote against the Compensation Committee report. We responded by lodging a statement on the Government website. In essence, the Committee believes that the reason for the opposition voiced by shareholders was a perceived lack of transparency regarding details relating to the resignation of Sir Martin Sorrell. During 2018, the Chairman has conducted an extensive consultation exercise with shareholders in relation to Sir Martin's resignation.



To learn more see
wpp.com/about/corporate-governance

BOARD CHANGES

Sir Martin Sorrell resigned on 14 April 2018. He was treated in accordance with the Directors' Compensation Policy and details of this treatment are set out in this report.

Following a thorough recruitment process, the Board appointed Mark Read to the post of CEO with effect from 3 September 2018. The Committee set his salary and benefits commensurate with his position and taking into account the current corporate governance guidance. In line with our wish to be as transparent as possible, we provided full details of his compensation terms with the formal announcement of his appointment and they are also set out within this report. There are no planned changes to his compensation for 2019.

Late in 2018, Paul Richardson notified the Board that he intended to retire from the Company. He confirmed his decision early in 2019. His formal retirement date, at the end of his one-year notice period, will be 31 January 2020. He will be treated in accordance with our Directors' Compensation Policy and the relevant stock plan rules. The Committee have determined that Paul must maintain, at a minimum, his share ownership requirement of 300% of base salary for two years post his retirement date. Full details of his retirement terms are set out in this report.

PAY FOR PERFORMANCE 2018

As noted elsewhere in this report, 2018 has been a difficult year for WPP and this is reflected in the outcomes for the short- and long-term incentive plans which are aligned to both financial and share price performance. In relation to the short-term incentive plan, the financial component of the scorecard was based on targets that were not achieved, resulting in a zero pay-out for this element of the scorecard.

However, the CEO performed strongly against his personal objectives and the Group Finance Director made good progress against the personal strategic targets that he had been set. The payment for Mark Read was prorated as he was appointed CEO only for the last third of the year and this is reflected in both the single figure in the total compensation table and the table that sets out the performance achievement for the 2018 STIP. In the interests of transparency, we have also provided details of the bonus he earned for the other two thirds of the year for his roles as CEO of Wunderman and joint COO.

The 2014 Executive Performance Share Plan (EPSP) award completed its five-year performance period on 31 December 2018. This is a performance share plan that measures achievement against three performance measures: relative TSR, return on equity and earnings per share. As a consequence of the decline in our share price over the last 18 months and a weakening of our financial performance, two of the three measures failed to reach the threshold levels. Only the return on equity measure met the performance target resulting in an overall vesting level of 33%. The Committee considered whether the pay-out was fair considering the overall performance. After careful consideration, we concluded that the plan design had effectively captured the performance with a low vesting level and that no further adjustment was warranted.

PERFORMANCE TARGETS FOR 2019 INCENTIVES

The financial measures for the annual short-term incentive plan will remain consistent with prior years. The three measures are headline PBT growth, revenue less pass-through costs and headline PBIT margin. The performance targets will be fully disclosed in the 2019 Annual Report.

The Committee are currently reviewing the performance targets for the 2019 EPSP awards and will consult with shareholders later in the year about the changes required to ensure that the plan continues to provide an achievable, but stretching, incentive for management.

LOOKING FORWARD

The CEO presented the new WPP strategy to shareholders in December 2018. The Committee will be considering what changes are required to the incentive plans during 2019 to align to the new strategy. The Committee will consult with our shareholders on any proposed changes and these will be incorporated into the next version of the Directors' Compensation Policy to be tabled at the 2020 AGM. The revised policy will also incorporate amendments to the policy and disclosures required by the latest corporate governance regulations, including the CEO pay ratio and feedback from our workforce engagement initiative. The Committee are aware that certain bodies would like to have seen us publish the CEO pay ratio for 2018, but in light of the change of CEO it was felt that to have published a ratio this year would not have been meaningful.

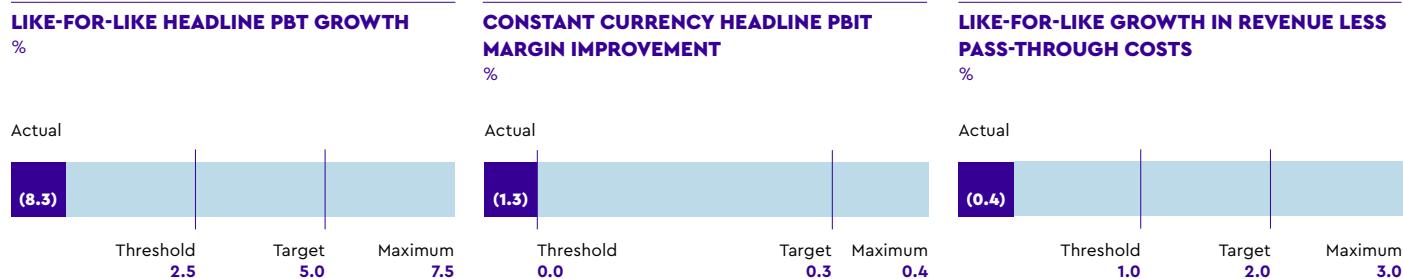
Finally, I would like to thank the shareholders with whom we have met and my fellow Committee members and management for their support during the year.



Sir John Hood
Chairman of the
Compensation Committee
10 April 2019

PERFORMANCE AT A GLANCE

GROUP FINANCIAL PERFORMANCE MEASURES



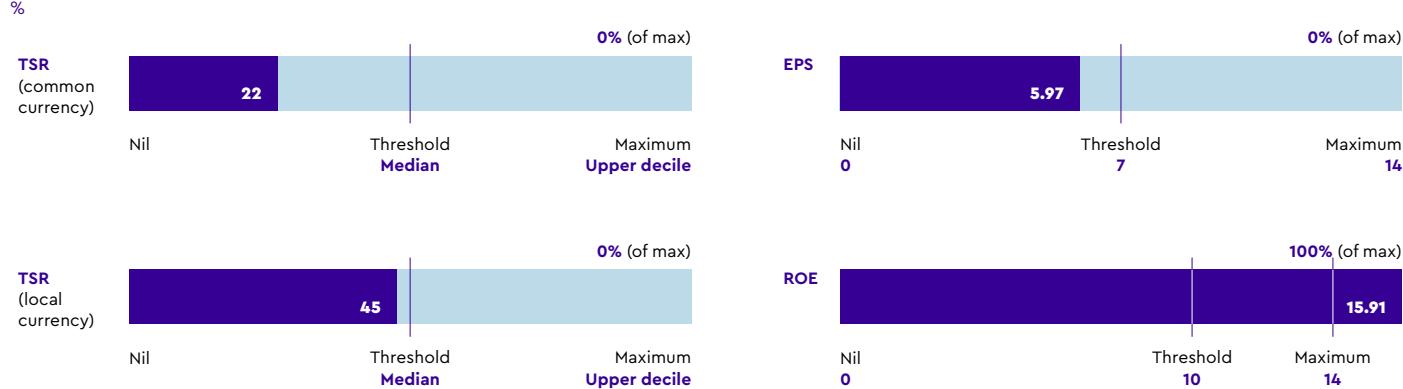
LONG-TERM PERFORMANCE

WPP Total Shareholder Return (TSR) %

| | FTSE 100 | S&P 500 | WPP |
|-----|----------|---------|------|
| 20Y | 162 | 371 | 373 |
| 10Y | 121 | 326 | 238 |
| 5Y | 34 | 118 | (1) |
| 1Y | (5) | 4 | (33) |

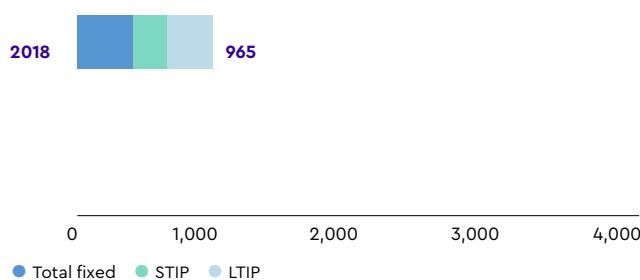
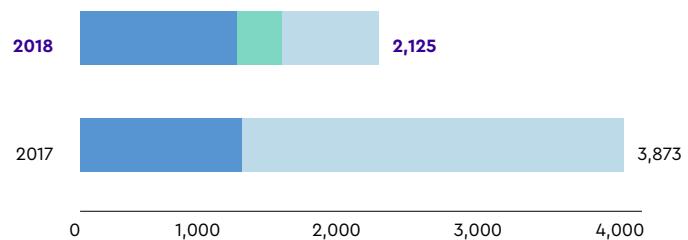
Source: DataStream. TSR calculated up until 31 December 2018.

LONG-TERM (EPSP) PERFORMANCE MEASURES %



TOTAL COMPENSATION 2018

£000

Mark Read**Paul Richardson****HOW WE WILL IMPLEMENT OUR PROPOSED COMPENSATION POLICY IN 2019**

| Policy | 2019 | 2020 | 2021 | 2022 | 2023 | Implementation for 2019 |
|------------------------------|--|------|------|------|------|--|
| Base salary | 24-month review period | | | | | Mark Read: £975,000 Paul Richardson: \$945,000 + £100,000 |
| Benefits | A fixed benefits allowance will be provided as an alternative to the provision of itemised benefits, to be used at the executive's discretion | | | | | Mark Read: £35,000 Paul Richardson: \$85,000 |
| Pension | Pension is provided by way of a contribution to a defined contribution arrangement, or a cash allowance, determined as a percentage of base salary | | | | | Mark Read: 17.6% Paul Richardson: 30% |
| Short-term incentives | - 70% financial and 30% individual strategic objectives - One-year performance - 60% cash, 40% deferred WPP shares (two years) | | | | | Mark Read: 0-250% Paul Richardson: 0-250% |
| Long-term incentives | - TSR, EPS and ROE - Five-year performance - 100% WPP shares | | | | | Mark Read: 0-350% Paul Richardson: 0-300% |

IMPLEMENTATION REPORT

This section of the Compensation Committee report sets out details of how the Company's Compensation Policy was implemented in 2018. It includes details of the 2018 director compensation together with a summary of pay across the Group.

The Policy was approved by shareholders at the 2017 AGM. For each element of pay, we have included a summary of the current policy to provide context for the decisions made.

GOVERNANCE IN RELATION TO COMPENSATION

During 2018, the Compensation Committee met eight times on a formal basis, with several additional informal meetings held as needed to deal with the matters related to the resignation of the former CEO and appointment of the new CEO. A table of Board and Committee attendance can be found on page 92.

The Committee members do not have any personal financial interest (other than as a shareholder as disclosed on page 117) in the matters to be decided by the Committee, potential conflicts of interest arising from cross-directorships or day-to-day involvement in running the Group's businesses. The terms of reference for the Compensation Committee are available on the Company's website, and will be on display at the AGM, as set out in the Notice of AGM.

ADVISORS TO THE COMPENSATION COMMITTEE

The Compensation Committee regularly consults with Group executives. In particular, the Committee invites certain individuals to attend meetings, including the Chief Executive Officer (who is not present when matters relating to his own compensation or contracts are discussed and decided), the Company Secretary, the Chief Talent Officer and the Worldwide Compensation & Benefits Director. The latter two individuals provide a perspective on information reviewed by the Committee and are a conduit for requests for information and analysis from the Company's external advisors.



To learn more see
[wpp.com/about/
corporate-governance](http://wpp.com/about/corporate-governance)

EXTERNAL ADVISORS

The Committee retain Willis Towers Watson (WTW) to act as independent advisors. They provide advice to the Compensation Committee and work with management on matters related to our compensation policy and practices. They are a member of the Remuneration Consultants Group and have signed the code of conduct relating to the provision of advice in the UK. Considering this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent. WTW provides limited other services at a Group level and some of our operating companies engage them as advisors at a local level. In 2018, WTW received fees of £130,000 in relation to the provision of advice to the Committee. The Committee receives external legal advice, where required, to assist it in carrying out its duties.

CHANGES IN EXECUTIVE DIRECTORS

Mark Read was appointed Chief Executive Officer on 3 September 2018. His compensation package is within the Policy approved by shareholders:

- Annual base salary of £975,000;
- Annual bonus of up to 250% of salary with mandatory deferral of at least 40% of bonus into shares deferred for a two-year period. The target bonus is 125% of salary;
- EPSP award of 350% of salary;
- A taxable cash allowance, in lieu of a pension contribution, of 20% of salary, less employer's National Insurance equivalent to an adjusted contribution rate of 17.6%; and
- A benefits allowance of £35,000 per annum to enable him to procure his own benefits as required.

His contract of employment contains restrictive covenants including an industry non-compete, a non-deal with clients and a non-poach and non-employ of key WPP individuals.

Sir Martin Sorrell resigned on 14 April 2018. Under the terms of his employment agreements, he was treated as having retired. His share awards will be prorated in line with the plan rules and will vest over the next five years, to the extent Group performance targets are achieved. Details of his remuneration arrangements can be found on page 116.

It was announced in late 2018 that Paul Richardson intended to retire from office. He confirmed in early 2019 that he will be retiring as Group Finance Director on 31 January 2020 after serving his contractual 12-month notice period. On retirement, he will be eligible to be treated in accordance with his contract and the terms set out in the Directors' Compensation Policy. He will be paid his fixed compensation comprising base salary, pension and benefits allowance until his retirement date. He will be eligible to be considered for a STIP payment for 2019 dependent on performance. In accordance with the Stock Plan rules, the Compensation Committee have agreed that he will be treated as a retiree and outstanding stock will vest on a prorated basis to the extent performance targets are achieved. Vesting will occur on the scheduled vesting dates, the last of which is March 2023. In addition, he will be required to hold WPP shares equal to his share ownership requirement of 300% of base salary for a period of two years post his retirement date.

STATEMENT OF SHAREHOLDER VOTING

At the 2018 AGM, just over 27% of shareholders voted against the 2017 Compensation Committee report. The Committee understands that while the 2017 Compensation Committee report detailed the compensation paid and decisions made in relation to the 2017 performance year, the reason for the significant vote against the report was primarily discontent around the circumstances leading to Sir Martin Sorrell's resignation in April 2018, his contractual treatment as a retiree and the "good leaver" treatment of his outstanding share awards.

During 2018, the Chairman and the Company have engaged extensively with shareholders on the obligations of the Company and the historic and unique nature of the 2008 employment agreement, the terms of which not have been replicated in the employment terms of the new CEO. The Committee and the Company are committed to engaging further with shareholders over the coming months, particularly ahead of any new Compensation Policy.

The result of the shareholder vote at the Company's 2018 AGM in respect of the 2017 Compensation Committee report is set out below, along with the result of the vote on Directors' Compensation Policy at the 2017 AGM.

VOTING OUTCOME FOR 2017 COMPENSATION COMMITTEE REPORT (AT 2018 AGM)

| Resolution | Votes for | | Votes against | | Votes cast | | Votes withheld | |
|--|-------------|-------|---------------|-------|-------------|------------|----------------|--|
| | Number | % | Number | % | Number | Number | | |
| To approve the Compensation Committee report | 709,510,755 | 72.75 | 265,711,511 | 27.25 | 975,222,266 | 31,298,536 | | |

VOTING OUTCOME FOR 2017 COMPENSATION POLICY (AT 2017 AGM, WHEN THE CURRENT POLICY WAS APPROVED)

| Resolution | Votes for | | Votes against | | Votes cast | | Votes withheld | |
|------------------------------------|-------------|-------|---------------|------|-------------|------------|----------------|--|
| | Number | % | Number | % | Number | Number | | |
| To approve the Compensation Policy | 869,083,431 | 91.71 | 78,532,980 | 8.29 | 947,616,411 | 17,339,998 | | |

EXECUTIVE DIRECTORS' TOTAL COMPENSATION RECEIVED (AUDITED)

Single total figure of remuneration

| | | Base salary £000 | Benefits ⁵ £000 | DEPs ⁶ £000 | Pension £000 | Short-term incentive ⁷ £000 | Long-term incentive ⁸ £000 | Total annual remuneration £000 |
|---------------------------------|------|------------------|----------------------------|------------------------|--------------|--|---------------------------------------|--------------------------------|
| Mark Read ¹ | 2018 | 325 | 12 | – | 57 | 244 | 327 | 965 |
| Paul Richardson ^{2,3} | 2018 | 808 | 64 | – | 243 | 320 | 690 | 2,125 |
| | 2017 | 833 | 66 | – | 249 | – | 2,725 | 3,873 |
| Sir Martin Sorrell ⁴ | 2018 | 391 | 70 | – | 102 | – | 2,522 | 3,085 |
| | 2017 | 1,149 | 200 | 2,170 | 402 | – | 10,009 | 13,930 |

Notes

1 Mark Read was appointed as CEO on 3 September 2018 and his salary is prorated accordingly.

2 Any US dollar amounts received in 2018 have been converted into pound sterling at an exchange rate of \$1.3351 to £1.

3 Paul Richardson's base salary figure is denominated in US dollars other than his fee for Directorship of WPP plc of £100,000 which, per above, has been converted at an exchange rate of \$1.3351 to £1. There has been no change in base salary over 2018 and the differences between the 2018 and 2017 values are due to a change in exchange rates.

4 Sir Martin Sorrell resigned from the Company on 14 April 2018. The base salary includes accrued and unused holiday pay.

5 The benefits, and total annual compensation, set out in the table above exclude the disclosable value of expenses related directly to attendance at Board meetings that would be chargeable to UK income tax. The expenses were for Mark Read £1,666, Sir Martin Sorrell £2,253 (£4,492 in 2017) and Paul Richardson £7,625 (£8,307 in 2017). Details of benefits are set out on page 111.

6 In 2017 Sir Martin Sorrell received Dividend Equivalent Payments ("DEPs") in accordance with the approval granted by shareholders of amounts equal to the dividends that would be payable totalling £2,169,831, in respect of the shares reflected in the UK and US Deferred Stock Units Awards Agreements. These agreements comprised the awards granted under the Capital Investment Plan in 1995. 2017 was the final year in which such payments were made.

7 STIP was not awarded in 2017 due to performance targets for 2016 being missed.

8 This is the value of the 2014 and 2013 EPSP awards which vested in 2019 and 2018, following the end of the five-year EPSP performance periods on 31 December 2018 and 31 December 2017 respectively. For Mark Read this figure includes the Leaders 2015 award which vested in November 2018.

FIXED ELEMENTS OF REMUNERATION (AUDITED)

The Compensation Policy summaries below are from the 2017 Compensation Policy, as approved by shareholders, and represent the maximum levels applicable. The Committee chose to exercise its discretion in the appointment package for the new CEO and apply lower levels than provided for within the Policy.

BASE SALARY

| BASE SALARY POLICY | Reviewed every 2 years or following a change in role | Company and personal performance taken into account during review process | Base salary will normally increase by no more than the local rate of inflation |
|--------------------|--|---|--|
| | Includes director fee of £100,000 | | |

| | Effective date | Contractual salary 000 | Base salary received in 2018 000 |
|---------------------------------|------------------|------------------------|----------------------------------|
| Mark Read ¹ | 3 September 2018 | £975 | £325 |
| Paul Richardson ² | 1 July 2013 | \$945 and £100 | \$1,079 |
| Sir Martin Sorrell ³ | 1 July 2013 | £1,150 | £391 |

Notes

1 Mark Read's base salary for 2018 is in respect of his period as CEO, from 3 September 2018.

2 The director fee for Paul Richardson has been converted into US dollars at a rate of \$1.3351 to £1.

3 Sir Martin Sorrell received 40% of his base salary in US dollars, converted using monthly exchange rates, paid up to his date of resignation.

The base salaries for the Executive Directors are reviewed, but not necessarily changed, every 24 months. Paul Richardson's base salary has not changed since 2013. Paul Richardson also receives a fee of £100,000 for his Directorship of WPP plc. This was an historic practice which has not been applied to the new CEO.

FIXED ELEMENTS OF REMUNERATION (AUDITED) CONTINUED

BENEFITS AND PENSION

| BENEFITS POLICY | Fixed, non-itemised allowance enabling executives to procure their own benefits as required | Allowance as follows: CEO – £200,000 ¹ CFO – \$85,000 | Reviewed periodically by the Committee |
|-----------------|---|--|--|
|-----------------|---|--|--|

| | 2018 Benefits 000 |
|---------------------------------|----------------------|
| Mark Read ¹ | £12 |
| Paul Richardson | \$85 |
| Sir Martin Sorrell ² | £70 |

Notes

¹ While the Compensation Policy allows for a benefits allowance of up to £200,000 for the CEO, Mark Read was appointed with a benefits allowance of £35,000, which is prorated for his period as CEO.

² Sir Martin Sorrell's allowance was estimated up to his date of resignation. The figure reflects the final position in respect of the benefits allowance.

This allowance excludes the disclosable value of expenses, related directly to attendance at Board meetings that would be chargeable to UK income tax.

| PENSION POLICY | Contribution to a defined contribution retirement arrangement, or a cash allowance | Contributions/allowances are as follows (as % of base salary): CEO – 30% ¹ CFO – 30% New EDs – 25% | Only base salary is pensionable |
|----------------|--|--|---------------------------------|
|----------------|--|--|---------------------------------|

| | Contractual pension (% base of salary) | 2018 pension 000 |
|---------------------------------|--|---------------------|
| Mark Read ¹ | 20% | £57 |
| Paul Richardson | 30% | £243 |
| Sir Martin Sorrell ² | 30% | £102 |

Notes

¹ While the Compensation Policy allows for new Executive Directors to receive an allowance of 25% of base salary, Mark Read was given an allowance of 20% less employer's National Insurance contribution of 13.8% resulting in a net pension contribution of 17.6%. The 2018 amount is prorated for the period as CEO.

² Sir Martin Sorrell's pension allowance was prorated up to his date of resignation.

VARIABLE ELEMENTS OF PAY

The purpose of the short-term and long-term incentives is to drive the achievement of the Group's business and strategic priorities and maximise alignment with shareholder interests. The performance measures used in the incentive plans are linked to the Group's strategy as detailed elsewhere in this report.

SHORT-TERM INCENTIVE (AUDITED)

This section summarises the Compensation Committee's assessment of the Executive Directors' performance during 2018 under the short-term incentive plan.

| SHORT-TERM INCENTIVE POLICY | CEO – 400% base salary (target 50% of max) Other EDs – 250% base salary (target 66% of max) | 70% subject to financial performance 30% subject to individual objectives | 60% cash 40% deferred into shares, vesting after 2 years | Deferred shares subject to malus provisions Cash bonus subject to clawback provisions |
|-----------------------------|--|--|---|--|
|-----------------------------|--|--|---|--|

Whilst the Policy allows for the CEO to have awards under the short-term incentive plan of up to 400% of base salary, it was determined to appoint the new CEO on 250% of base salary with a target of 50% of maximum.

2018 SHORT-TERM INCENTIVE PLAN OUTCOME (PERCENTAGES EXPRESSED RELATIVE TO BASE SALARY)

Sir Martin Sorrell left the Company before the end of the performance period (31 December 2018). In line with the Directors' Compensation Policy, he was not eligible to be considered for STIP in 2018.

| | Actual short-term incentive received | Attributed to financial objectives | Attributed to personal objectives | Total 2018 short-term incentives £000 |
|-----------------|--------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|
| Mark Read | 75% | 0% | 75% | 244 |
| Paul Richardson | 40% | 0% | 40% | 320 |

In respect of the 2018 short-term incentive awards, 40% will be delivered in the form of shares as an Executive Share Award (ESA) with a two-year deferral requirement. ESAs are subject to malus provisions. The cash bonuses are subject to clawback provisions.

Mark Read's short-term incentive in the table above relates to performance post his appointment as CEO on 3 September 2018, prorated for his four months in office. In addition, he received a short-term incentive payment of £1,246,049 related to his performance as CEO of Wunderman and then joint-COO in the course of the first eight months of the year. The STIP will be delivered £747,629 as a cash award and £498,420 as an ESA award.

PERFORMANCE AGAINST 2018 FINANCIAL OBJECTIVES (70% OF THE AWARD)

Performance against all financial objectives is calculated on a pro forma ('like-for-like') basis other than headline PBIT margin which is calculated on a constant currency basis. The key financial short-term incentive plan objectives for both of the Executive Directors are consistent with 2017 and provide a robust basis for assessing financial achievement.

GROUP PERFORMANCE (CEO AND CFO)

| Measure | Weighting | Threshold | Target | Maximum | Actual | % of target achieved | % of maximum achieved |
|---|-----------|-----------|--------|---------|--------|----------------------|-----------------------|
| Like-for-like headline PBT growth | 1/3 | 2.5% | 5.0% | 7.5% | (8.3%) | 0% | 0% |
| Constant currency headline PBIT margin improvement | 1/3 | 0% | 0.3% | 0.5% | (1.3%) | 0% | 0% |
| Like-for-like growth in revenue less pass-through costs | 1/3 | 0% | 1% | 2% | (0.4%) | 0% | 0% |

PERFORMANCE AGAINST 2018 INDIVIDUAL STRATEGIC OBJECTIVES (30% OF THE AWARD)

| Executive Director | Personal Measures 2018 (30%) | Clarification of measures | Maximum potential (% of base salary) | Award received (% of maximum) |
|--------------------|------------------------------|--|--------------------------------------|-------------------------------|
| Mark Read | Leadership planning | Establishing a core management team | 75% | 100% |
| | Strategy planning | Creating a new strategy for presentation to shareholders by year-end | | |
| Paul Richardson | Working capital management | Continually improving the year-on-year rolling average NWC as a percentage of the Rolling Annual Revenue and Billings; combined with specific focus on key territories where improvement is required | 75% | 53% |
| | WPP IT transformation | Building on IT transformation to date, with specific focus on IT cost management and savings across the Company | | |

Mark Read was given two key personal objectives on his appointment as CEO as set out in the table above. In the four-month period from his appointment he made a number of critical executive appointments and promotions and established a new core management team to help him implement the Company's new strategy. He formulated and gained approval from the Board for a new strategy which was presented to, and well received by, shareholders in December 2018. The Committee considered that he fully achieved both personal objectives and awarded him a maximum bonus.

Paul Richardson had two personal strategic objectives as described in the previous table. The Committee reviewed progress against both the objectives and considered that good progress had been made in improving the rolling average NWC and addressing the underlying issues that influenced this measure. In relation to IT transformation, while solid progress has been made, there remains more work to be done and the Committee rated this goal accordingly. Overall, on the personal objectives, a performance level slightly above target was achieved.

SHORT-TERM INCENTIVE WEIGHTINGS AND MEASURES FOR 2019

The Committee has reviewed the performance objectives for 2019 to ensure continued alignment with Company strategy. The Group financial measures of headline PBT growth, headline PBIT margin improvement and revenue less pass-through costs growth will remain the same. Further detail will be provided in next year's Annual Report. The Committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of, or during, the relevant performance period. To the extent targets are no longer commercially sensitive they will be disclosed at the end of the relevant performance period in that year's Annual Report, as we have done in previous years.

LONG-TERM INCENTIVES (AUDITED)

| EXECUTIVE PERFORMANCE SHARE PLAN (EPSP) POLICY | CEO – 6x base salary Other EDs – 3x base salary 15% of maximum at threshold Straight-line vesting between threshold and maximum | 1/3 relative TSR 1/3 headline diluted EPS growth 1/3 average ROE | Five-year performance period | Subject to malus and clawback provisions Awards accrue dividends |
|--|--|--|------------------------------|---|
|--|--|--|------------------------------|---|

VESTING OF 2014-2018 EPSP AWARDS

Vesting of the 2014 EPSP awards was dependent on performance against three measures, all assessed over a five-year period:

- WPP's relative TSR, measured in common and local currency, against a custom group of WPP's comparators (Dentsu, GfK, Havas, Interpublic, Ipsos, Omnicom, Nielsen and Publicis), weighted by their respective market capitalisation;
- Compound annual growth in headline EPS;
- Average return on equity.

Over the five-year performance period:

- WPP's TSR outperformed 22% of the weighted peer group on a common currency basis and 45% on a local currency basis. Performance was below threshold, resulting in none of that element vesting;
- The compound annual growth rate in headline EPS was 5.97%, which was below the threshold target, resulting in none of that element vesting;
- The Group delivered strong return on equity of 15.91%, resulting in vesting at maximum for that element.

In aggregate, WPP's performance against the three measures resulted in an overall achievement of 33.33% of the maximum award.

| Performance measure | Weighting | Threshold | Maximum | Actual | % of maximum achieved |
|--------------------------------|-----------|---|---|--------|-----------------------|
| Relative TSR (common currency) | | 50% of weighted peer group outperformed | 90% of weighted peer group outperformed | 22% | 0% |
| Relative TSR (local currency) | 1/3 | | | 45% | 0% |
| EPS growth | 1/3 | 7.0% | 14.0% | 5.97% | 0% |
| Average ROE | 1/3 | 10.0% | 14.0% | 15.91% | 100% |
| Total vesting (% of maximum) | | | | | 33.33% |

| | Number of shares awarded | Additional shares in respect of dividend accrual | Number of shares vesting | Shares/ADR price on vesting | Value of vested 2014-2018 EPSP awards 000 |
|---------------------------------|--------------------------|--|--------------------------|-----------------------------|---|
| Mark Read | 68,174 | 4,504 | 27,228 | £8.5606 | £233 |
| Paul Richardson ¹ | 40,927 | 2,732 | 16,374 | \$56.2594 | \$921 |
| Sir Martin Sorrell ² | 867,756 | 48,728 | 294,591 | £8.5606 | £2,522 |

Notes

¹ Paul Richardson's EPSP awards were granted in respect of ADRs.

² In addition to the application of the performance outcome, Sir Martin Sorrell's award was time prorated in accordance with the Plan Rules.

LONG-TERM INCENTIVES (AUDITED) CONTINUED

2018 EPSP AWARDS GRANTED

In 2018, the Executive Directors were granted awards under the EPSP. The 2018 awards are subject to three equally-weighted independent performance conditions, being relative TSR, EPS and ROE. The table below summarises the awards granted and the performance conditions against which participants will be measured.

| Awards granted in 2018 | Basis and level of award (% of salary) | Award over | Number of interests awarded | Face value at date of grant ¹ 000 |
|---|--|---|------------------------------|--|
| Mark Read | 350% | Ordinary shares | 396,617 | £3,412 |
| Paul Richardson | 300% | ADRs | 58,628 | \$3,240 |
| Performance measures | | Total Shareholder Return (TSR) | Earnings per share (EPS) | Return on equity (ROE) |
| Weight | | One-third | One-third | One-third |
| Nature | | Relative to peers | WPP growth | WPP absolute |
| Performance zone (threshold to maximum) | | Median to upper decile | 7-14% compound annual growth | 15-18% annual average ² |
| Payout | | Below threshold: 0% of element vests Threshold: 15% of element vests Maximum or above: 100% of element vests Straight-line vesting between threshold and maximum | | |
| Performance period | | Five years ending on 31 December 2022 | | |

Notes

¹ Face value is calculated based on the five-day average share price preceding the date of award (£8.604 for ordinary shares and \$55.2631 for ADRs).

² The ROE measure for EPSP awards issued in 2013 and 2014 was a 10% to 14% average return.

As in previous years, WPP's TSR performance is compared to companies representing our most relevant, listed global competitors, weighted by market capitalisation. For 2018 EPSP awards, the comparator group comprised Dentsu, Interpublic, Ipsos, Nielsen, Omnicom and Publicis. TSR performance is calculated on a market capitalisation-weighted basis in both common and local currency (weighted equally). Using a dual basis ensures that the interests of both local and international investors are reflected in the performance measures.

EPSP MEASURES AND TARGETS FOR 2019-2022

The Committee will be engaging with major shareholders about the measures for the 2019 awards, prior to any awards being made later in 2019.

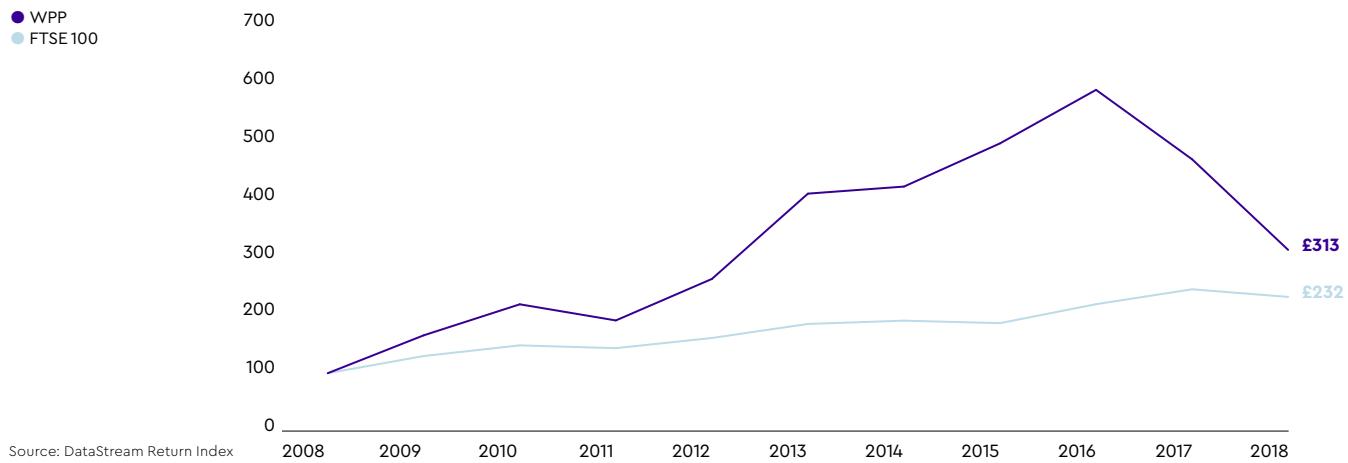
ALIGNING PAY AND PERFORMANCE

As set out in the Directors' Compensation Policy, the Committee's objective is to align variable compensation with the key strategic priorities of WPP, maximising the dynamic between pay and performance.

This dynamic is contingent upon the Committee setting challenging targets each year. The following graph and table demonstrate the relationship between pay and performance over the last 10 years for the CEO. With respect to 2018, the pay for both the current and previous CEO are included, as separate data sets.

HISTORICAL TSR PERFORMANCE¹

Value of hypothetical £100 investment



| Measure | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 MSS ⁵ | 2018 MR ⁵ |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------------------------|-------------------------|
| CEO total compensation (£000) ² | 7,199 | 11,597 | 11,941 | 17,543 | 29,846 | 42,704 | 70,409 | 48,148 | 13,930 | 3,085 | 965 |
| Year-on-year change in CEO total compensation | 63% | 61% | 3% | 47% | 70% | 43% | 65% | (32%) | (71%) | (78%) | n/a |
| Short-term incentive award against maximum | 32% | 95% | 77% | 62% | 82% | 72% | 86% | 60% | 0% | 0% | 30% |
| Long-term incentive award against maximum | 50% | 83% | 46% | 86% | 87% | 100% | 100% | 100% | 73% | 33% | 33% |
| Change in annual TSR ³ | 66% | 32% | (13%) | 38% | 56% | 3% | 18% | 19% | (20%) | (33%) | (33%) |
| Change in five-year TSR ⁴ | 10% | 37% | 13% | 45% | 241% | 172% | 135% | 210% | 96% | (1%) | (1%) |

Notes

1 Growth in the value of a hypothetical £100 holding of WPP ordinary shares over 10 years against an equivalent holding in the FTSE 100 (the broad market equity index of which WPP is a constituent) based on one-month average of trading day values. Source: DataStream.

2 Calculated using the single figure methodology.

3 TSR calculated using a one-month trading day average, consistent with the data shown in the graph.

4 TSR calculated using a six-month averaging period, consistent with the calculation methodology under EPSP.

5 Sir Martin Sorrell (MSS) resigned on 14 April 2018; Mark Read (MR) was appointed as CEO from 3 September 2018.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the percentage change in total staff costs, headcount, dividends and share buy-backs.

| | 2018 | 2017 | % change |
|-------------------------------|-----------|-----------|----------|
| Total staff costs | £8,172.6m | £8,319.0m | (1.8) |
| Headcount – average over year | 133,903 | 134,428 | (0.4) |
| Dividends and share buy-backs | £954.5m | £1,255.7m | (24.0) |

RELATIVE CHANGE IN PAY FOR THE CHIEF EXECUTIVE OFFICER

The following required table summarises the change in the CEO's base salary, taxable benefits and annual bonus, compared to that of full-time employees within the Group. The current CEO was appointed in September 2018 and therefore does not have a set of comparative 2017 data over which to compare changes in salary and benefits.

| | Base salary | UK Taxable benefits | Annual Bonus |
|------------------------------|----------------|---------------------|----------------|
| Chief Executive Officer | Not applicable | Not applicable | Not applicable |
| All employees ^{1,2} | 1.2% | 0.5% | 9.9% |

Notes

1 The all employees numbers for the change in base salary, taxable benefits and annual bonus have been calculated based on the annual average amount received.

2 Considering the worldwide structure and size of the Group and given the need to calculate benefits on the basis that an individual is resident in the UK for tax purposes, collating data on all employees was not practicable. As a result, the population for the taxable benefits consists of UK employees only.

CEO PAY RATIO

The new corporate governance regulations require companies to disclose a ratio of the CEO's remuneration relative to the workforce. In view of the appointment of a new CEO during 2018, the Compensation Committee decided any reporting of the ratio of CEO pay to the wider workforce would not be meaningful for 2018. The ratio will be included in the 2019 Compensation Committee report.

NON-EXECUTIVE DIRECTORS' FEES

| NON-EXECUTIVE DIRECTOR POLICY | Base fees reflect the skills, experience and time required to undertake the role | Additional fees reflect additional time required in any additional duties for the Company | To enable the Chairman and Non-Executive Directors to undertake their roles | No element of pay is performance-linked |
|-------------------------------|--|---|---|---|
|-------------------------------|--|---|---|---|

The fees due to Non-Executive Directors were reviewed during the year having been previously reviewed on 1 July 2013. The Non-Executive Directors and the Senior Independent Director fees were increased with effect from 1 July 2018. All other fees, Committee Chair and membership fees and the fees of the Chairman remain unchanged. The fees are shown in the table below:

| | Fees with effect from 1 July 2018 £000 | Fees with effect from 1 July 2013 £000 |
|---|--|--|
| Chairman | 475 | 475 |
| Non-Executive Director | 85 | 70 |
| Senior Independent Director | 30 | 20 |
| Chairmanship of Audit or Compensation Committee | 40 | 40 |
| Chairmanship of Nomination and Governance Committee | 15 | 15 |
| Member of Audit or Compensation Committee | 20 | 20 |
| Member of Nomination and Governance Committee | 10 | 10 |

NON-EXECUTIVE DIRECTORS' TOTAL COMPENSATION RECEIVED (AUDITED)

The single figure table below details fee payments received by the Non-Executive Directors while they held a position on the Board. During both 2017 and 2018, the Company met the cost (including National Insurance and income tax, where relevant) of expenses incurred by the Non-Executive Directors in performing their duties of office, in accordance with the policy set out above.

In 2018, the disclosable value of the expenses that would be chargeable to UK income tax totalled £104,899 (including £44,183 of National Insurance and income tax, where relevant).

| | Fees £000 2018 | Fees £000 2017 |
|-------------------------|-------------------|-------------------|
| Roberto Quarta | 475 | 475 |
| Jacques Aigrain | 138 | 130 |
| Tarek Farahat | 98 | 87 |
| Sir John Hood | 118 | 110 |
| Ruigang Li | 88 | 80 |
| Daniela Riccardi | 88 | 80 |
| Nicole Seligman | 130 | 91 |
| Hugo Shong ¹ | 48 | 80 |
| Sally Susman | 88 | 80 |
| Sol Trujillo | 98 | 90 |

Notes

¹ Hugo Shong retired from the Board on 31 July 2018.

PAST DIRECTORS

REMUNERATION ARRANGEMENT FOR THE FORMER CHIEF EXECUTIVE OFFICER

Sir Martin Sorrell left WPP on 14 April 2018. Under the terms of his employment agreements, he was treated as having retired. The elements of his compensation were treated as follows:

| Element | Treatment |
|----------------------|--|
| Base pay | Paid until date of resignation |
| Benefits | Allowance estimated up to date of resignation |
| Pension | Allowance prorated up to date of resignation |
| Short-term incentive | Ineligible for consideration for STIP in 2018 |
| Long-term incentive | Prorated in line with the plan rules (see following table) |

The long-term incentive awards were made under the Executive Performance Share Plan (EPSP) and are subject to performance conditions, as described on page 114.

| Plan | Number of shares awarded | Vesting date | Time pro rating % |
|-----------|--------------------------|--------------|-------------------|
| 2014 EPSP | 867,756 | March 2019 | 85 |
| 2015 EPSP | 738,267 | March 2020 | 65 |
| 2016 EPSP | 656,873 | March 2021 | 45 |
| 2017 EPSP | 534,428 | March 2022 | 25 |

PAYMENTS TO PAST DIRECTORS

During 2018, payments were made to past Directors who continued to provide advisory services to the Company. A payment of £30,000 was made to John Jackson in respect of his advisory role to WPP, which enabled the Company to benefit from his considerable knowledge and experience in the communications and marketing services sector. This arrangement was terminated on 31 December 2018. Since his retirement from the Board, Timothy Shriver has been appointed as a consultant advising the Company on certain client relationships. He received a payment of £150,497 in 2018 for his consultancy services.

No payments were made for loss of office to any Director during 2018.

EXECUTIVE DIRECTORS' INTERESTS (AUDITED)

Executive Directors' interests in the Company's ordinary share capital are shown in the following table. Other than as disclosed in this table, no Executive Director had any interest in any contract of significance with the Group during the year. Each Executive Director has a technical interest as an employee and potential beneficiary in shares in the Company held under the Employee Share Ownership Plan Trusts (ESOPs). More specifically, the Executive Directors have potential interests in shares related to the outstanding awards under the EPSP and other share awards. As at 31 December 2018, the Company's ESOPs (which are entirely independent of the Company and have waived their rights to receive dividends) held in total 14,820,994 shares in the Company (14,232,910 in 2017).

| Director | Total beneficial interests | Shares without performance conditions (unvested) ^{1,2} | Shares with performance conditions (unvested) ^{3,4} | Total unvested shares |
|-----------------|----------------------------|---|--|-----------------------|
| Mark Read | At 31 December 2018 | 139,487 | 205,309 | 695,843 |
| | At 10 April 2019 | 168,772 | 179,736 | 627,669 |
| Paul Richardson | At 31 December 2018 | 1,068,240 | 46,400 | 1,079,970 |
| | At 10 April 2019 | 1,068,240 | 0 | 875,335 |
| | | | | 875,335 |

Notes

¹ For Mark Read shares due pursuant to the 2016 and 2017 Performance Share awards, 2016 and 2017 Leaders awards and 2018 special awards and for Paul Richardson, the 2016 Executive Share award, full details of these awards can be found on page 118. Additional dividend shares will be due on vesting.

² As noted in footnote 1 above, less 2016 Performance Share and 2016 Executive Share awards, which vested on 10 March 2019 and 6 March 2019 respectively (full details can be found on page 118).

³ Maximum number of shares due on vesting pursuant to the outstanding EPSP awards, full details of which can be found on page 113. Additional dividend shares will be due on vesting.

⁴ As noted in footnote 3 above, less the maximum due under the 2014 EPSP award, which vested on 13 March 2019 (full details can be found on page 113).

SHARE OWNERSHIP GUIDELINES

As detailed in the Directors' Compensation Policy, the Executive Directors are required to achieve a minimum level of share ownership of WPP shares. The CEO and Group Finance Director are required to hold shares to the value of 600% and 300% of base salary respectively.

As at 31 December 2018, the CEO held shares to the value of 121% of his base salary. He has seven years in which to reach the required level. At the same date the Group Finance Director significantly exceeded his requirement and held shares to the value of 11.19 times his base salary. In addition, he will be required to hold shares equivalent to his shareholding requirement of 300% of base salary for two years post his retirement from the Group.

NON-EXECUTIVE DIRECTORS' INTERESTS (AUDITED)

Non-Executive Directors' interests in the Company's ordinary share capital are shown in the following table. Except as disclosed in this table, no Non-Executive Director had any interest in any contract of significance with the Group.

| Non-Executive Director | Total interests at 31 December 2018 | Total interests at 10 April 2019 |
|-------------------------|-------------------------------------|----------------------------------|
| Roberto Quarta | 87,500 | 87,500 |
| Jacques Aigrain | 13,000 | 13,000 |
| Tarek Farahat | 2,100 | 2,100 |
| Sir John Hood | 3,000 | 3,000 |
| Ruigang Li | 4,000 | 4,000 |
| Daniela Riccardi | 4,100 | 4,100 |
| Nicole Seligman | 8,750 | 8,750 |
| Hugo Shong ¹ | 22,915 | n/a |
| Sally Susman | 5,000 | 5,000 |
| Sol Trujillo | 10,000 | 10,000 |

Notes

¹ Hugo Shong retired from the Board on 31 July 2018. The information disclosed reflects his total interest at this date.

OUTSTANDING SHARE-BASED AWARDS

EXECUTIVE SHARE AWARDS (ESAs) HELD BY EXECUTIVE DIRECTORS

All Executive Share Awards (ESA) or Performance Share Awards (PSA) granted under the Restricted Stock Plan and its successor, the WPP Stock Plan, are made on the basis of satisfaction of previously determined performance conditions and are subject to continuous employment until the vesting date. Mark Read received ESA and PSA awards prior to his appointment as Executive Director. Unless otherwise noted, awards are made in the form of WPP ordinary shares.

| | | Grant date | Share/ADR price on grant date | No. of shares/ADRs granted ² | Face value on grant date 000 ³ | Additional shares granted in lieu of dividends | Total shares vesting | Vesting date | Shares/ADR price on vesting | Value on vesting 000 |
|------------------------------|----------|------------|-------------------------------|---|---|--|----------------------|--------------|-----------------------------|----------------------|
| Mark Read | 2016 PSA | 06.06.17 | £17.2050 | 25,573 | £440 | – | – | 10.03.19 | – | – |
| | 2017 PSA | 12.06.18 | £12.3800 | 38,317 | £474 | – | – | 10.03.20 | – | – |
| Paul Richardson ¹ | 2015 ESA | 07.06.16 | \$116.2700 | 10,837 | \$1,260 | 792 | 11,629 | 06.03.18 | \$85.8183 | \$998 |
| | 2016 ESA | 06.06.17 | \$110.7600 | 9,280 | \$1,028 | – | – | 06.03.19 | – | – |
| Sir Martin Sorrell | 2015 ESA | 07.06.16 | £15.9850 | 133,817 | £2,139 | 9,521 | 143,338 | 06.03.18 | £12.4220 | £1,781 |
| | 2016 ESA | 06.06.17 | £17.2050 | 86,955 | £1,496 | – | – | 06.03.19 | – | – |

Notes

¹ Paul Richardson's ESAs were granted in respect of ADRs.

² Dividend shares will be due on these awards.

³ Face value has been calculated using the average closing share price for the trading day preceding the date of grant (as set out in the table).

Mark Read received awards prior to his appointment as CEO under the management incentive plans. In addition, on his appointment as joint-COO, and while the Board decided on the appointment of the next CEO, a special one-off award was made, recognising the importance and scale of the additional responsibilities that were being undertaken. Each award is subject to continuous employment and malus and clawback and were made under the Restricted Stock Plan or the WPP Stock Plan 2018.

| | | Grant date | Share/ADR price on grant date | No. of shares/ADRs granted ² | Face value on grant date 000 ³ | Additional shares granted in lieu of dividends | Total shares vesting | Vesting date | Shares/ADR price on vesting | Value on vesting 000 |
|-----------|----------------------------|------------|-------------------------------|---|---|--|----------------------|----------------------|-----------------------------|----------------------|
| Mark Read | Leaders 2015 | 23.12.15 | £15.4750 | 9,693 | £150 | 1,281 | 10,974 | 15.11.18 | £8.5405 | £94 |
| | Leaders 2016 | 28.11.16 | £17.0550 | 8,795 | £150 | – | – | 15.11.19 | – | – |
| | Leaders 2017 | 04.12.17 | £13.0850 | 11,463 | £150 | – | – | 15.11.20 | – | – |
| | Special award ¹ | 12.06.18 | £12.3800 | 121,161 | £1,500 | – | – | 01.05.19 to 01.05.21 | – | – |

Notes

¹ The special one-off award will vest in three equal parts from 1 May 2019 to 1 May 2021.

² Dividend shares will be due on these awards.

³ Face value has been calculated using the average closing share price for the trading day preceding the date of grant (as set out in the table).

LONG-TERM INCENTIVE PLANS – EXECUTIVE PERFORMANCE SHARE PLAN

The following table summarises all of the awards outstanding under the Executive Performance Share Plan.

| | Grant date | Performance period | Shares/ADR price on grant date | Maximum number of nil cost options over shares/ADRs awarded ³ | During 2018 | | | Options exercised | Maximum number of nil cost options over shares/ADRs at 31 December 2018 |
|---------------------------------|------------|--------------------|--------------------------------|--|-------------------------|----------------------------|-------------------|-------------------|---|
| | | | | | Options vested/(lapsed) | Additional dividend shares | Options exercised | | |
| Mark Read | 04.06.14 | 01.01.14–31.12.18 | £12.9080 | 68,174 | – | – | – | – | 68,174 |
| | 09.06.15 | 01.01.15–31.12.19 | £15.1720 | 65,910 | – | – | – | – | 65,910 |
| | 28.11.16 | 01.01.16–31.12.20 | £17.0520 | 58,644 | – | – | – | – | 58,644 |
| | 04.12.17 | 01.01.17–31.12.21 | £12.9110 | 106,498 | – | – | – | – | 106,498 |
| | 06.12.18 | 01.01.18–31.12.22 | £8.604 | 396,617 | – | – | – | – | 396,617 |
| Paul Richardson ¹ | 04.06.14 | 01.01.14–31.12.18 | \$107.9960 | 40,927 | – | – | – | – | 40,927 |
| | 09.06.15 | 01.01.15–31.12.19 | \$115.8800 | 37,970 | – | – | – | – | 37,970 |
| | 28.11.16 | 01.01.16–31.12.20 | \$105.9309 | 41,536 | – | – | – | – | 41,536 |
| | 04.12.17 | 01.01.17–31.12.21 | \$86.9138 | 36,933 | – | – | – | – | 36,933 |
| | 06.12.18 | 01.01.18–31.12.22 | \$55.2631 | 58,628 | – | – | – | – | 58,628 |
| Sir Martin Sorrell ² | 04.06.14 | 01.01.14–31.12.18 | £12.9080 | 867,756 | – | – | – | – | 867,756 |
| | 09.06.15 | 01.01.15–31.12.19 | £15.1720 | 738,267 | – | – | – | – | 738,267 |
| | 28.11.16 | 01.01.16–31.12.20 | £17.0520 | 656,873 | – | – | – | – | 656,873 |
| | 04.12.17 | 01.01.17–31.12.21 | £12.9110 | 534,428 | – | – | – | – | 534,428 |

Notes

¹ Paul Richardson's EPSP awards were granted in respect of ADRs.

² Sir Martin Sorrell's EPSP awards will be prorated to reflect retirement treatment as outlined on page 116.

³ Dividend shares will be due on these awards.

Full details of the 2018 EPSP award, including performance measures and targets, can be found on page 114.

IMPLEMENTATION OF REWARD POLICY FOR MANAGEMENT OUTSIDE THE BOARD

As part of its review of the Directors' Compensation Policy during 2019, the Committee will look at how it engages with the wider workforce on compensation and ensure that there is alignment between the policy for Executive Directors and the wider workforce. The Committee places significant value on the views of employees and will seek to ensure that there are appropriate mechanisms in place to capture them.

The Company uses share-based compensation programmes to incentivise and retain employees, recruit new talent and to encourage a strong ownership culture among employees. The use of the core share plans in 2018 is described below.

WPP STOCK PLAN 2018 (WSP)

The WSP replaced the Restricted Stock Plan (RSP) in 2018. Programmes making awards under the RSP now make awards under the WSP and the plan operates in a similar way. The Executive Directors do not participate in any aspect of the WSP except for the deferred share bonus award. All awards granted under the WSP are subject to malus and clawback conditions.

The WPP Leaders, Partners and High Potential programme made awards under the WSP to about 1,800 of our key executives in 2018. Awards vest three years after grant, provided the participant is still employed within the Group. In addition, senior executives have part of their annual bonus paid in the form of executive or performance share awards that vest two years after grant.

WPP SHARE OPTION PLAN 2015

During 2018, the WPP Share Option Plan 2015 was used to make awards to over 53,000 employees. By 31 December 2018, options under this plan, and its predecessor, the Worldwide Ownership Plan, had been granted to approximately 179,000 employees over 90 million shares since March 1997.

While the Share Option Plan provides the authority to make executive option awards, in addition to all employee awards, no awards were granted in 2018. The Executive Directors do not participate in this plan.

SHARE INCENTIVE DILUTION FOR 2008 TO 2018

The share incentive dilution level, measured on a 10-year rolling basis, was at 3.4% at 31 December 2018 (2017: 3.3%). It is intended that awards under all plans, other than share options, will all be satisfied with purchased shares held either in the ESOPs or in treasury.

**Sir John Hood**

Chairman of the Compensation Committee
on behalf of the Board of Directors of WPP plc
10 April 2019

FINANCIAL STATEMENTS

| | |
|--|-----|
| Accounting policies | 122 |
| Consolidated financial statements | 127 |
| Notes to the consolidated financial statements | 132 |
| Company financial statements | 158 |
| Notes to the Company financial statements | 161 |
| Independent auditor's report | 163 |

ACCOUNTING POLICIES

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2018.

The Group's financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the consolidated income statement from the effective date of acquisition or disposal.

NEW IFRS ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 16 Leases; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise a right-of-use asset and related lease liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 will require the Group to recognise substantially all of its operating leases on the balance sheet.

The Group will adopt IFRS 16 effective 1 January 2019 on a modified retrospective basis and apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to retained earnings. Accordingly, prior year financial information will not be restated and will continue to be reported under IAS 17 Leases. The right-of-use asset and lease liability will initially be measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments. The estimated right-of-use asset and lease liability recorded on the balance sheet as of 1 January 2019 will be approximately £2.0 billion to £2.5 billion. Depreciation of the right-of-use asset and recognition of interest on the lease liability in the income statement will replace amounts recognised as rent expense under IAS 17, resulting in an estimated increase to operating margin of approximately 0.4 to 0.6 margin points and an estimated decrease to diluted earnings per share of approximately 1.3p to 1.6p.

IFRIC 23 is effective from 1 January 2019. The Group does not consider that this Standard will have a significant impact on the financial statements of the Group.

In the current year, the following Standards and Interpretations became effective:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

IMPACT OF THE ADOPTION OF IFRS 9 FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which resulted in the movements in fair value of certain equity investments previously designated as 'available-for-sale' being designated as fair value through other comprehensive income or fair value through profit or loss. The cumulative movements in fair value taken to equity up to 31 December 2017 for these investments have been transferred from other reserves to retained earnings, resulting in an increase in retained earnings of £407.4 million and a corresponding decrease in other reserves.

Amounts classified as loans and receivables under IAS 39 Financial Instruments: Recognition and Measurement have been reclassified to amortised cost under IFRS 9. Further details on reclassification are set out in note 24.

The requirement under IFRS 9 to use an expected loss method of impairment of financial assets did not have a material effect on the Group due to the short-term nature of the Group's trade and other receivables, which are mainly due from large national or multinational companies.

The Group continues to apply the hedge accounting requirements of IAS 39, as permitted by IFRS 9.

Comparatives have not been restated in accordance with the transitional guidance in IFRS 9 and the cumulative impact of adopting the standard on reserves at 1 January 2018 is shown in the consolidated statement of changes in equity.

IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in certain aspects of our accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for each prior year presented in the consolidated financial statements.

The new standard establishes a five-step model where consideration received or expected to be received is recognised as revenue when contractual performance obligations are satisfied by transferring control of the relevant goods or services to the customer. Adopting IFRS 15 did not have a significant impact on the timing of the Group's revenue recognition nor on the Group's equity.

However, for certain of our contracts, the adoption of IFRS 15 resulted in a change in our accounting for certain third-party costs. Third-party costs are included in revenue when the Group acts as principal with respect to the services provided to the client and are excluded when the Group acts as agent. Under IFRS 15, the principal versus agent assessment is based on whether the Group controls the relevant services before they are transferred to the client. As a result of the adoption of IFRS 15, there was an increase in third-party costs included in revenue and costs of services. This change increased revenue and costs of services by the same amount and therefore had no impact on gross profit or operating profit.

The following table summarises the impact of adopting IFRS 15 on the Group's consolidated income statement for the years ended 31 December 2017 and 2016.

| £ million | Year ended 31 December 2017 | | | Year ended 31 December 2016 | | |
|--|-----------------------------|---------------------|--------------|-----------------------------|---------------------|--------------|
| | As previously reported | IFRS 15 adjustments | As restated | As previously reported | IFRS 15 adjustments | As restated |
| Revenue | 15,265.4 | 538.8 | 15,804.2 | 14,388.9 | 498.4 | 14,887.3 |
| Costs of services | (12,090.2) | (538.8) | (12,629.0) | (11,348.1) | (498.4) | (11,846.5) |
| Gross profit | 3,175.2 | - | 3,175.2 | 3,040.8 | - | 3,040.8 |
| Revenue less pass-through costs | 13,139.6 | 30.0 | 13,169.6 | 12,397.8 | 30.8 | 12,428.6 |

Work in progress includes outlays incurred on behalf of clients, including production costs, and other third-party costs that have not yet been billed and are considered receivables under IFRS 15. As such, £401.1 million of 'Work in progress' has been reclassified as 'Trade and other receivables' as of 31 December 2017. Other than this reclassification, the impact of the adoption of IFRS 15 on the consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and earnings per share was immaterial.

GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, acquired proprietary tools and capitalised computer software not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Corporate brand names, customer relationships and proprietary tools acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

- Brand names (with finite lives) – 10–20 years.
- Customer-related intangibles – 3–10 years.
- Other proprietary tools – 3–10 years.
- Other (including capitalised computer software) – 3–5 years.

CONTINGENT CONSIDERATION

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment.

Future anticipated payments to vendors in respect of contingent consideration (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired (typically over a four- to five-year period following the year of acquisition) and assume the operating companies improve profits in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation of financial instruments.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its

carrying value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Freehold buildings – 50 years.
- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3–10 years.
- Computer equipment – 3–5 years.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. In certain circumstances, significant influence may be represented by factors other than ownership and voting rights, such as representation on the Board of Directors.

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value.

The Group accounts for joint venture investments under the equity method which is consistent with the Group's treatment of associates.

OTHER INVESTMENTS

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which resulted in the movements in fair value of certain equity investments previously designated as 'available-for-sale' being designated as fair value through other comprehensive income or fair value through profit or loss. Further details on reclassifications are set out in note 24. Movements in fair value through profit or loss are recorded in the consolidated income statement within revaluation of financial instruments.

ACCRUED AND DEFERRED INCOME

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third party expenses that are incurred shortly after billing.

TRADE RECEIVABLES AND WORK IN PROGRESS

Trade receivables are stated net of provisions for bad and doubtful debts. The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which requires an expected loss method of impairment of financial assets to be used. The implementation of this did not have a material impact on the Group.

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9. Therefore the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss. The Group measures expected credit losses based on the ageing of the receivable, based on the Group's historical experience and informed credit assessment. The Group considers a loss allowance to be required for 50% of all invoices aged 180 days to 1 year and 100% of all invoices aged over 1 year, with adjustments where there is specific information to indicate that recoverability of the balance is likely. Further credit losses are recognised where the Group has information that indicates it is unlikely to recover balances in full.

Further details on provisions for bad and doubtful debts are provided in note 16.

Work in progress includes outlays incurred on behalf of clients, including production costs, and other third-party costs that have not yet been billed and are considered receivables under IFRS 15 Revenue from Contracts with Customers.

FOREIGN CURRENCY AND INTEREST RATE HEDGING

The Group's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 24 contains details of the fair values of the derivative instruments used for hedging purposes.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is recognised in other comprehensive income and deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

LIABILITIES IN RESPECT OF OPTION AGREEMENTS

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IFRS 9 Financial Instruments. The movement in the fair value is recognised as income or expense within revaluation of financial instruments in the consolidated income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished.

DEBT

Interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

BORROWING COSTS

Finance costs of borrowing are recognised in the consolidated income statement over the term of those borrowings.

REVENUE RECOGNITION

The Group is a leading worldwide creative transformation organisation offering national and multinational clients a comprehensive range of communications, experience, commerce and technology services. Contracts often involve multiple agencies offering different services in different countries. As such, the terms of local, regional and global contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts are typically short-term in nature and tend to be cancellable by either party with 90 days notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media and data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance.

For our retainer arrangements, we have a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as work in progress until billed.

The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal (such as in-house production services, events, data investment management and branding), the revenue recorded is the gross amount billed. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Further details on revenue recognition are detailed by sector below:

ADVERTISING AND MEDIA INVESTMENT MANAGEMENT

Revenue is typically derived from media placements and advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on purchased media is typically recognised at the point in time the media is run.

The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Variable incentive-based revenue typically comprises both quantitative and qualitative elements. Incentive compensation is estimated using the most likely amount and is included in revenue up to the amount that is highly probable not to result in a significant reversal of cumulative revenue recognised. The Group recognises incentive revenue as the related performance obligation is satisfied.

DATA INVESTMENT MANAGEMENT

Revenue for market research services is typically recognised over time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period, typically on a straight-line basis.

PUBLIC RELATIONS & PUBLIC AFFAIRS AND BRAND CONSULTING, HEALTH & WELLNESS AND SPECIALIST COMMUNICATIONS

Revenue for these services is typically derived from retainer fees and fees for services to be performed subject to specific agreement. Most revenue under these arrangements is earned over time, in accordance with the terms of the contractual arrangement.

TAXATION

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable, liabilities are classified as current. Any interest and penalties accrued are included in corporate income taxes both in the consolidated income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

The tax laws that apply to the Group's subsidiaries may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and

is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, which can require the use of accounting estimation and the exercise of judgement. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

RETIREMENT BENEFIT COSTS

The Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits.

For defined contribution plans, contributions are charged to the consolidated income statement as payable in respect of the accounting period.

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated income statement when the related plan amendment occurs. Net interest expense is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate independently managed funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the Company is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for vacant space, sub-let losses and other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

FINANCE LEASES

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the consolidated income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the consolidated income statement as it is incurred.

OPERATING LEASES

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the consolidated income statement as they arise.

The income statements of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets and on foreign currency borrowings (to the extent that they hedge the Group's investment in such operations) are reported in the consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

HYPERINFLATION IN ARGENTINA

During 2018, Argentina was designated as a hyperinflationary economy and the financial statements of the Group's subsidiaries in Argentina have been adjusted for the effects of inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

IAS 29 requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition. This resulted in an increase in goodwill of £105.8 million and an increase in other intangibles of £19.5 million. The impact on other non-monetary assets and liabilities and the impact on the Group's income statement in the year were immaterial.

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 Share-Based Payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the fair value of equity settled share-based transactions are set out in notes 21 and 25.

The fair value determined at the grant date is recognised in the consolidated income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group's estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions.

CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY IN APPLYING ACCOUNTING POLICIES

Management is required to make key decisions and judgements whilst acknowledging there is estimation uncertainty in the process of applying the Group's accounting policies. These estimates and judgements are reviewed on an ongoing basis. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

The most significant areas of estimation uncertainty include:

- Goodwill: The discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding revenue growth, operating margins, discount rates and working capital requirements. Further details of the methodology, discount rates, long-term growth rates and estimates used in relation to the goodwill impairment on VMLY&R in 2018 are set out in note 12.
- Payments due to vendors (earnout agreements) and liabilities in respect of put options: Estimates are required regarding growth rates in deriving future financial performance and discount rates to be applied when measuring the liabilities for earnouts and put options. Further details on growth rates and discount rates and the sensitivity to these estimates are set out in note 24.
- Provision for post-employment benefits: Estimates are required in the accounting for defined benefit pension plans, including establishing discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions. These estimates are made by management based on the advice of qualified advisors. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 22.

The most significant areas of judgements include:

- Revenue recognition: Judgement is required regarding the timing of recognition, particularly in relation to media volume income with regards to whether it is required to be passed back to the client and in assessing progress on performance obligations where revenue is recognised over time, particularly in the Group's Data Investment Management business. Further details are set out in the accounting policy.
- Taxation: Judgement is required in relation to the level of provisions required and the amount of taxes that will be due, particularly given the many countries in which the Group operates. Where the final tax outcome is different from the amounts recorded then such differences may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which would affect the future tax charge. Further details are set out in note 7.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

Mark Read
Chief Executive Officer
10 April 2019

Paul Richardson
Group Finance Director

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £m | 2017 ² £m | 2016 ² £m | 2018 ³ \$m | 2017 ^{2,3} \$m | 2016 ^{2,3} \$m |
|--|-------|-----------------|-------------------------|-------------------------|--------------------------|----------------------------|----------------------------|
| Billings¹ | | 55,798.3 | 55,585.4 | 55,278.0 | 74,352.7 | 71,753.8 | 74,484.0 |
| Revenue | 2 | 15,602.4 | 15,804.2 | 14,887.3 | 20,795.4 | 20,399.7 | 20,053.6 |
| Costs of services | 3 | (12,663.5) | (12,629.0) | (11,846.5) | (16,902.5) | (16,278.1) | (15,997.3) |
| Gross profit | | 2,938.9 | 3,175.2 | 3,040.8 | 3,892.9 | 4,121.6 | 4,056.3 |
| General and administrative costs | 3 | (1,507.5) | (1,267.0) | (977.7) | (1,979.6) | (1,634.7) | (1,355.2) |
| Operating profit | | 1,431.4 | 1,908.2 | 2,063.1 | 1,913.3 | 2,486.9 | 2,701.1 |
| Share of results of associates | 4 | 43.5 | 113.5 | 49.8 | 56.4 | 147.4 | 65.3 |
| Profit before interest and taxation | | 1,474.9 | 2,021.7 | 2,112.9 | 1,969.7 | 2,634.3 | 2,766.4 |
| Finance income | 6 | 104.8 | 95.2 | 80.4 | 141.0 | 122.8 | 109.6 |
| Finance costs | 6 | (289.3) | (269.8) | (254.5) | (386.9) | (347.6) | (344.1) |
| Revaluation of financial instruments | 6 | 172.9 | 262.2 | (48.3) | 224.4 | 346.4 | (71.4) |
| Profit before taxation | | 1,463.3 | 2,109.3 | 1,890.5 | 1,948.2 | 2,755.9 | 2,460.5 |
| Taxation | 7 | (323.9) | (197.0) | (388.9) | (427.9) | (249.1) | (516.7) |
| Profit for the year | | 1,139.4 | 1,912.3 | 1,501.6 | 1,520.3 | 2,506.8 | 1,943.8 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | 1,062.9 | 1,816.6 | 1,400.1 | 1,418.7 | 2,382.4 | 1,808.7 |
| Non-controlling interests | | 76.5 | 95.7 | 101.5 | 101.6 | 124.4 | 135.1 |
| | | 1,139.4 | 1,912.3 | 1,501.6 | 1,520.3 | 2,506.8 | 1,943.8 |
| Revenue less pass-through costs | 2, 29 | 12,826.6 | 13,169.6 | 12,428.6 | 17,094.9 | 16,997.0 | 16,731.7 |
| Headline PBIT | 29 | 2,047.3 | 2,267.1 | 2,160.3 | 2,701.5 | 2,953.4 | 2,864.6 |
| Headline PBIT margin⁴ | 2, 29 | 16.0% | 17.2% | 17.4% | 15.8% | 17.4% | 17.1% |
| Headline PBT | 29 | 1,862.8 | 2,092.5 | 1,986.2 | 2,455.6 | 2,728.6 | 2,630.1 |
| Earnings per share | | | | | | | |
| Basic earnings per ordinary share | 9 | 85.2p | 144.0p | 109.6p | 113.7¢ | 188.9¢ | 141.5¢ |
| Diluted earnings per ordinary share | 9 | 84.3p | 142.4p | 108.0p | 112.5¢ | 186.7¢ | 139.6¢ |

Notes

The accompanying notes form an integral part of this consolidated income statement.

1 Billings is defined on page 178.

2 Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

3 The consolidated income statement above is also expressed in US dollars for information purposes only and is unaudited. It has been prepared assuming the US dollar is the reporting currency of the Group, whereby local currency results are translated into US dollars at actual monthly average exchange rates in the period presented. Among other currencies, this includes an average exchange rate of US\$1.3351 to the pound sterling for the year 2018 (2017: US\$1.2887, 2016: US\$1.3547).

4 Previously referred to as revenue less pass-through costs margin.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|------------|------------|
| Profit for the year | 1,139.4 | 1,912.3 | 1,501.6 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange adjustments on foreign currency net investments | 78.9 | (465.2) | 1,378.0 |
| Gain/(loss) on revaluation of available for sale investments | – | 32.1 | (93.1) |
| | 78.9 | (433.1) | 1,284.9 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain/(loss) on defined benefit pension plans | 8.9 | 17.0 | (15.9) |
| Deferred tax on defined benefit pension plans | (0.7) | (24.6) | (0.4) |
| Movements on equity investments held at fair value through other comprehensive income | (247.9) | – | – |
| | (239.7) | (7.6) | (16.3) |
| Other comprehensive (loss)/income for the year | (160.8) | (440.7) | 1,268.6 |
| Total comprehensive income for the year | 978.6 | 1,471.6 | 2,770.2 |
| Attributable to: | | | |
| Equity holders of the parent | 893.1 | 1,395.6 | 2,600.6 |
| Non-controlling interests | 85.5 | 76.0 | 169.6 |
| | 978.6 | 1,471.6 | 2,770.2 |

Note

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £m | 2017 £m | 2016 £m |
|--|-------|------------------|------------|------------|
| Net cash inflow from operating activities | 11 | 1,693.8 | 1,408.1 | 1,773.8 |
| Investing activities | | | | |
| Acquisitions | 11 | (298.8) | (477.5) | (719.3) |
| Proceeds on disposal of investments and subsidiaries | 11 | 849.0 | 296.0 | 80.5 |
| Purchases of property, plant and equipment | | (314.8) | (288.9) | (252.1) |
| Purchases of other intangible assets (including capitalised computer software) | | (60.4) | (37.3) | (33.0) |
| Proceeds on disposal of property, plant and equipment | | 9.5 | 8.0 | 7.7 |
| Net cash inflow/(outflow) from investing activities | | 184.5 | (499.7) | (916.2) |
| Financing activities | | | | |
| Share option proceeds | | 1.2 | 6.4 | 27.2 |
| Cash consideration for non-controlling interests | 11 | (109.9) | (47.3) | (58.3) |
| Share repurchases and buy-backs | 11 | (207.1) | (504.2) | (427.4) |
| Net (decrease)/increase in borrowings | 11 | (440.6) | 599.6 | (22.5) |
| Financing and share issue costs | | (3.8) | (0.8) | (6.4) |
| Equity dividends paid | | (747.4) | (751.5) | (616.5) |
| Dividends paid to non-controlling interests in subsidiary undertakings | | (106.2) | (87.8) | (89.6) |
| Net cash outflow from financing activities | | (1,613.8) | (785.6) | (1,193.5) |
| Net increase/(decrease) in cash and cash equivalents | | 264.5 | 122.8 | (335.9) |
| Translation of cash and cash equivalents | | (61.5) | (27.2) | 291.9 |
| Cash and cash equivalents at beginning of year | | 1,998.2 | 1,902.6 | 1,946.6 |
| Cash and cash equivalents at end of year | 11 | 2,201.2 | 1,998.2 | 1,902.6 |
| Reconciliation of net cash flow to movement in net debt: | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 264.5 | 122.8 | (335.9) |
| Cash outflow/(inflow) from decrease/(increase) in debt financing | | 444.4 | (598.8) | 28.9 |
| Debt acquired | | — | — | (144.4) |
| Other movements | | (1.4) | (1.9) | (2.3) |
| Translation differences | | (241.1) | 125.3 | (466.0) |
| Movement of net debt in the year | | 466.4 | (352.6) | (919.7) |
| Net debt at beginning of year | | (4,483.1) | (4,130.5) | (3,210.8) |
| Net debt at end of year | 10 | (4,016.7) | (4,483.1) | (4,130.5) |

Note

The accompanying notes form an integral part of this consolidated cash flow statement.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2018

| | Notes | 2018 £m | 2017 £m ¹ |
|--|-------|-------------------|-------------------------|
| Non-current assets | | | |
| Intangible assets: | | | |
| Goodwill | 12 | 13,202.8 | 12,952.9 |
| Other | 12 | 1,842.0 | 2,018.4 |
| Property, plant and equipment | 13 | 1,083.0 | 979.5 |
| Interests in associates and joint ventures | 14 | 796.8 | 1,065.2 |
| Other investments | 14 | 666.7 | 1,153.5 |
| Deferred tax assets | 15 | 153.0 | 160.3 |
| Trade and other receivables | 16 | 180.0 | 176.2 |
| | | 17,924.3 | 18,506.0 |
| Current assets | | | |
| Corporate income tax recoverable | | 198.7 | 234.7 |
| Trade and other receivables | 16 | 13,101.5 | 12,530.7 |
| Cash and short-term deposits | | 2,643.2 | 2,391.4 |
| | | 15,943.4 | 15,156.8 |
| Current liabilities | | | |
| Trade and other payables | 17 | (15,038.4) | (14,241.1) |
| Corporate income tax payable | | (545.9) | (649.3) |
| Bank overdrafts, bonds and bank loans | 19 | (1,025.1) | (624.1) |
| | | (16,609.4) | (15,514.5) |
| Net current liabilities | | (666.0) | (357.7) |
| Total assets less current liabilities | | 17,258.3 | 18,148.3 |
| Non-current liabilities | | | |
| Bonds and bank loans | 19 | (5,634.8) | (6,250.4) |
| Trade and other payables | 18 | (841.4) | (992.8) |
| Deferred tax liabilities | 15 | (479.5) | (513.7) |
| Provision for post-employment benefits | 22 | (184.3) | (206.3) |
| Provisions for liabilities and charges | 20 | (311.7) | (229.0) |
| | | (7,451.7) | (8,192.2) |
| Net assets | | 9,806.6 | 9,956.1 |
| Equity | | | |
| Called-up share capital | 25 | 133.3 | 133.3 |
| Share premium account | | 569.7 | 568.5 |
| Other reserves | 26 | 393.5 | 761.7 |
| Own shares | | (1,255.7) | (1,171.1) |
| Retained earnings | | 9,541.4 | 9,194.9 |
| Equity shareholders' funds | | 9,382.2 | 9,487.3 |
| Non-controlling interests | | 424.4 | 468.8 |
| Total equity | | 9,806.6 | 9,956.1 |

Notes

The accompanying notes form an integral part of this consolidated balance sheet.

¹ Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2019.

Signed on behalf of the Board:

Mark Read
Chief Executive Officer

Paul Richardson
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called-up share capital £m | Share premium account £m | Other reserves ¹ £m | Own shares £m | Retained earnings ² £m | Total equity share owners' funds £m | Non- controlling interests £m | Total £m |
|---|-------------------------------------|-----------------------------------|--------------------------------------|---------------------|---|---|--|----------------|
| Restated balance at 1 January 2017 | 133.2 | 562.2 | 1,185.2 | (962.0) | 8,400.0 | 9,318.6 | 443.1 | 9,761.7 |
| Ordinary shares issued | 0.1 | 6.3 | – | – | – | 6.4 | – | 6.4 |
| Treasury share additions | – | – | – | (289.6) | – | (289.6) | – | (289.6) |
| Treasury share allocations | – | – | – | 112.2 | (112.2) | – | – | – |
| Profit for the year | – | – | – | – | 1,816.6 | 1,816.6 | 95.7 | 1,912.3 |
| Exchange adjustments on foreign currency net investments | – | – | (445.5) | – | – | (445.5) | (19.7) | (465.2) |
| Gain on revaluation of available for sale investments | – | – | 32.1 | – | – | 32.1 | – | 32.1 |
| Actuarial gain on defined benefit pension plans | – | – | – | – | 17.0 | 17.0 | – | 17.0 |
| Deferred tax on defined benefit pension plans | – | – | – | – | (24.6) | (24.6) | – | (24.6) |
| Other comprehensive loss | – | – | (413.4) | – | (7.6) | (421.0) | (19.7) | (440.7) |
| Dividends paid | – | – | – | – | (751.5) | (751.5) | (87.8) | (839.3) |
| Non-cash share-based incentive plans (including share options) | – | – | – | – | 105.0 | 105.0 | – | 105.0 |
| Tax adjustment on share-based payments | – | – | – | – | 3.0 | 3.0 | – | 3.0 |
| Net movement in own shares held by ESOP Trusts | – | – | – | (31.7) | (182.9) | (214.6) | – | (214.6) |
| Recognition/remeasurement of financial instruments | – | – | (10.1) | – | (11.7) | (21.8) | – | (21.8) |
| Acquisition of subsidiaries ³ | – | – | – | – | (63.8) | (63.8) | 37.5 | (26.3) |
| Balance at 31 December 2017 | 133.3 | 568.5 | 761.7 | (1,171.1) | 9,194.9 | 9,487.3 | 468.8 | 9,956.1 |
| Accounting policy change (IFRS 9) ⁴ | – | – | (407.4) | – | 407.4 | – | – | – |
| Revised balance at 1 January 2018 | 133.3 | 568.5 | 354.3 | (1,171.1) | 9,602.3 | 9,487.3 | 468.8 | 9,956.1 |
| Ordinary shares issued | – | 1.2 | – | – | – | 1.2 | – | 1.2 |
| Treasury share additions | – | – | – | (104.3) | – | (104.3) | – | (104.3) |
| Treasury share allocations | – | – | – | 1.5 | (1.5) | – | – | – |
| Profit for the year | – | – | – | – | 1,062.9 | 1,062.9 | 76.5 | 1,139.4 |
| Exchange adjustments on foreign currency net investments | – | – | 69.9 | – | – | 69.9 | 9.0 | 78.9 |
| Movements on equity investments held at fair value through other comprehensive income | – | – | – | – | (247.9) | (247.9) | – | (247.9) |
| Actuarial gain on defined benefit pension plans | – | – | – | – | 8.9 | 8.9 | – | 8.9 |
| Deferred tax on defined benefit pension plans | – | – | – | – | (0.7) | (0.7) | – | (0.7) |
| Other comprehensive income/(loss) | – | – | 69.9 | – | (239.7) | (169.8) | 9.0 | (160.8) |
| Dividends paid | – | – | – | – | (747.4) | (747.4) | (106.2) | (853.6) |
| Non-cash share-based incentive plans (including share options) | – | – | – | – | 84.8 | 84.8 | – | 84.8 |
| Tax adjustment on share-based payments | – | – | – | – | (1.2) | (1.2) | – | (1.2) |
| Net movement in own shares held by ESOP Trusts | – | – | – | 18.2 | (121.0) | (102.8) | – | (102.8) |
| Recognition/remeasurement of financial instruments | – | – | (30.7) | – | 10.3 | (20.4) | – | (20.4) |
| Acquisition of subsidiaries ³ | – | – | – | – | (108.1) | (108.1) | (23.7) | (131.8) |
| Balance at 31 December 2018 | 133.3 | 569.7 | 393.5 | (1,255.7) | 9,541.4 | 9,382.2 | 424.4 | 9,806.6 |

Notes

The accompanying notes form an integral part of this consolidated statement of changes in equity.

¹ Other reserves are analysed in note 26.

² Retained earnings have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

³ Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

⁴ The impact of the adoption of IFRS 9 Financial Instruments from 1 January 2018 is described in the accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

WPP plc is a company incorporated in Jersey. The address of the registered office is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES and the address of the principal executive office is Sea Containers, 18 Upper Ground, London, United Kingdom, SE1 9GL. The nature of the Group's operations and its principal activities are set out in note 2. These consolidated financial statements are presented in pounds sterling.

2. SEGMENT INFORMATION

The Group is a leading worldwide creative transformation organisation offering national and multinational clients a comprehensive range of communications, experience, commerce and technology services. Substantially all of the Group's revenue is from contracts with customers.

The Group is organised into four reportable segments – Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Brand Consulting, Health & Wellness and Specialist Communications. This last reportable segment includes direct, interactive and ecommerce.

IFRS 8 Operating Segments requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Chief Executive Officer. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the Directors have had regard to the similar economic characteristics of certain operating segments, their shared client base, the similar nature of their products or services and their long-term margins, amongst other factors.

Reportable segments

Reported contributions were as follows:

| Income statement | Revenue ^{1,2} £m | Revenue less pass-through costs ^{2,3} £m | Headline PBIT ⁴ £m | Headline PBIT margin ^{2,3} |
|---|------------------------------|--|-------------------------------------|---|
| 2018 | | | | |
| Advertising and Media Investment Management | | | | |
| | 7,132.4 | 5,529.7 | 972.4 | 17.6% |
| Data Investment Management | 2,582.5 | 1,965.4 | 301.1 | 15.3% |
| Public Relations & Public Affairs | 1,210.7 | 1,136.3 | 183.7 | 16.2% |
| Brand Consulting, Health & Wellness and Specialist Communications | 4,676.8 | 4,195.2 | 590.1 | 14.1% |
| | 15,602.4 | 12,826.6 | 2,047.3 | 16.0% |
| 2017 | | | | |
| Advertising and Media Investment Management | 7,368.7 | 5,889.3 | 1,109.0 | 18.8% |
| Data Investment Management | 2,703.4 | 2,052.1 | 350.3 | 17.1% |
| Public Relations & Public Affairs | 1,204.0 | 1,140.6 | 183.2 | 16.1% |
| Brand Consulting, Health & Wellness and Specialist Communications | 4,528.1 | 4,087.6 | 624.6 | 15.3% |
| | 15,804.2 | 13,169.6 | 2,267.1 | 17.2% |
| 2016 | | | | |
| Advertising and Media Investment Management | 6,709.4 | 5,450.9 | 1,027.2 | 18.8% |
| Data Investment Management | 2,672.4 | 1,994.0 | 351.5 | 17.6% |
| Public Relations & Public Affairs | 1,130.6 | 1,078.5 | 179.8 | 16.7% |
| Brand Consulting, Health & Wellness and Specialist Communications | 4,374.9 | 3,905.2 | 601.8 | 15.4% |
| | 14,887.3 | 12,428.6 | 2,160.3 | 17.4% |

Notes

¹ Intersegment sales have not been separately disclosed as they are not material.

² Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

³ Revenue less pass-through costs and headline PBIT margin are defined in note 29. Headline PBIT margin was previously referred to as revenue less pass-through costs margin.

⁴ A reconciliation from reported profit before interest and taxation to headline PBIT is provided in note 29. Reported profit before interest and taxation is reconciled to reported profit before taxation in the consolidated income statement.

| Other information | Share-based payments £m | Capital additions ¹ £m | Depreciation and amortisation ² £m | Goodwill impairment £m | Share of results of associates £m | Interests in associates and joint ventures £m |
|---|----------------------------|--------------------------------------|--|------------------------------|--|--|
| 2018 | | | | | | |
| Advertising and Media Investment Management | 41.9 | 190.8 | 111.8 | 148.0 | 16.6 | 203.4 |
| Data Investment Management | 12.8 | 68.9 | 56.6 | 0.9 | 12.5 | 113.1 |
| Public Relations & Public Affairs | 8.3 | 13.4 | 13.8 | — | 5.2 | 39.5 |
| Brand Consulting, Health & Wellness and Specialist Communications | 21.8 | 102.1 | 81.6 | 35.0 | 9.2 | 440.8 |
| | 84.8 | 375.2 | 263.8 | 183.9 | 43.5 | 796.8 |
| 2017 | | | | | | |
| Advertising and Media Investment Management | 57.0 | 171.3 | 108.8 | 19.5 | 27.0 | 193.1 |
| Data Investment Management | 14.4 | 58.8 | 59.9 | — | 15.3 | 106.3 |
| Public Relations & Public Affairs | 8.6 | 10.6 | 12.2 | 7.6 | 6.3 | 34.2 |
| Brand Consulting, Health & Wellness and Specialist Communications | 25.0 | 85.5 | 86.1 | — | 64.9 | 731.6 |
| | 105.0 | 326.2 | 267.0 | 27.1 | 113.5 | 1,065.2 |
| 2016 | | | | | | |
| Advertising and Media Investment Management | 60.7 | 126.2 | 105.4 | 20.9 | 8.3 | 285.6 |
| Data Investment Management | 13.0 | 61.5 | 60.9 | — | 13.2 | 109.4 |
| Public Relations & Public Affairs | 7.5 | 10.3 | 11.6 | — | 3.2 | 108.1 |
| Brand Consulting, Health & Wellness and Specialist Communications | 25.3 | 87.1 | 81.5 | 6.1 | 25.1 | 566.3 |
| | 106.5 | 285.1 | 259.4 | 27.0 | 49.8 | 1,069.4 |

Notes

1 Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).

2 Depreciation of property, plant and equipment and amortisation of other intangible assets.

Contributions by geographical area were as follows:

| | 2018 £m | 2017 ² £m | 2016 ² £m |
|--|-----------------|-------------------------|-------------------------|
| Revenue¹ | | | |
| North America ³ | 5,371.0 | 5,659.2 | 5,400.9 |
| UK | 2,189.4 | 2,133.4 | 1,970.7 |
| Western Continental Europe | 3,335.3 | 3,230.6 | 3,008.5 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 4,706.7 | 4,781.0 | 4,507.2 |
| | 15,602.4 | 15,804.2 | 14,887.3 |
| Revenue less pass-through costs⁴ | | | |
| North America ³ | 4,474.2 | 4,793.9 | 4,598.4 |
| UK | 1,691.3 | 1,688.0 | 1,590.2 |
| Western Continental Europe | 2,735.4 | 2,630.6 | 2,438.3 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 3,925.7 | 4,057.1 | 3,801.7 |
| | 12,826.6 | 13,169.6 | 12,428.6 |
| Headline PBIT⁴ | | | |
| North America ³ | 804.0 | 937.4 | 895.4 |
| UK | 244.6 | 280.0 | 261.4 |
| Western Continental Europe | 372.7 | 376.0 | 351.7 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 626.0 | 673.7 | 651.8 |
| | 2,047.3 | 2,267.1 | 2,160.3 |
| | Margin | Margin ² | Margin ² |
| Headline PBIT margin⁴ | | | |
| North America | 18.0% | 19.6% | 19.5% |
| UK | 14.5% | 16.6% | 16.4% |
| Western Continental Europe | 13.6% | 14.3% | 14.4% |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 15.9% | 16.6% | 17.1% |
| | 16.0% | 17.2% | 17.4% |

Notes

- 1 Intersegment sales have not been separately disclosed as they are not material.
- 2 Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.
- 3 North America includes the US with revenue of £5,074.1 million (2017: £5,336.3 million, 2016: £5,107.2 million), revenue less pass-through costs of £4,236.7 million (2017: £4,535.3 million, 2016: £4,359.7 million) and headline PBIT of £761.6 million (2017: £890.3 million, 2016: £849.4 million).
- 4 Revenue less pass-through costs, headline PBIT and headline PBIT margin are defined in note 29. Headline PBIT margin was previously referred to as revenue less pass-through costs margin.

| | 2018 £m | 2017 £m |
|---|-----------------|------------|
| Non-current assets¹ | | |
| North America ² | 7,269.7 | 7,667.5 |
| UK | 2,079.2 | 2,098.2 |
| Western Continental Europe | 4,385.6 | 4,542.1 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 4,028.4 | 4,035.8 |
| | 17,762.9 | 18,343.6 |

Notes

- 1 Non-current assets excluding financial instruments and deferred tax.
- 2 North America includes the US with non-current assets of £6,791.9 million (2017: £7,202.7 million).

3. COSTS OF SERVICES AND GENERAL AND ADMINISTRATIVE COSTS

| | 2018 £m | 2017 ¹ £m | 2016 ¹ £m |
|----------------------------------|-----------------|-------------------------|-------------------------|
| Costs of services | 12,663.5 | 12,629.0 | 11,846.5 |
| General and administrative costs | 1,507.5 | 1,267.0 | 977.7 |
| | 14,171.0 | 13,896.0 | 12,824.2 |

Costs of services and general and administrative costs include:

| | 2018 £m | 2017 ¹ £m | 2016 ¹ £m |
|--|-----------------|-------------------------|-------------------------|
| Staff costs (note 5) | 8,172.6 | 8,319.0 | 7,784.9 |
| Establishment costs | 871.7 | 888.6 | 836.5 |
| Media pass-through costs | 1,458.0 | 1,429.4 | 1,276.2 |
| Data collection pass-through costs | 609.2 | 646.4 | 669.8 |
| Other costs of services and general and administrative costs ² | 3,059.5 | 2,612.6 | 2,256.8 |
| | 14,171.0 | 13,896.0 | 12,824.2 |

Other costs of services and general and administrative costs include:

| | | | |
|---|----------------|---------|---------|
| Goodwill impairment (note 12) | 183.9 | 27.1 | 27.0 |
| Investment write-downs | 2.0 | 95.9 | 86.1 |
| Restructuring and transformation costs | 302.3 | 56.8 | 27.4 |
| Amortisation and impairment of acquired intangible assets (note 12) | 280.0 | 195.1 | 168.4 |
| Amortisation of other intangible assets (note 12) | 38.7 | 36.3 | 38.6 |
| Depreciation of property, plant and equipment | 225.1 | 230.7 | 215.2 |
| Losses on sale of property, plant and equipment | 0.6 | 1.1 | 0.8 |
| Gains on disposal of investments and subsidiaries | (235.5) | (129.0) | (44.3) |
| (Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership | (2.0) | 0.3 | (232.4) |
| Net foreign exchange (gains)/losses | (13.2) | 12.9 | (17.0) |

Notes

- 1 Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

- 2 Other costs of services and general and administrative costs include £708.6 million (2017: £558.8 million, 2016: £512.7 million) of other pass-through costs.

In 2018, operating profit includes credits totalling £29.9 million (2017: £44.8 million, 2016: £26.3 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2017. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 27.

The goodwill impairment charge of £183.9 million (2017: £27.1 million, 2016: £27.0 million) primarily relates to a charge of £148.0 million on VMLY&R, with the remaining £35.9 million relating to a number of under-performing businesses in the Group. In certain markets, the impact of current, local economic conditions and trading circumstances on these businesses is sufficiently severe to indicate impairment to the carrying value of goodwill.

Investment write-downs of £95.9 million in 2017 (2016: £86.1 million) include £53.1 million in relation to comScore Inc, which had not released any financial statements in relation to its 2015, 2016 or 2017 results due to an internal investigation by their Audit Committee. In 2017, the market value of comScore Inc fell below the Group's carrying value. Other investment write-downs relate to certain non-core minority investments in the US where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

In 2018, restructuring and transformation costs of £302.3 million comprise £210.3 million of restructuring costs and £92.0 million transformation costs with respect to strategic initiatives such as co-locations in major cities, IT transformation and shared services. In the fourth quarter of 2018, £234.0 million of restructuring and transformation costs were incurred in relation to the strategic review of the Group's operations, as outlined in the investor day on 11 December 2018. As part of that review, restructuring actions have been taken to right-size underperforming businesses, address high cost severance markets

and simplify operational structures. Further restructuring and transformation costs will be incurred in 2019, 2020 and 2021. The remaining £68.3 million primarily relates to restructuring costs recorded in the first half and transformation costs in relation to the continuing global IT transformation programme.

In 2017, restructuring and transformation costs of £56.8 million (2016: £27.4 million) predominantly comprise £33.7 million (2016: £nil) of severance costs arising from a structural assessment of certain of the Group's operations, primarily in the mature markets; and £12.8 million (2016: £27.4 million) of costs resulting from the project to transform and rationalise the Group's IT services and infrastructure including costs relating to the cyber attack in June 2017.

Gains on disposal of investments and subsidiaries of £235.5 million in 2018 (2017: £129.0 million, 2016: £44.3 million) include £185.3 million gains on the disposal of the Group's interest in Globant S.A. Gains in 2017 include £92.3 million on the sale of the Group's equity interest in Asatsu-DK Inc following its acquisition by Bain Capital.

In 2016, gains on remeasurement of equity interests arising from a change in scope of ownership of £232.4 million primarily comprise gains in relation to the reclassification of the Group's interest in the Imagina Group in Spain from other investments to interests in associates, resulting from WPP attaining significant influence in the period.

Auditors' remuneration:

| | 2018 £m | 2017 £m | 2016 £m |
|---|-------------|-------------|-------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 1.4 | 1.4 | 1.4 |
| The audit of the Company's subsidiaries pursuant to legislation | 21.7 | 20.7 | 19.4 |
| Other services pursuant to legislation | 4.2 | 4.0 | 3.7 |
| Fees payable to the auditors pursuant to legislation | 27.3 | 26.1 | 24.5 |
| Tax advisory services | — | 0.1 | 1.6 |
| Tax compliance services | 0.1 | 0.1 | 1.3 |
| Corporate finance services | — | — | 0.1 |
| Other services ¹ | 4.7 | 4.6 | 5.7 |
| Total non-audit fees | 4.8 | 4.8 | 8.7 |
| Total fees | 32.1 | 30.9 | 33.2 |

Note

¹ Other services include audits for earnout purposes.

| | 2018 £m | 2017 £m | 2016 £m |
|---------------------------------|------------|------------|------------|
| Operating lease rentals: | | | |
| Land and buildings | 585.3 | 586.6 | 556.1 |
| Sublease income | (25.4) | (17.9) | (11.6) |
| | 559.9 | 568.7 | 544.5 |
| Plant and machinery | 10.6 | 11.9 | 10.6 |
| | 570.5 | 580.6 | 555.1 |

MINIMUM COMMITTED ANNUAL RENTALS

Amounts payable in 2019 under leases will be as follows:

| | Plant and machinery | | | Land and buildings | | |
|--|---------------------|------------|------------|--------------------|------------|------------|
| | 2019 £m | 2018 £m | 2017 £m | 2019 £m | 2018 £m | 2017 £m |
| In respect of operating leases which expire: | | | | | | |
| - within one year | 3.6 | 5.1 | 4.0 | 70.2 | 88.6 | 85.1 |
| - within two to five years | 19.2 | 10.8 | 10.5 | 272.7 | 236.2 | 287.9 |
| - after five years | 0.4 | 0.1 | — | 246.3 | 207.8 | 187.0 |
| | 23.2 | 16.0 | 14.5 | 589.2 | 532.6 | 560.0 |

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2018 are as follows:

| Year ending 31 December | Minimum gross rental payments £m | Less lease-related costs ¹ £m | Minimum net rental payments £m | Less sub-let rentals £m | Net payment £m |
|-------------------------|-------------------------------------|---|-----------------------------------|----------------------------|-------------------|
| 2019 | 612.4 | (54.2) | 558.2 | (11.5) | 546.7 |
| 2020 | 475.0 | (51.0) | 424.0 | (6.4) | 417.6 |
| 2021 | 415.3 | (47.3) | 368.0 | (4.9) | 363.1 |
| 2022 | 362.4 | (44.8) | 317.6 | (4.3) | 313.3 |
| 2023 | 323.4 | (43.1) | 280.3 | (3.1) | 277.2 |
| Later years | 2,074.1 | (362.5) | 1,711.6 | (1.3) | 1,710.3 |
| | 4,262.6 | (602.9) | 3,659.7 | (31.5) | 3,628.2 |

Note

¹ Lease-related costs include real estate taxes, insurance costs and operating costs embedded in the rental payments to the landlord.

4. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates include:

| | 2018 £m | 2017 £m | 2016 £m |
|---|------------|------------|------------|
| Share of profit before interest and taxation | 123.8 | 145.1 | 97.1 |
| Share of exceptional (losses)/gains | (41.7) | 0.8 | (15.2) |
| Share of interest and non-controlling interests | (9.7) | (7.8) | (4.7) |
| Share of taxation | (28.9) | (24.6) | (27.4) |
| | 43.5 | 113.5 | 49.8 |

5. OUR PEOPLE

Our staff numbers averaged 133,903 for the year ended 31 December 2018 against 134,428 in 2017 and 132,657 in 2016. Their geographical distribution was as follows:

| | 2018 | 2017 | 2016 |
|--|---------|---------|---------|
| North America | 25,990 | 27,399 | 27,246 |
| UK | 14,331 | 14,197 | 14,070 |
| Western Continental Europe | 26,825 | 25,700 | 24,996 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | 66,757 | 67,132 | 66,345 |
| | 133,903 | 134,428 | 132,657 |

Their reportable segment distribution was as follows:

| | 2018 | 2017 | 2016 |
|---|---------|---------|---------|
| Advertising and Media Investment Management | 55,421 | 56,789 | 55,120 |
| Data Investment Management | 28,309 | 28,629 | 29,279 |
| Public Relations & Public Affairs | 9,048 | 9,082 | 9,054 |
| Brand Consulting, Health & Wellness and Specialist Communications | 41,125 | 39,928 | 39,204 |
| | 133,903 | 134,428 | 132,657 |

At the end of 2018, staff numbers were 134,281 (2017: 134,413, 2016: 134,341).

Staff costs include:

| | 2018 £m | 2017 £m | 2016 £m |
|---------------------------------------|------------|------------|------------|
| Wages and salaries | 5,710.0 | 5,832.3 | 5,395.6 |
| Cash-based incentive plans | 240.7 | 219.2 | 260.2 |
| Share-based incentive plans (note 21) | 84.8 | 105.0 | 106.5 |
| Social security costs | 717.5 | 720.3 | 658.1 |
| Pension costs (note 22) | 191.2 | 192.0 | 178.1 |
| Severance | 37.5 | 39.5 | 34.5 |
| Other staff costs ¹ | 1,190.9 | 1,210.7 | 1,151.9 |
| | 8,172.6 | 8,319.0 | 7,784.9 |

Staff cost to revenue less pass-through costs² ratio

63.7% 63.2% 62.6%

Notes

¹ Freelance and temporary staff costs are included in other staff costs.

² Revenue less pass-through costs is defined in note 29.

Included above are charges of £2.0 million (2017: £12.3 million, 2016: £15.5 million) for share-based incentive plans in respect of key management personnel (who comprise the Directors of the Group). Further details of compensation for key management personnel are disclosed on pages 104-119.

6. FINANCE INCOME, FINANCE COSTS AND REVALUATION OF FINANCIAL INSTRUMENTS

Finance income includes:

| | 2018 £m | 2017 £m | 2016 £m |
|--------------------------------|--------------|------------|------------|
| Income from equity investments | 15.4 | 16.8 | 12.5 |
| Interest income | 89.4 | 78.4 | 67.9 |
| | 104.8 | 95.2 | 80.4 |

Finance costs include:

| | 2018 £m | 2017 £m | 2016 £m |
|--|--------------|------------|------------|
| Net interest expense on pension plans (note 22) | 4.4 | 6.3 | 6.7 |
| Interest on other long-term employee benefits | 4.0 | 3.9 | 2.7 |
| Interest expense and similar charges ¹ | 280.9 | 259.6 | 245.1 |
| | 289.3 | 269.8 | 254.5 |

Revaluation of financial instruments include:

| | 2018 £m | 2017 £m | 2016 £m |
|--|---------------|------------|------------|
| Movements in fair value of treasury instruments | (12.4) | 1.1 | (19.5) |
| Revaluation of investments held at fair value through profit or loss | 68.2 | – | – |
| Revaluation of put options over non-controlling interests | 34.5 | 52.5 | (17.2) |
| Revaluation of payments due to vendors (earnout agreements) | 82.6 | 208.6 | (11.6) |
| | 172.9 | 262.2 | (48.3) |

Note

¹ Interest expense and similar charges are payable on bank overdrafts, bonds and bank loans held at amortised cost.

The majority of the Group's long-term debt is represented by \$2,784 million of US dollar bonds at an average interest rate of 4.46%, €3,700 million of Eurobonds at an average interest rate of 1.64% and £600 million of Sterling bonds at an average interest rate of 4.04%.

Average borrowings under the US Dollar Revolving Credit Facilities (note 10) amounted to the equivalent of \$125 million at an average interest rate of 0.96% (2017: \$715 million at an average interest rate of 0.78%).

Average borrowings under the Australian dollar Revolving Credit Facilities, amounted to A\$439 million at an average rate of 3.27% (2017: A\$412 million at an average rate of 3.24%).

Average borrowings under the US Commercial Paper Programme for 2018 amounted to \$540 million at an average interest rate of 2.28% inclusive of margin (2017: \$860 million at an average interest rate of 1.47% inclusive of margin).

7. TAXATION

The tax rate on reported profit before tax was 22.1% (2017: 9.3%, 2016: 20.6%). The headline tax rate was 22.5% (2017: 22.0%, 2016: 21.0%). The cash tax rate on headline PBT was 20.6% (2017: 20.3%, 2016: 20.9%).

On 22 December 2017, The Tax Cuts and Jobs Act was enacted in the US which reduced the federal tax rate from 35% to 21% from 1 January 2018. As a result, deferred tax assets and liabilities were remeasured at the end of 2017, leading to a non-cash credit to the income statement of £234.1 million, partially offset by a one-time deemed repatriation tax charge related to unremitted foreign earnings of £28.1 million, payable over eight years. The impact of US tax reform has been excluded from the headline tax charge.

The tax charge comprises:

| | 2018 £m | 2017 £m | 2016 £m |
|------------------------|----------------|------------|------------|
| Corporation tax | | | |
| Current year | 481.9 | 523.4 | 569.4 |
| Prior years | (111.8) | (98.6) | (80.3) |
| | 370.1 | 424.8 | 489.1 |
| Deferred tax | | | |
| Current year | (49.0) | (235.2) | (88.0) |
| Prior years | 2.8 | 7.4 | (12.2) |
| | (46.2) | (227.8) | (100.2) |
| Tax charge | 323.9 | 197.0 | 388.9 |

The corporation tax credit for prior years in 2018, 2017 and 2016, mainly comprises the release of a number of provisions following the resolution of tax matters in various countries.

The tax charge for the year can be reconciled to profit before taxation in the consolidated income statement as follows:

| | 2018 £m | 2017 £m | 2016 £m |
|--|----------------|------------|------------|
| Profit before taxation | 1,463.3 | 2,109.3 | 1,890.5 |
| Tax at the corporation tax rate of 19.0% | 278.0 | 406.0 | 378.1 |
| Tax effect of share of results of associates | (8.3) | (21.8) | (10.0) |
| Irrecoverable withholding taxes | 55.9 | 37.0 | 36.3 |
| Items that are not deductible/(taxable) in determining taxable profit | 28.7 | (3.9) | 9.4 |
| Effect of different tax rates in subsidiaries operating in other jurisdictions | 90.2 | 140.3 | 60.4 |
| US Transition Tax related to unremitted foreign earnings | (7.3) | 28.1 | – |
| Effect of change in US tax rate on deferred tax balances | – | (234.1) | – |
| Origination and reversal of unrecognised temporary differences | 7.5 | (17.2) | (4.3) |
| Tax losses not recognised or utilised in the year | 22.3 | 32.5 | 52.2 |
| Utilisation of tax losses not previously recognised | (25.6) | (10.4) | (11.3) |
| Recognition of temporary differences not previously recognised | (8.4) | (68.3) | (29.4) |
| Net release of prior year provisions in relation to acquired businesses | (20.4) | (15.0) | (23.3) |
| Other prior year adjustments | (88.7) | (76.2) | (69.2) |
| Tax charge | 323.9 | 197.0 | 388.9 |
| Effective tax rate on profit before tax | 22.1% | 9.3% | 20.6% |

Note

¹ The Parent Company of the Group is tax resident in the UK. As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 19% (2017: 19.25%, 2016: 20%).

The headline tax charge excludes the impact of items that are excluded from headline PBT and excludes the deferred tax impact of the amortisation of acquired intangible assets and other goodwill items as these will only reverse in the event of future disposals of those assets, in which case any accounting gain or loss would be excluded from headline profits. The impact of the Tax Cuts and Jobs Act has also been excluded from the headline tax charge.

The calculation of the headline tax rate is as follows:

| | 2018 £m | 2017 £m | 2016 £m |
|--|----------------|------------|------------|
| Headline PBT ¹ | 1,862.8 | 2,092.5 | 1,986.2 |
| Tax charge | 323.9 | 197.0 | 388.9 |
| Tax (charge)/credit relating to gains on disposal of investments and subsidiaries | (0.8) | 2.1 | (1.1) |
| Tax credit/(charge) relating to restructuring and transformation costs | 52.3 | 10.0 | (3.0) |
| Deferred tax relating to gains on disposal of investments and subsidiaries | (0.7) | 0.2 | 3.2 |
| Net tax impact of US tax reform | 14.3 | 206.0 | – |
| Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items | 30.1 | 45.0 | 29.2 |
| Headline tax charge | 419.1 | 460.3 | 417.2 |
| Headline tax rate | 22.5% | 22.0% | 21.0% |

Note

¹ Headline PBT is defined in note 29.

FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase slightly over the next few years.

Factors that may affect the Group's future tax charge include the levels and mix of profits in the many countries in which we operate, the prevailing tax rates in each of those countries and also the foreign exchange rates that apply to those profits. The tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, future planning, and the ability to use brought forward tax losses. Furthermore, changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax or competition authorities, for example, the European Commission's state aid investigation into Group Financing Exemption in the UK CFC rules announced in October 2017, may expose us to additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.

The Group has a number of open tax returns and various ongoing tax audits worldwide but does not currently expect material additional tax exposures to arise, above the amounts provided, as and when the audits are concluded. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded then such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

TAX RISK MANAGEMENT

We maintain constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. We engage advisors and legal counsel to obtain opinions on tax legislation and principles. We have a Tax Risk Management Strategy in place which sets out the controls established and our assessment procedures for decision-making and how we monitor tax risk. We monitor proposed changes in taxation legislation and ensure these are taken into account when we consider our future business plans. Our Directors are informed by management of any tax law changes, the nature and status of any significant ongoing tax audits, and other developments that could materially affect the Group's tax position.

8. ORDINARY DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

| Per share | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
|-----------------------|-----------------|---------|---------|--------------|-------|-------|
| | Pence per share | £m | £m | £m | £m | £m |
| 2017 Final dividend | 37.30p | 37.05p | 28.78p | 464.6 | 467.2 | 368.5 |
| 2018 Interim dividend | 22.70p | 22.70p | 19.55p | 282.8 | 284.3 | 248.0 |
| | 60.00p | 59.75p | 48.33p | 747.4 | 751.5 | 616.5 |
| Per ADR ¹ | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | Cents per ADR | \$m | \$m | \$m | \$m | \$m |
| 2017 Final dividend | 240.34¢ | 250.96¢ | 219.99¢ | 598.7 | 632.9 | 563.4 |
| 2018 Interim dividend | 151.53¢ | 146.27¢ | 132.42¢ | 377.6 | 366.4 | 335.9 |
| | 391.87¢ | 397.23¢ | 352.41¢ | 976.3 | 999.3 | 899.3 |

Proposed final dividend for the year ended 31 December 2018:

| Per share | 2018 | 2017 | 2016 |
|----------------------|-----------------|---------|---------|
| | Pence per share | £m | £m |
| Final dividend | 37.30p | 37.30p | 37.05p |
| Per ADR ¹ | 2018 | 2017 | 2016 |
| | Cents per ADR | \$m | \$m |
| Final dividend | 249.00¢ | 240.34¢ | 250.96¢ |

Note

¹ These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 127. 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.

The payment of dividends will not have any tax consequences for the Group.

9. EARNINGS PER SHARE

BASIC EPS

The calculation of basic reported and headline EPS is as follows:

| | 2018 | 2017 | 2016 |
|--|----------------|---------|---------|
| Reported earnings ¹ (£m) | 1,062.9 | 1,816.6 | 1,400.1 |
| Headline earnings (£m) (note 29) | 1,362.5 | 1,536.5 | 1,467.5 |
| Average shares used in basic EPS calculation (m) | 1,247.8 | 1,261.1 | 1,277.8 |
| Reported EPS | 85.2p | 144.0p | 109.6p |
| Headline EPS | 109.2p | 121.8p | 114.8p |

Note

¹ Reported earnings is equivalent to profit for the year attributable to equity holders of the parent.

DILUTED EPS

The calculation of diluted reported and headline EPS is as follows:

| | 2018 | 2017 | 2016 |
|--|----------------|---------|---------|
| Diluted reported earnings (£m) | 1,062.9 | 1,816.6 | 1,400.1 |
| Diluted headline earnings (£m) | 1,362.5 | 1,536.5 | 1,467.5 |
| Average shares used in diluted EPS calculation (m) | 1,261.2 | 1,275.8 | 1,296.0 |
| Diluted reported EPS | 84.3p | 142.4p | 108.0p |
| Diluted headline EPS | 108.0p | 120.4p | 113.2p |

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. At 31 December 2018, options to purchase 16.9 million ordinary shares (2017: 8.2 million, 2016: 8.4 million) were outstanding, but were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the average market price of the Group's shares and, therefore, their inclusion would have been accretive.

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

| | 2018 m | 2017 m | 2016 m |
|--|----------------|-----------|-----------|
| Average shares used in basic EPS calculation | 1,247.8 | 1,261.1 | 1,277.8 |
| Dilutive share options outstanding | 1.6 | 1.8 | 2.4 |
| Other potentially issuable shares | 11.8 | 12.9 | 15.8 |
| Shares used in diluted EPS calculation | 1,261.2 | 1,275.8 | 1,296.0 |

At 31 December 2018 there were 1,332,678,227 (2017: 1,332,511,552, 2016: 1,331,880,730) ordinary shares in issue.

10. SOURCES OF FINANCE

The following table summarises the equity and debt financing of the Group, and changes during the year:

| | Shares | | Debt | |
|---|--------------|------------|----------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Analysis of changes in financing | | | | |
| Beginning of year | 701.8 | 695.4 | 6,481.3 | 6,033.1 |
| Ordinary shares issued | 1.2 | 6.4 | – | – |
| Net (decrease)/increase in drawings on bank loans and corporate bonds | – | – | (440.6) | 599.6 |
| Amortisation of financing costs included in debt | – | – | 7.7 | 8.0 |
| Other movements | – | – | (10.1) | (6.9) |
| Exchange adjustments | – | – | 179.6 | (152.5) |
| End of year | 703.0 | 701.8 | 6,217.9 | 6,481.3 |

Note

The table above excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement.

SHARES

At 31 December 2018, the Company's share base was entirely composed of ordinary equity share capital and share premium of £703.0 million (2017: £701.8 million), further details of which are disclosed in note 25.

DEBT

US\$ bonds The Group has in issue \$812 million of 4.75% bonds due November 2021, \$500 million of 3.625% bonds due September 2022, \$750 million of 3.75% bonds due September 2024, \$272 million of 5.125% bonds due September 2042 and \$450 million of 5.625% bonds due November 2043.

Eurobonds The Group has in issue €600 million of 0.75% bonds due November 2019, €750 million of 3% bonds due November 2023, €750 million of 2.25% bonds due September 2026, €600 million of 1.625% bonds due March 2030 and €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR + 0.32% due May 2020.

In March 2018, the Group issued €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR + 0.45% due March 2022 and €500 million of 1.375% bonds due March 2025.

Sterling bonds The Group has in issue £200 million of 6.375% bonds due November 2020 and £400 million of 2.875% bonds due September 2046. On 27 March 2019, the Group repaid the £200 million of 6.375% bonds due in 2020 following a tender offer.

Revolving Credit Facility The Group has a five-year Revolving Credit Facility of \$2.5 billion due July 2021. On 15 March 2019, the Group refinanced the facility and extended the term of the \$2.5 billion five-year revolving credit facility to March 2024. The Group's borrowing under these facilities, which are drawn down predominantly in US dollars and pounds sterling, averaged the equivalent of \$125 million in 2018. The Group has a A\$150 million Revolving Credit Facility due June 2019 and a A\$370 million Revolving Credit Facility due June 2021. The Group's borrowings under the Australian dollar facilities which were drawn down in Australian dollars and New Zealand dollars, averaged the equivalent of A\$439 million in 2018. The Group had available undrawn committed credit facilities of £2,074.7 million at 31 December 2018 (2017: £1,163.8 million).

Borrowings under the \$2.5 billion Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of the Group. Borrowings under the A\$150 million Revolving Credit Facility and the A\$370 million Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of WPP AUNZ.

US COMMERCIAL PAPER PROGRAMME

The Group operates a commercial paper programme using its Revolving Credit Facility as a backstop. The average commercial paper outstanding in 2018 was \$540.0 million. There was no US Commercial Paper outstanding at 31 December 2018.

The following table is an analysis of future anticipated cash flows in relation to the Group's debt, on an undiscounted basis which, therefore, differs from the fair value and carrying value:

| | 2018 £m | 2017 £m |
|--|------------------|------------|
| Within one year | (748.4) | (391.7) |
| Between one and two years | (596.8) | (896.3) |
| Between two and three years | (937.1) | (584.3) |
| Between three and four years | (742.5) | (1,537.8) |
| Between four and five years | (786.8) | (487.9) |
| Over five years | (4,199.7) | (4,519.1) |
| Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes | (8,011.3) | (8,417.1) |
| Short-term overdrafts – within one year | (442.0) | (393.2) |
| Future anticipated cash flows | (8,453.3) | (8,810.3) |
| Effect of discounting/financing rates | 1,793.4 | 1,935.8 |
| Debt financing | (6,659.9) | (6,874.5) |
| Cash and short-term deposits | 2,643.2 | 2,391.4 |
| Net debt | (4,016.7) | (4,483.1) |

Analysis of fixed and floating rate debt by currency including the effect of interest rate and cross-currency swaps:

| 2018 | Fixed rate ¹ | Floating basis | Period (months) ¹ |
|------------|----------------------------|-------------------|---------------------------------|
| Currency | £m | | |
| \$ – fixed | 1,154.8 | 4.58 | n/a 181 |
| – floating | 1,029.6 | n/a LIBOR | n/a |
| £ – fixed | 1,044.1 | 3.43 | n/a 232 |
| € – fixed | 2,425.9 | 1.99 | n/a 75 |
| – floating | 449.2 | n/a EURIBOR | n/a |
| Other | 114.3 | n/a | n/a n/a |
| | 6,217.9 | | |

| 2017 | Fixed rate ¹ | Floating basis | Period (months) ¹ |
|------------|----------------------------|-------------------|---------------------------------|
| Currency | £m | | |
| \$ – fixed | 1,146.1 | 4.62% | n/a 199 |
| – floating | 1,760.9 | n/a LIBOR | n/a |
| £ – fixed | 600.0 | 4.04% | n/a 245 |
| € – fixed | 2,623.9 | 1.85% | n/a 80 |
| – floating | 222.2 | n/a EURIBOR | n/a |
| Other | 128.2 | n/a | n/a n/a |
| | 6,481.3 | | |

Note

¹ Weighted average. These rates do not include the effect of gains on interest rate swap terminations that are written to income over the life of the original instrument.

The following table is an analysis of future anticipated cash flows in relation to the Group's financial derivatives, which include interest rate swaps, forward contracts and other foreign exchange swaps:

| 2018 | Financial liabilities | | Financial assets | |
|------------------------------|-----------------------|------------------|------------------|------------------|
| | Payable £m | Receivable £m | Payable £m | Receivable £m |
| Within one year | 229.3 | 221.9 | 124.6 | 120.6 |
| Between one and two years | 50.0 | 45.3 | 11.8 | 6.5 |
| Between two and three years | 688.4 | 685.3 | 11.5 | 6.4 |
| Between three and four years | 408.5 | 406.6 | 11.6 | 6.5 |
| Between four and five years | – | – | 11.6 | 6.6 |
| Over five years | – | – | 461.4 | 498.2 |
| | 1,376.2 | 1,359.1 | 632.5 | 644.8 |

| 2017 | Financial liabilities | | Financial assets | |
|------------------------------|-----------------------|------------------|------------------|------------------|
| | Payable £m | Receivable £m | Payable £m | Receivable £m |
| Within one year | 97.8 | 96.7 | 123.7 | 128.8 |
| Between one and two years | 21.4 | 20.1 | 38.6 | 38.8 |
| Between two and three years | 20.5 | 18.8 | 39.5 | 38.6 |
| Between three and four years | 20.7 | 18.6 | 851.7 | 851.0 |
| Between four and five years | 523.5 | 521.1 | – | – |
| Over five years | – | – | – | – |
| | 683.9 | 675.3 | 1,053.5 | 1,057.2 |

11. ANALYSIS OF CASH FLOWS

The following tables analyse the items included within the main cash flow headings on page 129.

Net cash from operating activities:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|----------------|----------------|
| Profit for the year | 1,139.4 | 1,912.3 | 1,501.6 |
| Taxation | 323.9 | 197.0 | 388.9 |
| Revaluation of financial instruments | (172.9) | (262.2) | 48.3 |
| Finance costs | 289.3 | 269.8 | 254.5 |
| Finance income | (104.8) | (95.2) | (80.4) |
| Share of results of associates | (43.5) | (113.5) | (49.8) |
| Operating profit | 1,431.4 | 1,908.2 | 2,063.1 |
| Adjustments for: | | | |
| Non-cash share-based incentive plans (including share options) | 84.8 | 105.0 | 106.5 |
| Depreciation of property, plant and equipment | 225.1 | 230.7 | 220.8 |
| Impairment of goodwill | 183.9 | 27.1 | 27.0 |
| Amortisation and impairment of acquired intangible assets | 280.0 | 195.1 | 168.4 |
| Amortisation of other intangible assets | 38.7 | 36.3 | 38.6 |
| Investment write-downs | 2.0 | 95.9 | 86.1 |
| Gains on disposal of investments and subsidiaries | (235.5) | (129.0) | (44.3) |
| (Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership | (2.0) | 0.3 | (232.4) |
| Losses on sale of property, plant and equipment | 0.6 | 1.1 | 0.8 |
| Operating cash flow before movements in working capital and provisions | 2,009.0 | 2,470.7 | 2,434.6 |
| Increase in trade receivables and accrued income | (298.9) | (90.4) | (70.4) |
| Increase/(decrease) in trade payables and deferred income | 500.9 | (170.8) | 188.7 |
| (Increase)/decrease in other receivables | (52.9) | (110.6) | 77.4 |
| Decrease in other payables – short-term | (31.8) | (122.8) | (303.7) |
| Increase in other payables – long-term | 0.4 | 20.1 | 4.5 |
| Increase/(decrease) in provisions | 48.0 | (57.3) | (47.8) |
| Cash generated by operations | 2,174.7 | 1,938.9 | 2,283.3 |
| Corporation and overseas tax paid | (383.6) | (424.7) | (414.2) |
| Interest and similar charges paid | (252.8) | (246.6) | (242.1) |
| Interest received | 90.4 | 76.9 | 73.9 |
| Investment income | 15.4 | 16.8 | 12.5 |
| Dividends from associates | 49.7 | 46.8 | 60.4 |
| Net cash inflow from operating activities | 1,693.8 | 1,408.1 | 1,773.8 |

Acquisitions and disposals:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|----------------|----------------|
| Initial cash consideration | (126.7) | (214.8) | (424.1) |
| Cash and cash equivalents acquired (net) ¹ | (3.8) | 28.9 | 57.3 |
| Earnout payments | (120.2) | (199.1) | (92.3) |
| Purchase of other investments (including associates) | (48.1) | (92.5) | (260.2) |
| Acquisitions | (298.8) | (477.5) | (719.3) |
| Proceeds on disposal of investments and subsidiaries ² | 849.0 | 296.0 | 80.5 |
| Acquisitions and disposals | 550.2 | (181.5) | (638.8) |
| Cash consideration for non-controlling interests | (109.9) | (47.3) | (58.3) |
| Net cash inflow/(outflow) | 440.3 | (228.8) | (697.1) |

Notes

¹ In 2018, cash and cash equivalents acquired comprises £11.3 million from acquisitions offset by £15.1 million from disposals.

² Proceeds on disposal of investments and subsidiaries includes return of capital from investments in associates.

Share repurchases and buy-backs:

| | 2018 £m | 2017 £m | 2016 £m |
|---------------------------------------|----------------|----------------|----------------|
| Purchase of own shares by ESOP Trusts | (102.8) | (214.6) | (152.9) |
| Shares purchased into treasury | (104.3) | (289.6) | (274.5) |
| Net cash outflow | (207.1) | (504.2) | (427.4) |

Net (decrease)/increase in borrowings:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|--------------|---------------|
| (Decrease)/increase in drawings on bank loans | (819.3) | 785.6 | (30.4) |
| Proceeds from issue of €250 million bonds | 218.8 | 214.0 | – |
| Proceeds from issue of €500 million bonds | 438.0 | – | – |
| Repayment of €252 million bonds | (220.0) | – | – |
| Partial repayment of \$300 million bonds | (20.8) | – | – |
| Partial repayment of \$500 million bonds | (37.3) | – | – |
| Repayment of £400 million bonds | – | (400.0) | – |
| Proceeds from issue of £400 million bonds | – | – | 400.0 |
| Repayment of €498 million bonds | – | – | (392.1) |
| Net cash (outflow)/inflow | (440.6) | 599.6 | (22.5) |

Cash and cash equivalents:

| | 2018 £m | 2017 £m | 2016 £m |
|--------------------------|----------------|----------------|------------|
| Cash at bank and in hand | 2,010.8 | 2,049.6 | 2,256.2 |
| Short-term bank deposits | 632.4 | 341.8 | 180.7 |
| Overdrafts ¹ | (442.0) | (393.2) | (534.3) |
| 2,201.2 | 1,998.2 | 1,902.6 | |

Note

¹ Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

The Group considers that the carrying amount of cash and cash equivalents approximates their fair value.

12. INTANGIBLE ASSETS

GOODWILL

The movements in 2018 and 2017 were as follows:

| | £m |
|---|-----------------|
| Cost: | |
| 1 January 2017 | 13,939.4 |
| Additions ¹ | 301.0 |
| Revision of earnout estimates | (60.7) |
| Exchange adjustments | (504.4) |
| 31 December 2017 | 13,675.3 |
| Additions ¹ | 154.4 |
| Revision of earnout estimates | (68.3) |
| Exchange adjustments | 368.1 |
| 31 December 2018 | 14,129.5 |
| Accumulated impairment losses and write-downs: | |
| 1 January 2017 | 725.1 |
| Impairment losses for the year | 27.1 |
| Exchange adjustments | (29.8) |
| 31 December 2017 | 722.4 |
| Impairment losses for the year | 183.9 |
| Exchange adjustments | 20.4 |
| 31 December 2018 | 926.7 |
| Net book value: | |
| 31 December 2018 | 13,202.8 |
| 31 December 2017 | 12,952.9 |
| 1 January 2017 | 13,214.3 |

Note

¹ Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in either year presented. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 14.

Cash-generating units with significant goodwill as at 31 December are:

| | 2018 £m | 2017 £m |
|-----------------------|-----------------|-----------------|
| GroupM | 2,942.9 | 2,906.7 |
| Kantar | 2,522.9 | 2,518.2 |
| Wunderman | 1,581.2 | 1,514.5 |
| VMLY&R | 930.4 | 1,091.8 |
| Other | 5,225.4 | 4,921.7 |
| Total goodwill | 13,202.8 | 12,952.9 |

Other goodwill represents goodwill on a large number of cash-generating units, none of which is individually significant in comparison to the total carrying value of goodwill.

OTHER INTANGIBLE ASSETS

The movements in 2018 and 2017 were as follows:

| | Brands with an indefinite useful life £m | Acquired intangibles £m | Other £m | Total £m |
|---|--|-------------------------------|--------------|----------------|
| Cost: | | | | |
| 1 January 2017 | 1,141.3 | 2,535.5 | 404.1 | 4,080.9 |
| Additions | – | – | 37.3 | 37.3 |
| Disposals | – | – | (15.8) | (15.8) |
| New acquisitions | – | 79.0 | 0.8 | 79.8 |
| Other movements ¹ | – | 6.4 | 7.2 | 13.6 |
| Exchange adjustments | (60.0) | (73.1) | (22.1) | (155.2) |
| 31 December 2017 | 1,081.3 | 2,547.8 | 411.5 | 4,040.6 |
| Additions | – | – | 60.4 | 60.4 |
| Disposals | – | (0.9) | (37.3) | (38.2) |
| New acquisitions | – | 40.3 | – | 40.3 |
| Other movements ¹ | – | 2.9 | (7.4) | (4.5) |
| Exchange adjustments | 51.5 | 19.9 | 10.1 | 81.5 |
| 31 December 2018 | 1,132.8 | 2,610.0 | 437.3 | 4,180.1 |
| Amortisation and impairment: | | | | |
| 1 January 2017 | – | 1,563.0 | 300.6 | 1,863.6 |
| Charge for the year | – | 189.4 | 36.3 | 225.7 |
| Disposals | – | – | (14.9) | (14.9) |
| Other movements | – | – | 2.5 | 2.5 |
| Exchange adjustments | – | (33.7) | (21.0) | (54.7) |
| 31 December 2017 | – | 1,718.7 | 303.5 | 2,022.2 |
| Charge for the year | – | 275.8 | 38.7 | 314.5 |
| Disposals | – | (0.7) | (27.3) | (28.0) |
| Other movements | – | – | (1.9) | (1.9) |
| Exchange adjustments | – | 21.4 | 9.9 | 31.3 |
| 31 December 2018 | – | 2,015.2 | 322.9 | 2,338.1 |
| Net book value: | | | | |
| 31 December 2018 | 1,132.8 | 594.8 | 114.4 | 1,842.0 |
| 31 December 2017 | 1,081.3 | 829.1 | 108.0 | 2,018.4 |
| 1 January 2017 | 1,141.3 | 972.5 | 103.5 | 2,217.3 |

Note

¹ Other movements in acquired intangibles include revisions to fair value adjustments arising on the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

Brands with an indefinite life are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The carrying values of the separately identifiable brands are not individually significant in comparison with the total carrying value of brands with an indefinite useful life.

Acquired intangible assets at net book value at 31 December 2018 include brand names of £361.2 million (2017: £445.6 million), customer-related intangibles of £220.6 million (2017: £360.9 million), and other assets (including proprietary tools) of £13.0 million (2017: £22.6 million).

The total amortisation and impairment of acquired intangible assets of £280.0 million (2017: £195.1 million) includes an impairment charge of £126.1 million (2017: £6.0 million) comprising £58.6 million in regard to certain brand names that are no longer in use and £67.5 million in regard to customer relationships where the underlying clients have been lost. £70.6 million of the impairment charge relates to the Advertising and Media Investment Management segment, £38.2 million relates to the Data Investment Management segment, and £17.3 million relates to the Brand Consulting, Health & Wellness and Specialist Communications segment. In addition, the total amortisation and impairment of acquired intangible assets includes £4.2 million (2017: £5.7 million) in relation to associates.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The impairment review is undertaken annually on 30 September. The review assessed whether the carrying value of goodwill and intangible assets with indefinite useful lives was supported by the net present value of future cash flows, using a pre-tax discount rate of 9.0% (2017: 8.5%) and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% (2017: 3.0%) and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment charge of £183.9 million (2017: £27.1 million) primarily relates to a charge of £148.0 million on VMLY&R, driven by challenges in the advertising businesses in the Advertising and Media Investment Management segment. The recoverable amount for the VMLY&R cash-generating unit is £1,327.3 million. It is based on a value in use calculation, assuming a pre-tax discount rate of 8.7% specific to VMLY&R. A pre-tax discount rate of 8.5% was used in the prior year. The cash-generating unit includes goodwill, intangible assets, and other assets. The remaining £35.9 million relates to a number of under-performing businesses in the Group. In certain markets, the impact of local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill.

The VMLY&R impairment review is sensitive to changes in the assumptions used, most notably to changes in the discount rate, terminal growth rate and terminal margin. A summary of the movements in the impairment charge from a change in these assumptions is as follows:

- 0.1% movement in the discount rate would increase or decrease the impairment charge by £23 million;
- 0.1% movement in the terminal growth rate would increase or decrease the impairment charge by £19 million; and
- 0.1% movement in terminal margin would increase or decrease the impairment charge by £8 million.

Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. For the 2018 impairment review, certain assets previously aggregated with the VMLY&R cash-generating unit have been realigned to other cash-generating units as part of the overall effort to simplify operations and become more client-centric. Changes in our business activities or structure may also result in additional changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment, except for VMLY&R as discussed above. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted down to the recoverable amount if required.

13. PROPERTY, PLANT AND EQUIPMENT

The movements in 2018 and 2017 were as follows:

| | Land £m | Freehold buildings £m | Leasehold buildings £m | Fixtures, fittings and equipment £m | Computer equipment £m | Total £m |
|-------------------------|-------------|-----------------------------|------------------------------|--|-----------------------------|----------------|
| Cost: | | | | | | |
| 1 January 2017 | 37.1 | 126.4 | 1,012.5 | 402.6 | 743.4 | 2,322.0 |
| Additions | – | 4.3 | 165.0 | 31.7 | 87.9 | 288.9 |
| New acquisitions | – | – | 2.0 | 2.4 | 1.1 | 5.5 |
| Disposals | – | (1.2) | (46.1) | (40.7) | (54.6) | (142.6) |
| Exchange adjustments | – | (10.7) | (51.6) | (18.8) | (74.8) | (155.9) |
| 31 December 2017 | 37.1 | 118.8 | 1,081.8 | 377.2 | 703.0 | 2,317.9 |
| Additions | – | 17.7 | 161.4 | 49.9 | 85.8 | 314.8 |
| New acquisitions | – | 0.1 | 0.9 | 1.2 | 0.9 | 3.1 |
| Disposals | – | – | (83.5) | (62.9) | (109.3) | (255.7) |
| Exchange adjustments | – | (1.1) | 41.8 | 9.9 | 10.0 | 60.6 |
| 31 December 2018 | 37.1 | 135.5 | 1,202.4 | 375.3 | 690.4 | 2,440.7 |
| Depreciation: | | | | | | |
| 1 January 2017 | – | 25.2 | 509.8 | 240.0 | 578.3 | 1,353.3 |
| Charge for the year | – | 6.9 | 86.7 | 47.0 | 90.1 | 230.7 |
| Disposals | – | (1.9) | (42.6) | (35.9) | (54.4) | (134.8) |
| Exchange adjustments | – | (1.7) | (27.8) | (14.2) | (67.1) | (110.8) |
| 31 December 2017 | – | 28.5 | 526.1 | 236.9 | 546.9 | 1,338.4 |
| Charge for the year | – | 3.1 | 91.5 | 44.4 | 86.1 | 225.1 |
| Disposals | – | – | (74.6) | (58.0) | (107.9) | (240.5) |
| Exchange adjustments | – | (4.5) | 24.3 | 6.4 | 8.5 | 34.7 |
| 31 December 2018 | – | 27.1 | 567.3 | 229.7 | 533.6 | 1,357.7 |
| Net book value: | | | | | | |
| 31 December 2018 | 37.1 | 108.4 | 635.1 | 145.6 | 156.8 | 1,083.0 |
| 31 December 2017 | 37.1 | 90.3 | 555.7 | 140.3 | 156.1 | 979.5 |
| 1 January 2017 | 37.1 | 101.2 | 502.7 | 162.6 | 165.1 | 968.7 |

At 31 December 2018, capital commitments contracted, but not provided for in respect of property, plant and equipment were £28.4 million (2017: £137.2 million).

14. INTERESTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The movements in 2018 and 2017 were as follows:

| | Interests in associates and joint ventures £m | Other investments £m |
|---|--|-------------------------|
| 1 January 2017 | 1,069.4 | 1,310.3 |
| Additions | 34.5 | 67.7 |
| Share of results of associate undertakings (note 4) | 113.5 | – |
| Dividends | (46.8) | – |
| Other movements | 3.4 | – |
| Reclassification from other investments to associates | 57.1 | (57.1) |
| Exchange adjustments | (10.6) | (106.1) |
| Disposals | (139.1) | (1.7) |
| Reclassification to subsidiaries | (6.3) | – |
| Revaluation of other investments | – | 32.1 |
| Amortisation of other intangible assets | (5.7) | – |
| Write-downs | (4.2) | (91.7) |
| 31 December 2017 | 1,065.2 | 1,153.5 |
| Additions | 16.7 | 35.0 |
| Share of results of associate undertakings (note 4) | 43.5 | – |
| Dividends | (49.7) | – |
| Other movements | 1.2 | – |
| Reclassification from other investments to associates | 0.3 | (0.3) |
| Exchange adjustments | 12.9 | – |
| Disposals | (304.0) | (341.7) |
| Reclassification to subsidiaries | 16.9 | – |
| Revaluation of other investments through profit or loss | – | 68.1 |
| Revaluation of other investments through other comprehensive income | – | (247.9) |
| Amortisation of other intangible assets | (4.2) | – |
| Write-downs | (2.0) | – |
| 31 December 2018 | 796.8 | 666.7 |

The investments included above as 'other investments' represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources.

The carrying values of the Group's associates and joint ventures are reviewed for impairment in accordance with the Group's accounting policies.

The Group's principal associates and joint ventures at 31 December 2018 included:

| | % owned | Country of incorporation |
|--|---------|--------------------------|
| Barrows Design and Manufacturing (Pty) Limited | 35.0 | South Africa |
| Chime Communications Ltd | 24.9 | UK |
| CVSC Sofres Media Co Limited | 40.0 | China |
| Dat Viet VAC Media Corporation | 30.0 | Vietnam |
| GIIR Inc | 30.0 | Korea |
| Haworth Marketing & Media Company | 49.0 | USA |
| High Co SA | 34.1 | France |
| Imagina | 22.5 | Spain |
| Marktest Investimentos SGPS S.A. | 40.0 | Portugal |
| Nanjing Yindu Ogilvy Advertising Co. Ltd | 49.0 | China |
| Richard Attias and Associates ¹ | 49.0 | USA |
| Smollan Holdings (Pty) Ltd | 24.8 | South Africa |

Note

1 The Group sold its shareholding in Richard Attias and Associates in January 2019.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2018 was as follows: GIIR Inc: £26.3 million, and High Co SA: £30.3 million (2017: GIIR Inc: £35.4 million and High Co SA: £33.3 million).

The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2018 was as follows: GIIR Inc: £46.8 million and High Co SA: £37.1 million (2017: GIIR Inc: £41.6 million and High Co SA: £34.5 million).

Where the market value of the Group's listed associates is less than the carrying value, an impairment review is performed utilising the discounted cash flow methodology discussed in note 12.

The Group's investments in its principal associate undertakings are represented by ordinary shares.

SUMMARISED FINANCIAL INFORMATION

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2018.

| | 2018 £m | 2017 £m | 2016 £m |
|-------------------------|----------------|------------|------------|
| Income statement | | | |
| Revenue | 3,685.8 | 3,800.8 | 2,254.5 |
| Operating profit | 378.4 | 440.4 | 308.3 |
| Profit before taxation | 194.7 | 381.9 | 237.2 |
| Profit for the year | 118.1 | 312.5 | 156.7 |

Balance sheet

| | | | |
|-------------|------------------|-----------|-----------|
| Assets | 2,940.9 | 3,192.9 | 4,223.1 |
| Liabilities | (1,570.6) | (1,633.7) | (1,900.0) |
| Net assets | 1,370.3 | 1,559.2 | 2,323.1 |

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the Group has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

At 31 December 2018, capital commitments contracted, but not provided for in respect of interests in associates and other investments were £31.4 million (2017: £54.2 million).

15. DEFERRED TAX

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable that all or a portion of the deferred tax assets will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred tax assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | Gross 2018 £m | Offset 2018 £m | As reported 2018 £m | Gross 2017 £m | Offset 2017 £m | As reported 2017 £m |
|--------------------------|---------------------|----------------------|------------------------------|---------------------|----------------------|------------------------------|
| Deferred tax assets | 412.0 | (259.0) | 153.0 | 411.8 | (251.5) | 160.3 |
| Deferred tax liabilities | (738.5) | 259.0 | (479.5) | (765.2) | 251.5 | (513.7) |
| | (326.5) | – | (326.5) | (353.4) | – | (353.4) |

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2018 and 2017:

| | Deferred compensation £m | Accounting provisions and accruals £m | Retirement benefit obligations £m | Property, plant and equipment £m | Tax losses and credits £m | Share-based payments £m | Restructuring provisions £m | Other temporary differences £m | Total £m |
|--------------------------------------|--------------------------------|--|--|---|---------------------------------|-------------------------------|-----------------------------------|---|--------------|
| 1 January 2017 | 95.6 | 80.6 | 141.4 | 70.8 | 89.7 | 75.8 | 5.9 | 38.2 | 598.0 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | 2.6 | 2.6 |
| (Charge)/credit to income | (5.5) | 6.6 | (10.2) | 6.9 | (34.4) | (0.4) | (1.5) | (21.7) | (60.2) |
| Impact of US tax reform | (30.8) | (8.1) | (29.1) | (6.8) | 23.1 | (10.9) | 1.6 | (1.1) | (62.1) |
| Charge to other comprehensive income | – | – | (20.9) | – | – | – | – | – | (20.9) |
| Charge to equity | – | – | – | – | – | (27.3) | – | – | (27.3) |
| Exchange differences | (5.8) | 5.8 | (5.6) | (2.5) | (5.7) | (4.2) | (0.2) | (0.1) | (18.3) |
| 31 December 2017 | 53.5 | 84.9 | 75.6 | 68.4 | 72.7 | 33.0 | 5.8 | 17.9 | 411.8 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | 2.0 | 2.0 |
| Credit/(charge) to income | 4.7 | 13.0 | (11.2) | (20.6) | (8.9) | (15.3) | 10.7 | 11.0 | (16.6) |
| Charge to other comprehensive income | – | – | (0.2) | – | – | – | – | – | (0.2) |
| Charge to equity | – | – | – | – | – | (1.6) | – | – | (1.6) |
| Exchange differences | 3.4 | 3.5 | 4.3 | 0.1 | 3.3 | 0.7 | 0.8 | 0.5 | 16.6 |
| 31 December 2018 | 61.6 | 101.4 | 68.5 | 47.9 | 67.1 | 16.8 | 17.3 | 31.4 | 412.0 |

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2018 the balance related to temporary differences in relation to revenue adjustments, tax deductible goodwill, fair value adjustments, and other temporary differences.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2018 and 2017:

| | Brands and other intangibles £m | Associate earnings £m | Goodwill £m | Property, plant and equipment £m | Financial instruments £m | Other temporary differences £m | Total £m |
|--------------------------------------|--|-----------------------------|----------------|---|--------------------------------|---|--------------|
| 1 January 2017 | 755.9 | 28.3 | 232.5 | 36.2 | 64.0 | 33.1 | 1,150.0 |
| Acquisition of subsidiaries | 21.4 | – | – | – | – | – | 21.4 |
| (Credit)/charge to income | (49.9) | (6.0) | 0.7 | (0.5) | (3.3) | 5.1 | (53.9) |
| Impact of US tax reform | (203.8) | – | (76.3) | (11.9) | (22.2) | 18.0 | (296.2) |
| Charge to other comprehensive income | – | – | – | – | – | 3.7 | 3.7 |
| Exchange differences | (34.4) | (0.7) | (16.5) | (2.6) | (2.3) | (3.3) | (59.8) |
| 31 December 2017 | 489.2 | 21.6 | 140.4 | 21.2 | 36.2 | 56.6 | 765.2 |
| Acquisition of subsidiaries | 10.7 | – | – | – | – | – | 10.7 |
| (Credit)/charge to income | (68.8) | (3.9) | 31.8 | (0.3) | (0.9) | (20.7) | (62.8) |
| Charge to other comprehensive income | – | – | – | – | – | 0.5 | 0.5 |
| Exchange differences | 7.5 | (0.1) | 10.1 | 1.3 | 4.6 | 1.5 | 24.9 |
| 31 December 2018 | 438.6 | 17.6 | 182.3 | 22.2 | 39.9 | 37.9 | 738.5 |

At the balance sheet date, the Group has gross tax losses and other temporary differences of £6,638.6 million (2017: £6,208.6 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £1,763.4 million (2017: £1,539.3 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £4,875.2 million (2017: £4,669.3 million) of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of £46.4 million (2017: £56.5 million) that will expire within 1–10 years, and £4,572.6 million (2017: £4,421.5 million) of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £1,768.5 million (2017: £3,898.0 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

16. TRADE AND OTHER RECEIVABLES

The following are included in trade and other receivables:

Amounts falling due within one year:

| | 2018 £m | 2017 ¹ £m |
|---|-----------------|-------------------------|
| Trade receivables (net of bad debt provision) | 8,062.2 | 7,889.7 |
| Work in progress | 366.5 | 401.1 |
| VAT and sales taxes recoverable | 264.2 | 202.3 |
| Prepayments | 287.3 | 298.3 |
| Accrued income | 3,541.2 | 3,205.8 |
| Fair value of derivatives | 1.3 | 1.0 |
| Other debtors | 578.8 | 532.5 |
| | 13,101.5 | 12,530.7 |

Note

¹ Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

The ageing of trade receivables and other financial assets by due date is as follows:

| 2018 | Carrying amount at 31 December 2018 £m | Neither past due nor impaired £m | Past due but not impaired | | | | |
|------------------------|---|--|---------------------------|---------------------|----------------------|------------------------------|---------------------------------|
| | | | 0-30 days £m | 31-90 days £m | 91-180 days £m | 181 days- 1 year £m | Greater than 1 year £m |
| | | | | | | | |
| Trade receivables | 8,062.2 | 5,873.7 | 1,370.7 | 549.1 | 128.3 | 75.6 | 64.8 |
| Other financial assets | 551.7 | 424.9 | 61.3 | 14.2 | 8.6 | 7.7 | 35.0 |
| | 8,613.9 | 6,298.6 | 1,432.0 | 563.3 | 136.9 | 83.3 | 99.8 |

| 2017 | Carrying amount at 31 December 2017 £m | Neither past due nor impaired £m | Past due but not impaired | | | | |
|------------------------|---|--|---------------------------|---------------------|----------------------|------------------------------|---------------------------------|
| | | | 0-30 days £m | 31-90 days £m | 91-180 days £m | 181 days- 1 year £m | Greater than 1 year £m |
| | | | | | | | |
| Trade receivables | 7,889.7 | 5,466.6 | 1,629.6 | 577.0 | 143.0 | 48.8 | 24.7 |
| Other financial assets | 500.4 | 331.2 | 107.0 | 6.6 | 4.7 | 10.3 | 40.6 |
| | 8,390.1 | 5,797.8 | 1,736.6 | 583.6 | 147.7 | 59.1 | 65.3 |

Other financial assets are included in other debtors.

Past due amounts are not impaired where collection is considered likely.

Amounts falling due after more than one year:

| | 2018 £m | 2017 £m |
|---------------------------|--------------|------------|
| Prepayments | 3.0 | 3.6 |
| Accrued income | 16.5 | 20.5 |
| Fair value of derivatives | 8.4 | 2.1 |
| Other debtors | 152.1 | 150.0 |
| | 180.0 | 176.2 |

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

Bad debt provisions:

| | 2018 £m | 2017 £m |
|----------------------------------|--------------|------------|
| At beginning of year | 91.3 | 93.8 |
| New acquisitions | 1.5 | 1.2 |
| Charged to the income statement | 66.7 | 27.4 |
| Released to the income statement | (11.6) | (8.4) |
| Exchange adjustments | 2.1 | (4.1) |
| Utilisations and other movements | (33.4) | (18.6) |
| At end of year | 116.6 | 91.3 |

The allowance for bad and doubtful debts is equivalent to 1.4% (2017: 1.1%) of gross trade accounts receivables.

The requirement to use an expected loss method of impairment of financial assets on adoption of IFRS 9 on 1 January 2018 did not have a material impact on the Group. The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9, and recognises a loss allowance based on the financial asset's lifetime expected credit loss. Based on the aging of the invoice, the loss allowance at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) is as follows:

| | 31 December 2018 | 0-90 days | 91-180 days | 181 days-1 year | Over 1 year |
|-------------------------|------------------|-----------|-------------|-----------------|-------------|
| | | £m | £m | £m | £m |
| Gross trade receivables | 8,178.9 | 7,621.9 | 381.5 | 86.5 | 89.0 |
| Loss allowance | 116.6 | 11.3 | 3.8 | 39.2 | 62.3 |
| Expected loss rate | 1.4% | 0.1% | 1.0% | 45.3% | 70.0% |

| | 1 January 2018 | 0-90 days | 91-180 days | 181 days-1 year | Over 1 year |
|-------------------------|----------------|-----------|-------------|-----------------|-------------|
| | | £m | £m | £m | £m |
| Gross trade receivables | 7,981.0 | 7,392.6 | 425.6 | 78.6 | 84.2 |
| Loss allowance | 91.3 | 2.9 | 2.8 | 24.2 | 61.4 |
| Expected loss rate | 1.1% | 0.0% | 0.7% | 30.8% | 73.0% |

Impairment losses on work in progress and accrued income were immaterial for the years presented.

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

17. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following are included in trade and other payables falling due within one year:

| | 2018 £m | 2017 £m |
|--|-----------------|------------|
| Trade payables | 10,524.3 | 9,893.0 |
| Deferred income | 1,253.6 | 1,212.1 |
| Payments due to vendors (earnout agreements) | 148.2 | 180.7 |
| Liabilities in respect of put option agreements with vendors | 36.8 | 38.6 |
| Fair value of derivatives | 2.6 | 3.5 |
| Other creditors and accruals | 3,072.9 | 2,913.2 |
| | 15,038.4 | 14,241.1 |

The Group considers that the carrying amount of trade and other payables approximates their fair value.

18. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following are included in trade and other payables falling due after more than one year:

| | 2018 £m | 2017 £m |
|--|--------------|------------|
| Payments due to vendors (earnout agreements) | 266.5 | 450.0 |
| Liabilities in respect of put option agreements with vendors | 205.2 | 219.5 |
| Fair value of derivatives | 14.2 | 3.3 |
| Other creditors and accruals | 355.5 | 320.0 |
| | 841.4 | 992.8 |

The Group considers that the carrying amount of trade and other payables approximates their fair value.

The following tables set out payments due to vendors, comprising contingent consideration and the Directors' best estimates of future earnout-related obligations:

| | 2018 £m | 2017 £m |
|------------------------------|--------------|------------|
| Within one year | 148.2 | 180.7 |
| Between one and two years | 140.2 | 128.3 |
| Between two and three years | 38.5 | 144.1 |
| Between three and four years | 50.3 | 58.3 |
| Between four and five years | 20.4 | 103.1 |
| Over five years | 17.1 | 16.2 |
| | 414.7 | 630.7 |

| | 2018 £m | 2017 £m |
|---|----------------|------------|
| At beginning of year | 630.7 | 976.5 |
| Earnouts paid (note 11) | (120.2) | (199.1) |
| New acquisitions | 48.6 | 163.7 |
| Revision of estimates taken to goodwill (note 12) | (68.3) | (60.7) |
| Revaluation of payments due to vendors (note 6) | (82.6) | (208.6) |
| Exchange adjustments | 6.5 | (41.1) |
| At end of year | 414.7 | 630.7 |

As of 31 December 2018, the potential undiscounted amount of future payments that could be required under the earnout agreements for acquisitions completed in the current year and for all earnout agreements range from £nil to £179 million (2017: £nil to £228 million) and £nil to £1,960 million (2017: £nil to £1,910 million), respectively.

19. BANK OVERDRAFTS, BONDS AND BANK LOANS

Amounts falling due within one year:

| | 2018 £m | 2017 £m |
|--------------------------------|----------------|------------|
| Bank overdrafts | 442.0 | 393.2 |
| Corporate bonds and bank loans | 583.1 | 230.9 |
| | 1,025.1 | 624.1 |

The Group considers that the carrying amount of bank overdrafts approximates their fair value.

Amounts falling due after more than one year:

| | 2018 £m | 2017 £m |
|--------------------------------|----------------|------------|
| Corporate bonds and bank loans | 5,634.8 | 6,250.4 |

The Group estimates that the fair value of corporate bonds is £5,965.7 million at 31 December 2018 (2017: £5,816.5 million). The fair values of the corporate bonds are based on quoted market prices.

The Group considers that the carrying amount of bank loans of £186.8 million (2017: £993.4 million) approximates their fair value.

The corporate bonds, bank loans and overdrafts included within liabilities fall due for repayment as follows:

| | 2018 £m | 2017 £m |
|------------------------------|----------------|------------|
| Within one year | 1,025.1 | 624.1 |
| Between one and two years | 423.8 | 727.6 |
| Between two and three years | 761.0 | 421.0 |
| Between three and four years | 609.8 | 1,384.2 |
| Between four and five years | 670.1 | 356.6 |
| Over five years | 3,170.1 | 3,361.0 |
| | 6,659.9 | 6,874.5 |

20. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in 2018 and 2017 were as follows:

| | Property £m | Other £m | Total £m |
|--|----------------|--------------|--------------|
| 1 January 2017 | 58.5 | 169.4 | 227.9 |
| Charged to the income statement | 4.1 | 16.9 | 21.0 |
| Acquisitions ¹ | 4.0 | 22.8 | 26.8 |
| Utilised | (6.0) | (21.4) | (27.4) |
| Released to the income statement | (5.5) | (5.9) | (11.4) |
| Transfers | 0.1 | 7.1 | 7.2 |
| Exchange adjustments | (2.6) | (12.5) | (15.1) |
| 31 December 2017 | 52.6 | 176.4 | 229.0 |
| Charged to the income statement ² | 72.1 | 13.9 | 86.0 |
| Acquisitions ¹ | 0.5 | 8.3 | 8.8 |
| Utilised | (5.7) | (20.1) | (25.8) |
| Released to the income statement | (5.7) | (4.6) | (10.3) |
| Transfers | 2.0 | 10.9 | 12.9 |
| Exchange adjustments | 2.9 | 8.2 | 11.1 |
| 31 December 2018 | 118.7 | 193.0 | 311.7 |

Notes

1 Acquisitions include £8.4 million (2017: £21.9 million) of provisions arising from revisions to fair value adjustments related to the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

2 Amounts charged to the income statement in 2018 include £50.6 million in regard to transformation costs with respect to the strategic initiative of co-locations in major cities.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

21. SHARE-BASED PAYMENTS

Charges for share-based incentive plans were as follows:

| | 2018 £m | 2017 £m | 2016 £m |
|-------------------------------|-------------|------------|------------|
| Share-based payments (note 5) | 84.8 | 105.0 | 106.5 |

Share-based payments comprise charges for stock options and restricted stock awards to employees of the Group.

As of 31 December 2018, there was £146.0 million (2017: £156.0 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over an average period of one to two years.

Further information on stock options is provided in note 25.

RESTRICTED STOCK PLANS

The Group operates a number of equity-settled share incentive schemes, in most cases satisfied by the delivery of stock from one of the Group's ESOP Trusts. The most significant current schemes are as follows:

EXECUTIVE PERFORMANCE SHARE PLAN (EPS)

This scheme is intended to reward and incentivise the most senior executives of the Group. The performance period is five complete financial years, commencing with the financial year in which the award is granted. The vest date will usually be in the March following the end of the five-year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one-third of the vesting value, and each measured over this five-year period:

- (i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
- (ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
- (iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of shareholders' equity. Threshold performance ranges between 10–14% average annual ROE and maximum performance ranges between 14–18%, with a sliding scale in between. Threshold again gives rise to a 20% vest, 100% for maximum, with a sliding scale in between.

PERFORMANCE SHARE AWARDS (PSA)

Grants of restricted stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and vest two years after grant date provided the individual concerned is continually employed by the Group throughout this time.

LEADERS, PARTNERS AND HIGH POTENTIAL GROUP

This scheme provides annual grants of restricted stock to approximately 1,800 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

VALUATION METHODOLOGY

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 25, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

MARKET/NON-MARKET CONDITIONS

Most share-based plans are subject to non-market performance conditions, such as margin or growth targets, as well as continued employment. EPSP is subject to a number of performance conditions, including TSR, a market-based condition.

For schemes without market-based performance conditions, the valuation methodology above is applied and, at each year-end, the relevant accrual for each grant is revised, if appropriate, to take account of any changes in estimate of the likely number of shares expected to vest.

For schemes with market-based performance conditions, the probability of satisfying these conditions is assessed at grant date through a statistical model (such as the Monte Carlo Model) and applied to the fair value. This initial valuation remains fixed throughout the life of the relevant plan, irrespective of the actual outcome in terms of performance. Where a lapse occurs due to cessation of employment, the cumulative charge taken to date is reversed.

Movement on ordinary shares granted for significant restricted stock plans:

| | Non-vested 1 January 2018 number m | Granted number m | Lapsed number m | Vested number m | Non-vested 31 December 2018 number m |
|--|--|------------------------|-----------------------|-----------------------|---|
| Executive Performance Share Plan (EPSP) | 9.1 | 0.7 | (1.1) | (2.0) | 6.7 |
| Performance Share Awards (PSA) | 1.9 | 1.4 | (0.1) | (0.9) | 2.3 |
| Leaders, Partners and High Potential Group | 6.8 | 4.8 | (0.7) | (1.8) | 9.1 |

Weighted average fair value (pence per share):

| | | | | | |
|--|--------|--------|--------|--------|---------------|
| Executive Performance Share Plan (EPSP) | 1,368p | 814p | 1,500p | 1,122p | 1,363p |
| Performance Share Awards (PSA) | 1,659p | 1,202p | 1,522p | 1,517p | 1,437p |
| Leaders, Partners and High Potential Group | 1,502p | 806p | 1,472p | 1,426p | 1,154p |

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2018 was £107.2 million (2017: £114.8 million, 2016: £116.8 million).

22. PROVISION FOR POST-EMPLOYMENT BENEFITS

Companies within the Group operate a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

| | 2018 £m | 2017 £m | 2016 £m |
|--|--------------|------------|------------|
| Defined contribution plans | 172.3 | 175.9 | 153.5 |
| Defined benefit plans charge to operating profit | 18.9 | 16.1 | 24.6 |
| Pension costs (note 5) | 191.2 | 192.0 | 178.1 |
| Net interest expense on pension plans (note 6) | 4.4 | 6.3 | 6.7 |
| | 195.6 | 198.3 | 184.8 |

DEFINED BENEFIT PLANS

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2018.

The Group's policy is to close existing defined benefit plans to new members. This has been implemented across a significant number of the pension plans.

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2018 amounted to £44.9 million (2017: £68.2 million, 2016: £43.7 million). Employer contributions and benefit payments in 2019 are expected to be approximately £50 million.

(A) ASSUMPTIONS

There are a number of areas in pension accounting that involve estimates made by management based on advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation, and mortality assumptions. The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

| | 2018 % pa | 2017 % pa | 2016 % pa | 2015 % pa |
|---|--------------|--------------|--------------|--------------|
| UK | | | | |
| Discount rate ¹ | 2.8 | 2.4 | 2.5 | 3.7 |
| Rate of increase in salaries ² | n/a | n/a | 3.5 | 3.1 |
| Rate of increase in pensions in payment | 4.3 | 4.1 | 4.1 | 3.9 |
| Inflation | 2.8 | 2.7 | 2.8 | 2.4 |
| North America | | | | |
| Discount rate ¹ | 4.1 | 3.5 | 3.8 | 4.0 |
| Rate of increase in salaries | 3.0 | 3.1 | 3.1 | 3.0 |
| Inflation | n/a | 4.0 | 4.0 | 2.5 |
| Western Continental Europe | | | | |
| Discount rate ¹ | 2.0 | 1.9 | 1.7 | 2.5 |
| Rate of increase in salaries | 2.3 | 1.9 | 2.0 | 2.3 |
| Rate of increase in pensions in payment | 1.2 | 1.2 | 1.3 | 1.6 |
| Inflation | 1.7 | 1.7 | 1.7 | 2.0 |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | | | | |
| Discount rate ¹ | 5.0 | 4.2 | 4.2 | 4.2 |
| Rate of increase in salaries | 5.8 | 5.5 | 5.9 | 5.8 |
| Inflation | 3.6 | 4.0 | 4.0 | 4.0 |

Notes

¹ Discount rates are based on high-quality corporate bond yields. In countries where there is no deep market in corporate bonds, the discount rate assumption has been set with regard to the yield on long-term government bonds.

² The salary assumptions are no longer applicable to the UK as all plans were frozen since 2017. Active participants will not accrue additional benefits for future services under these plans.

For the Group's pension plans, the plans' assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Pension plan assets are invested with a number of investment managers, and assets are diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class is to match the anticipated cash flows from the plans to pay pensions. The Group is invested in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities. Various insurance policies have also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provide protection against both investment fluctuations and longevity risks. The strategic target allocation varies among the individual plans.

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset class risk.

Management periodically commissions detailed asset and liability studies performed by third-party professional investment advisors and actuaries that generate probability-adjusted expected future returns on those assets. These studies also project the estimated future pension payments and evaluate the efficiency of the allocation of the pension plan assets into various investment categories.

At 31 December 2018, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

| Years life expectancy after age 65 | All plans | North America | UK | Western Continental Europe | Other ¹ |
|---|-----------|---------------|------|----------------------------|--------------------|
| - current pensioners (at age 65) - male | 22.2 | 22.1 | 23.2 | 21.1 | 17.0 |
| - current pensioners (at age 65) - female | 23.9 | 23.6 | 24.3 | 24.0 | 21.4 |
| - future pensioners (current age 45) | | | | | |
| - male | 24.0 | 23.7 | 24.8 | 23.5 | 17.0 |
| - future pensioners (current age 45) | | | | | |
| - female | 25.7 | 25.2 | 26.1 | 26.2 | 21.4 |

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The life expectancies after age 65 at 31 December 2017 were 22.4 years and 24.0 years for male and female current pensioners (at age 65), respectively, and 23.8 years and 25.7 years for male and female future pensioners (current age 45), respectively.

In the determination of mortality assumptions, management uses the most up-to-date mortality tables available in each country.

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

| Weighted average duration of the defined benefit obligation (years) | All plans | North America | UK | Western Continental Europe | Other ¹ |
|---|-----------|---------------|------|----------------------------|--------------------|
| | 11.8 | 8.5 | 14.2 | 15.7 | 8.2 |
| Expected benefit payments over the next 10 years (£m) | | | | | |
| Benefits expected to be paid within 12 months | 67.2 | 36.3 | 16.4 | 9.3 | 5.1 |
| Benefits expected to be paid in 2020 | 58.4 | 34.3 | 12.9 | 8.6 | 2.5 |
| Benefits expected to be paid in 2021 | 58.3 | 33.7 | 12.8 | 8.6 | 3.1 |
| Benefits expected to be paid in 2022 | 59.1 | 33.6 | 12.7 | 9.1 | 3.6 |
| Benefits expected to be paid in 2023 | 56.6 | 30.4 | 12.9 | 9.4 | 3.9 |
| Benefits expected to be paid in the next five years | 276.6 | 131.0 | 66.1 | 52.8 | 26.6 |

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded. The methodology applied is consistent with that used to determine the recognised defined benefit obligation. The sensitivity analysis for inflation is not shown as it is an underlying assumption to build the pension and salary increase assumptions. Changing the inflation assumption on its own without changing the salary or pension assumptions will not result in a significant change in pension liabilities.

| | Increase/(decrease) in benefit obligation | |
|--|---|---------|
| | 2018 £m | 2017 £m |
| Sensitivity analysis of significant actuarial assumptions | | |
| Discount rate | | |
| Increase by 25 basis points | | |
| UK | (9.8) | (13.1) |
| North America | (8.8) | (9.9) |
| Western Continental Europe | (8.7) | (9.2) |
| Other ¹ | (0.7) | (0.6) |
| Decrease by 25 basis points | | |
| UK | 10.3 | 13.8 |
| North America | 9.1 | 10.2 |
| Western Continental Europe | 9.3 | 9.8 |
| Other ¹ | 0.7 | 0.6 |
| Rate of increase in salaries | | |
| Increase by 25 basis points | | |
| North America | – | 0.1 |
| Western Continental Europe | 1.3 | 1.5 |
| Other ¹ | 0.7 | 0.6 |
| Decrease by 25 basis points | | |
| North America | – | (0.1) |
| Western Continental Europe | (1.2) | (1.5) |
| Other ¹ | (0.6) | (0.6) |
| Rate of increase in pensions in payment | | |
| Increase by 25 basis points | | |
| UK | 1.3 | 2.4 |
| Western Continental Europe | 5.3 | 6.2 |
| Decrease by 25 basis points | | |
| UK | (0.8) | (1.9) |
| Western Continental Europe | (5.0) | (5.8) |
| Life expectancy | | |
| Increase in longevity by one additional year | | |
| UK | 13.6 | 16.9 |
| North America | 5.7 | 6.0 |
| Western Continental Europe | 6.9 | 7.0 |

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

(B) ASSETS AND LIABILITIES

At 31 December, the fair value of the assets in the pension plans, and the assessed present value of the liabilities in the pension plans are shown in the following table:

| | 2018 £m | % | 2017 £m | % | 2016 £m | % |
|------------------------------|-----------|-------|-----------|-------|-----------|-------|
| Equities | 76.5 | 9.1 | 124.6 | 13.4 | 161.9 | 17.3 |
| Bonds | 544.9 | 64.8 | 520.0 | 55.9 | 566.0 | 60.6 |
| Insured annuities | 90.9 | 10.8 | 178.5 | 19.2 | 63.5 | 6.8 |
| Property | 0.9 | 0.1 | 1.3 | 0.1 | 1.6 | 0.2 |
| Cash | 31.1 | 3.7 | 9.9 | 1.1 | 44.9 | 4.8 |
| Other | 96.3 | 11.5 | 95.7 | 10.3 | 96.3 | 10.3 |
| Total fair value of assets | 840.6 | 100.0 | 930.0 | 100.0 | 934.2 | 100.0 |
| Present value of liabilities | (1,024.0) | | (1,135.4) | | (1,209.8) | |
| Deficit in the plans | (183.4) | | (205.4) | | (275.6) | |
| Irrecoverable surplus | (0.9) | | (0.9) | | (0.9) | |
| Net liability ¹ | (184.3) | | (206.3) | | (276.5) | |
| Plans in surplus | 42.8 | | 43.9 | | 28.0 | |
| Plans in deficit | (227.1) | | (250.2) | | (304.5) | |

Note

¹ The related deferred tax asset is discussed in note 15.

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets.

| Surplus/(deficit) in plans by region | 2018 £m | 2017 £m | 2016 £m |
|--|--------------------|--------------------|--------------------|
| UK | 33.7 | 31.5 | 20.0 |
| North America | (68.7) | (89.2) | (133.8) |
| Western Continental Europe | (104.6) | (107.7) | (116.9) |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | (43.8) | (40.0) | (44.9) |
| Deficit in the plans | (183.4) | (205.4) | (275.6) |

Some of the Group's defined benefit plans are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded plans, the benefit payments are made as and when they fall due. Pre-funding of these plans would not be typical business practice.

The following table shows the split of the deficit at 31 December between funded and unfunded pension plans.

| Funded plans by region | 2018 | | 2017 | | 2016 | |
|--|---|--|---|--|---|--|
| | 2018 Surplus/ (deficit) £m | Present value of liabilities £m | 2017 Surplus/ (deficit) £m | Present value of liabilities £m | 2016 Surplus/ (deficit) £m | Present value of liabilities £m |
| UK | 33.7 | (290.5) | 31.5 | (387.5) | 20.0 | (406.4) |
| North America | (4.6) | (375.3) | (21.4) | (385.4) | (56.0) | (420.4) |
| Western Continental Europe | (35.8) | (168.4) | (37.9) | (173.3) | (48.9) | (180.9) |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | (6.6) | (19.7) | (4.2) | (15.8) | (5.8) | (17.2) |
| Deficit/liabilities in the funded plans | (13.3) | (853.9) | (32.0) | (962.0) | (90.7) | (1,024.9) |
| Unfunded plans by region | 2018 £m | 2017 £m | 2016 £m | | | |
| UK | - | - | - | - | - | - |
| North America | (64.1) | (64.1) | (67.8) | (67.8) | (77.8) | (77.8) |
| Western Continental Europe | (68.8) | (68.8) | (69.8) | (69.8) | (68.0) | (68.0) |
| Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe | (37.2) | (37.2) | (35.8) | (35.8) | (39.1) | (39.1) |
| Deficit/liabilities in the unfunded plans | (170.1) | (170.1) | (173.4) | (173.4) | (184.9) | (184.9) |
| Deficit/liabilities in the plans | (183.4) | (1,024.0) | (205.4) | (1,135.4) | (275.6) | (1,209.8) |

In accordance with IAS 19, plans that are wholly or partially funded are considered funded plans.

(C) PENSION EXPENSE

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance costs and amounts recognised in the consolidated statement of comprehensive income (OCI):

| | 2018 £m | 2017 £m | 2016 £m |
|---|--------------------|--------------------|--------------------|
| Service cost ¹ | 15.5 | 13.0 | 22.4 |
| Administrative expenses | 3.4 | 3.1 | 2.2 |
| Charge to operating profit | 18.9 | 16.1 | 24.6 |
| Net interest expense on pension plans | 4.4 | 6.3 | 6.7 |
| Charge to profit before taxation for defined benefit plans | 23.3 | 22.4 | 31.3 |
| Return on plan assets (excluding interest income) | (43.9) | 13.4 | 66.3 |
| Changes in demographic assumptions underlying the present value of the plan liabilities | 3.8 | 12.7 | 6.7 |
| Changes in financial assumptions underlying the present value of the plan liabilities | 45.2 | (17.0) | (92.6) |
| Experience gain arising on the plan liabilities | 3.8 | 7.9 | 1.0 |
| Change in irrecoverable surplus | - | - | 2.7 |
| Actuarial gain/(loss) recognised in OCI | 8.9 | 17.0 | (15.9) |

Note

¹ Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

(D) MOVEMENT IN PLAN LIABILITIES

The following table shows an analysis of the movement in the pension plan liabilities for each accounting period:

| | 2018 £m | 2017 £m | 2016 £m |
|--|--------------------|--------------------|--------------------|
| Plan liabilities at beginning of year | 1,135.4 | 1,209.8 | 1,039.9 |
| Service cost ¹ | 15.5 | 13.0 | 22.4 |
| Interest cost | 30.7 | 32.9 | 37.2 |
| Actuarial (gain)/loss | | | |
| Effect of changes in demographic assumptions | (3.8) | (12.7) | (6.7) |
| Effect of changes in financial assumptions | (45.2) | 17.0 | 92.6 |
| Effect of experience adjustments | (3.8) | (7.9) | (1.0) |
| Benefits paid | (75.6) | (79.7) | (92.4) |
| Loss/(gain) due to exchange rate movements | 30.0 | (36.4) | 124.2 |
| Settlement payments ² | (70.4) | (1.2) | (4.8) |
| Other ³ | 11.2 | 0.6 | (1.6) |
| Plan liabilities at end of year | 1,024.0 | 1,135.4 | 1,209.8 |

Notes

¹ Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

² In 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £70.4 million settlement payments.

³ Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

(E) MOVEMENT IN PLAN ASSETS

The following table shows an analysis of the movement in the pension plan assets for each accounting period:

| | 2018 £m | 2017 £m | 2016 £m |
|---|--------------------|--------------------|--------------------|
| Fair value of plan assets at beginning of year | 930.0 | 934.2 | 814.2 |
| Interest income on plan assets | 26.3 | 26.6 | 30.5 |
| Return on plan assets (excluding interest income) | (43.9) | 13.4 | 66.3 |
| Employer contributions | 44.9 | 68.2 | 43.7 |
| Benefits paid | (75.6) | (79.7) | (92.4) |
| Gain/(loss) due to exchange rate movements | 23.0 | (28.7) | 78.8 |
| Settlement payments ¹ | (70.4) | (1.2) | (4.8) |
| Administrative expenses | (3.4) | (3.1) | (2.2) |
| Other ² | 9.7 | 0.3 | 0.1 |
| Fair value of plan assets at end of year | 840.6 | 930.0 | 934.2 |
| Actual return on plan assets | (17.6) | 40.0 | 96.8 |

Notes

¹ In 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £70.4 million settlement payments.

² Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

23. RISK MANAGEMENT POLICIES

FOREIGN CURRENCY RISK

The Group's results in pounds sterling are subject to fluctuation as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but does hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings at 31 December 2018 were primarily made up of \$2,784 million, £1,044 million and €3,200 million (2017: \$3,931 million, £600 million and €3,202 million). The Group's average gross debt during the course of 2018 was \$3,377 million, £1,039 million and €3,202 million (2017: \$3,741 million, £1,242 million and €3,108 million).

The Group's operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures arising from its operations. Any significant cross-border trading exposures are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

INTEREST RATE RISK

The Group is exposed to interest rate risk on both interest-bearing assets and interest-bearing liabilities. The Group has a policy of actively managing its interest rate risk exposure while recognising that fixing rates on all its debt eliminates the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.

Including the effect of interest rate and cross-currency swaps, 52.9% of the year-end US dollar debt is at fixed rates averaging 4.58% for an average period of 181 months; 47.1% of the year-end US dollar debt is at floating rates averaging 4.77% for an average period of 39 months; 100% of the sterling debt is at a fixed rate of 3.43% for an average period of 232 months; 84.4% of the euro debt is at fixed rates averaging 1.99% for an average period of 75 months and 15.6% of the euro debt is at floating rates averaging 0.05% for an average of 28 months.

| | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023+ £m |
|---|------------------|--------------|--------------|----------------|--------------|
| £ bonds £400m (2.875% '46) | 400.0 | | | | 400.0 |
| US bond \$450m (5.625% '43) | 353.3 | | | | 353.3 |
| US bond \$272m (5.125% '42) | 213.1 | | | | 213.1 |
| Eurobonds €600m (1.625% '30) | 539.1 | | | | 539.1 |
| Eurobonds €750m (2.25% '26) | 673.9 | | | | 673.9 |
| Eurobonds €500m (1.375% '25) | 449.2 | | | | 449.2 |
| US bond \$750m (3.75% '24) | 588.4 | | | | 588.4 |
| Eurobonds €750m (3.0% '23) | 673.9 | | | | 673.9 |
| US bond \$500m (3.625% '22) | 392.3 | | | | 392.3 |
| Eurobonds €250m (3m EURIBOR + 0.45% '22) | 224.6 | | | | 224.6 |
| US bond \$812m (4.75% '21) | 637.4 | | | | 637.4 |
| Bank revolver (\$2,500m '21) | 1,961.4 | | | | 1,961.4 |
| Bank revolver (A\$150m '19, A\$370m '21) | 287.3 | 82.9 | | | 204.4 |
| £ bonds £200m (6.375% '20) | 200.0 | | | | 200.0 |
| Eurobonds €250m (3m EURIBOR + 0.32% '20) | 224.6 | | | | 224.6 |
| Eurobonds €600m (0.75% '19) | 539.1 | 539.1 | | | |
| Total committed facilities available | 8,357.6 | 622.0 | 424.6 | 2,803.2 | 616.9 |
| Drawn down facilities at 31 December 2018 | 6,282.9 | 571.1 | 424.6 | 779.4 | 616.9 |
| Undrawn committed credit facilities | 2,074.7 | | | | 3,890.9 |
| Drawn down facilities at 31 December 2018 | 6,282.9 | | | | |
| Cash and cash equivalents at 31 December 2018 | (2,201.2) | | | | |
| Other adjustments | (65.0) | | | | |
| Net debt at 31 December 2018 | 4,016.7 | | | | |

Given the strong cash generation of the business, its debt maturity profile and available facilities, the Directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

TREASURY ACTIVITIES

Treasury activity is managed centrally from London, New York and Hong Kong, and is principally concerned with the monitoring of working capital, managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

The treasury operation is not a profit centre and its activities are carried out in accordance with policies approved by the Board of Directors and subject to regular review and audit.

The Group manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities are maintained in excess of peak net-borrowing levels and debt maturities are closely monitored. Targets for average net debt are set on an annual basis and, to assist in meeting this, working capital targets are set for all the Group's major operations.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 25 and 26.

GOING CONCERN AND LIQUIDITY RISK

In considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The Directors have concluded that the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis. The potential impact of Brexit has been considered and is not deemed to have a significant effect on this assessment.

At 31 December 2018, the Group has access to £8.4 billion of committed facilities with maturity dates spread over the years 2019 to 2046 as illustrated below:

| | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023+ £m |
|---|------------------|--------------|--------------|----------------|--------------|
| £ bonds £400m (2.875% '46) | 400.0 | | | | 400.0 |
| US bond \$450m (5.625% '43) | 353.3 | | | | 353.3 |
| US bond \$272m (5.125% '42) | 213.1 | | | | 213.1 |
| Eurobonds €600m (1.625% '30) | 539.1 | | | | 539.1 |
| Eurobonds €750m (2.25% '26) | 673.9 | | | | 673.9 |
| Eurobonds €500m (1.375% '25) | 449.2 | | | | 449.2 |
| US bond \$750m (3.75% '24) | 588.4 | | | | 588.4 |
| Eurobonds €750m (3.0% '23) | 673.9 | | | | 673.9 |
| US bond \$500m (3.625% '22) | 392.3 | | | | 392.3 |
| Eurobonds €250m (3m EURIBOR + 0.45% '22) | 224.6 | | | | 224.6 |
| US bond \$812m (4.75% '21) | 637.4 | | | | 637.4 |
| Bank revolver (\$2,500m '21) | 1,961.4 | | | | 1,961.4 |
| Bank revolver (A\$150m '19, A\$370m '21) | 287.3 | 82.9 | | | 204.4 |
| £ bonds £200m (6.375% '20) | 200.0 | | | | 200.0 |
| Eurobonds €250m (3m EURIBOR + 0.32% '20) | 224.6 | | | | 224.6 |
| Eurobonds €600m (0.75% '19) | 539.1 | 539.1 | | | |
| Total committed facilities available | 8,357.6 | 622.0 | 424.6 | 2,803.2 | 616.9 |
| Drawn down facilities at 31 December 2018 | 6,282.9 | 571.1 | 424.6 | 779.4 | 616.9 |
| Undrawn committed credit facilities | 2,074.7 | | | | 3,890.9 |
| Drawn down facilities at 31 December 2018 | 6,282.9 | | | | |
| Cash and cash equivalents at 31 December 2018 | (2,201.2) | | | | |
| Other adjustments | (65.0) | | | | |
| Net debt at 31 December 2018 | 4,016.7 | | | | |

CREDIT RISK

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 24.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on expected losses, prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2018.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or banks that have been financed by their government.

A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of the Group's clients will continue to utilise the Group's services to the same extent, or at all, in the future. Clients can reduce their marketing spend, terminate contracts, or cancel projects on short notice. The loss of one or more of our largest clients, if not replaced by new accounts or an increase in business from existing clients, would adversely affect our financial condition.

SENSITIVITY ANALYSIS

The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

CURRENCY RISK

At 31 December 2018, the Group's major foreign currency denominated borrowings are held in individual entities with the same financial reporting currencies as borrowings. Therefore a weakening or strengthening of sterling against the Group's major currencies would not result in any gains or losses being posted directly to equity and there would be no profit before tax impact.

INTEREST RATE RISK

A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2018 would increase profit before tax by approximately £7.2 million (2017: £0.2 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

24. FINANCIAL INSTRUMENTS

CURRENCY DERIVATIVES

The Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the Group's investments in foreign operations. The Group is a party to a variety of foreign currency derivatives in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

The Group designates its foreign currency-denominated debt as hedging instruments against the currency risk associated with the translation of its foreign operations. Contracts due in March 2025 have receipts of €500.0 million and payments of £444.1 million.

At 31 December 2018, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £8.4 million (2017: £nil). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £8.4 million (2017: £nil) assets included in trade and other receivables and £nil (2017: £nil) liabilities included in trade and other payables. The amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a charge of £17.9 million (2017: £nil) for cash flow hedges.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a loss of £11.1 million (2017: £nil) which is included in the revaluation of financial instruments for the year. This loss resulted from a £6.8 million gain on hedging instruments and a £17.9 million loss on hedged items.

At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £296.1 million (2017: £177.7 million). The Group estimates the fair value of these contracts to be a net liability of £1.3 million (2017: £2.5 million).

These arrangements are designed to address significant exchange exposure and are renewed on a revolving basis as required.

INTEREST RATE SWAPS

The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowings. Contracts with a nominal value of \$500 million have fixed interest receipts of 3.63% until September 2022 and have floating interest payments averaging LIBOR plus 1.52%. Contracts with a nominal value of \$812 million have fixed interest receipts of 4.75% until November 2021 and have floating rate payments averaging LIBOR plus 2.34%.

The fair value of interest rate swaps entered into at 31 December 2018 is estimated to be a net liability of £14.2 million (2017: £1.2 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £nil (2017: £2.1 million) assets included in trade and other receivables and £14.2 million (2017: £3.3 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to a gain of £0.9 million (2017: £2.8 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £9.9 million loss on hedging instruments and a £10.8 million gain on hedged items.

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

| | Derivatives in designated hedge relationships £m | Held at fair value through profit or loss £m | Held at fair value through other comprehensive income | Amortised cost £m | Carrying value £m |
|---|---|---|---|----------------------|----------------------|
| Classification under IFRS 9 | | | | | |
| 2018 | | | | | |
| Other investments | – | 319.6 | 347.1 | – | 666.7 |
| Cash and short-term deposits | – | – | – | 2,643.2 | 2,643.2 |
| Bank overdrafts, bonds and bank loans | – | – | – | (1,025.1) | (1,025.1) |
| Bonds and bank loans | – | – | – | (5,634.8) | (5,634.8) |
| Trade and other receivables: amounts falling due within one year | – | – | – | 8,545.6 | 8,545.6 |
| Trade and other receivables: amounts falling due after more than one year | – | – | – | 68.3 | 68.3 |
| Trade and other payables: amounts falling due within one year | – | – | – | (10,637.3) | (10,637.3) |
| Trade and other payables: amounts falling due after more than one year | – | – | – | (8.4) | (8.4) |
| Derivative assets | 8.4 | 1.3 | – | – | 9.7 |
| Derivative liabilities | (14.2) | (2.6) | – | – | (16.8) |
| Payments due to vendors (earnout agreements) (note 18) | – | (414.7) | – | – | (414.7) |
| Liabilities in respect of put options | – | (242.0) | – | – | (242.0) |
| | (5.8) | (338.4) | 347.1 | (6,048.5) | (6,045.6) |

| | Derivatives in designated hedge relationships £m | Held for trading £m | Loans and receivables £m | Available for sale £m | Amortised cost £m | Carrying value £m |
|---|---|------------------------|-----------------------------|--------------------------|----------------------|----------------------|
| Classification under IAS 39 | | | | | | |
| 2017 | | | | | | |
| Other investments | – | – | – | 1,153.5 | – | 1,153.5 |
| Cash and short-term deposits | – | – | 2,391.4 | – | – | 2,391.4 |
| Bank overdrafts, bonds and bank loans | – | – | – | – | (624.1) | (624.1) |
| Bonds and bank loans | – | – | – | – | (6,250.4) | (6,250.4) |
| Trade and other receivables: amounts falling due within one year | – | – | 8,328.4 | – | – | 8,328.4 |
| Trade and other receivables: amounts falling due after more than one year | – | – | 61.7 | – | – | 61.7 |
| Trade and other payables: amounts falling due within one year | – | – | – | – | (9,970.5) | (9,970.5) |
| Trade and other payables: amounts falling due after more than one year | – | – | – | – | (8.5) | (8.5) |
| Derivative assets | 2.1 | 1.0 | – | – | – | 3.1 |
| Derivative liabilities | (3.3) | (3.5) | – | – | – | (6.8) |
| Payments due to vendors (earnout agreements) (note 18) | – | (630.7) | – | – | – | (630.7) |
| Liabilities in respect of put options | – | (258.1) | – | – | – | (258.1) |
| | (1.2) | (891.3) | 10,781.5 | 1,153.5 | (16,853.5) | (5,811.0) |

The Group adopted IFRS 9 on 1 January 2018 resulting in cash and short-term deposits and trade and other receivables being reclassified from loans and receivables to amortised cost. Other investments of £1,153.5 million classified as available for sale at 31 December 2017 were reclassified as held at fair value through other comprehensive income (£835.1 million) and fair value through profit or loss (£318.4 million). There have been no material changes in the carrying amounts of financial assets and financial liabilities arising from the adoption of IFRS 9.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 £m | Level 2 £m | Level 3 £m |
|--|---------------|---------------|---------------|
| 2018 | | | |
| Derivatives in designated hedge relationships | | | |
| Derivative assets | – | 8.4 | – |
| Derivative liabilities | – | (14.2) | – |
| Held at fair value through profit or loss | | | |
| Other investments | 0.4 | – | 319.2 |
| Derivative assets | – | 1.3 | – |
| Derivative liabilities | – | (2.6) | – |
| Payments due to vendors (earnout agreements) (note 18) | – | – | (414.7) |
| Liabilities in respect of put options | – | – | (242.0) |
| Held at fair value through other comprehensive income | | | |
| Other investments | 128.1 | – | 219.0 |
| | Level 1 £m | Level 2 £m | Level 3 £m |
| 2017 | | | |
| Derivatives in designated hedge relationships | | | |
| Derivative assets | – | 2.1 | – |
| Derivative liabilities | – | (3.3) | – |
| Held for trading | | | |
| Derivative assets | – | 1.0 | – |
| Derivative liabilities | – | (3.5) | – |
| Payments due to vendors (earnout agreements) (note 18) | – | – | (630.7) |
| Liabilities in respect of put options | – | – | (258.1) |
| Available for sale | | | |
| Other investments | 333.2 | – | 820.3 |

There have been no transfers between these levels in the periods presented

Reconciliation of level 3 fair value measurements¹:

| | Liabilities in respect of put options £m | Other investments £m |
|---|---|----------------------------|
| 1 January 2017 | (297.0) | 881.0 |
| Gains/(losses) recognised in the income statement | 52.5 | (13.8) |
| Gains recognised in other comprehensive income | – | 15.1 |
| Exchange adjustments | 7.5 | (70.9) |
| Additions | (40.5) | 67.7 |
| Disposals | – | (1.7) |
| Cancellations | 2.9 | – |
| Reclassifications from other investments to interests in associates | – | (57.1) |
| Settlements | 16.5 | – |
| 31 December 2017 | (258.1) | 820.3 |
| Gains recognised in the income statement | 34.5 | 61.1 |
| Losses recognised in other comprehensive income | – | (140.6) |
| Exchange adjustments | 1.1 | – |
| Additions | (43.5) | 35.0 |
| Disposals | – | (237.3) |
| Cancellations | 2.2 | – |
| Reclassifications from other investments to interests in associates | – | (0.3) |
| Settlements | 21.8 | – |
| 31 December 2018 | (242.0) | 538.2 |

Note

¹ The reconciliation of payments due to vendors (earnout agreements) is presented in note 18.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources. There have been no movements between level 3 and other levels.

PAYMENTS DUE TO VENDORS AND LIABILITIES IN RESPECT OF PUT OPTIONS

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IFRS 9. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2018, the weighted average growth rate in estimating future financial performance was 22.7% (2017: 25.0%), which reflects the prevalence of recent acquisitions in the faster-growing markets and new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2018 was 2.9% (2017: 1.8%).

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £6.8 million (2017: £8.9 million) and £10.4 million (2017: £9.3 million), respectively. A 0.5 percentage point increase or decrease in the risk adjusted discount rate would decrease or increase the combined liabilities by approximately £7.1 million (2017: £11.2 million) and £7.2 million (2017: £11.4 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

OTHER INVESTMENTS

The fair value of other investments included in level 1 are based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of publicly available information from outside sources. The sensitivity to changes in unobservable inputs is specific to each individual investment.

25. AUTHORISED AND ISSUED SHARE CAPITAL

| | Equity ordinary shares | Nominal value £m |
|------------------------------|------------------------------|------------------------|
| Authorised | | |
| 1 January 2017 | 1,750,000,000 | 175.0 |
| 31 December 2017 | 1,750,000,000 | 175.0 |
| 31 December 2018 | 1,750,000,000 | 175.0 |
| Issued and fully paid | | |
| 1 January 2017 | 1,331,880,730 | 133.2 |
| Exercise of share options | 630,822 | 0.1 |
| 31 December 2017 | 1,332,511,552 | 133.3 |
| Exercise of share options | 166,675 | – |
| 31 December 2018 | 1,332,678,227 | 133.3 |

COMPANY'S OWN SHARES

The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan ('ESOP') trusts of shares in WPP plc for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 104-119.

The trustees of the ESOP purchase the Company's ordinary shares in the open market using funds provided by the Company. The Company also has an obligation to make regular contributions to the ESOP to enable it to meet its administrative costs. The number and market value of the ordinary shares of the Company held by the ESOP at 31 December 2018 was 14,820,994 (2017: 14,232,910), and £125.5 million (2017: £190.9 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2018 was 70,854,553 (2017: 62,578,938) and £599.9 million (2017: £839.2 million) respectively.

SHARE OPTIONS**WPP EXECUTIVE SHARE OPTION SCHEME**

As at 31 December 2018, unexercised options over ordinary shares of 6,741 have been granted under the WPP Executive Share Option Scheme as follows:

| Number of ordinary shares under option | Exercise price per share (£) | Exercise dates |
|--|------------------------------|----------------|
| 3,696 | 8.333 | 2015 – 2022 |
| 3,045 | 10.595 | 2016 – 2023 |

WPP WORLDWIDE SHARE OWNERSHIP PROGRAMME

As at 31 December 2018, unexercised options over ordinary shares of 3,187,979 and unexercised options over ADRs of 466,559 have been granted under the WPP Worldwide Share Ownership Programme as follows:

| Number of ordinary shares under option | Exercise price per share (£) | Exercise dates |
|--|------------------------------|----------------|
| 28,275 | 5.483 | 2012–2019 |
| 18,000 | 5.483 | 2013–2019 |
| 750 | 5.608 | 2012–2019 |
| 95,000 | 6.268 | 2014–2021 |
| 44,125 | 6.268 | 2015–2021 |
| 61,625 | 7.113 | 2013–2020 |
| 30,250 | 7.113 | 2014–2020 |
| 233,129 | 8.458 | 2015–2022 |
| 52,000 | 13.145 | 2017–2021 |
| 1,959,975 | 13.145 | 2017–2024 |
| 4,750 | 13.145 | 2018–2024 |
| 642,975 | 13.505 | 2016–2023 |
| 17,125 | 13.505 | 2017–2023 |

| Number of ADRs under option | Exercise price per ADR (\$) | Exercise dates |
|-----------------------------|-----------------------------|----------------|
| 11,855 | 44.560 | 2012–2019 |
| 29,025 | 49.230 | 2014–2021 |
| 19,200 | 56.560 | 2013–2020 |
| 44,964 | 67.490 | 2015–2022 |
| 195,890 | 102.670 | 2017–2024 |
| 165,625 | 110.760 | 2016–2023 |

The aggregate status of the WPP Share Option Plans during 2018 was as follows:

Movements on options granted (represented in ordinary shares)

| | 1 January 2018 | Granted | Exercised | Lapsed | Outstanding 31 December 2018 | Exercisable 31 December 2018 |
|------|----------------|-----------|-----------|-------------|------------------------------|------------------------------|
| WPP | 6,741 | – | – | – | 6,741 | 6,741 |
| WWOP | 6,375,750 | – | (166,675) | (688,301) | 5,520,774 | 5,520,774 |
| WSOP | 14,602,950 | 6,301,400 | – | (2,213,250) | 18,691,100 | 3,403,650 |
| | 20,985,441 | 6,301,400 | (166,675) | (2,901,551) | 24,218,615 | 8,931,165 |

Weighted-average exercise price for options over

| | 1 January 2018 | Granted | Exercised | Lapsed | Outstanding 31 December 2018 | Exercisable 31 December 2018 |
|----------------------------|----------------|---------|-----------|--------|------------------------------|------------------------------|
| Ordinary shares (£) | | | | | | |
| WPP | 9.355 | – | – | – | 9.355 | 9.355 |
| WWOP | 12.195 | – | 7.064 | 12.473 | 12.290 | 12.290 |
| WSOP | 14.929 | 8.372 | – | 14.818 | 12.753 | 15.150 |
| ADRs (\$) | | | | | | |
| WWOP | 94.752 | – | 57.031 | 99.731 | 95.453 | 95.453 |
| WSOP | 101.047 | 53.140 | – | 98.978 | 84.893 | 115.940 |

WPP SHARE OPTION PLAN 2015

As at 31 December 2018, unexercised options over ordinary shares of 12,257,750 and unexercised options over ADRs of 1,286,670 have been granted under the WPP Share Option Plan 2015 as follows:

| Number of ordinary shares under option | Exercise price per share (£) | Exercise dates |
|--|------------------------------|----------------|
| 23,750 | 8.372 | 2021–2025 |
| 4,053,925 | 8.372 | 2021–2028 |
| 23,875 | 13.085 | 2020–2024 |
| 3,245,325 | 13.085 | 2020–2027 |
| 66,125 | 15.150 | 2018–2022 |
| 2,211,900 | 15.150 | 2018–2025 |
| 5,750 | 15.150 | 2019–2025 |
| 15,875 | 17.055 | 2019–2023 |
| 2,611,225 | 17.055 | 2019–2026 |

| Number of ADRs under option | Exercise price per ADR (\$) | Exercise dates |
|-----------------------------|-----------------------------|----------------|
| 439,205 | 53.140 | 2021–2028 |
| 340,225 | 88.260 | 2020–2027 |
| 282,115 | 105.490 | 2020–2026 |
| 225,125 | 115.940 | 2018–2025 |

OPTIONS OVER ORDINARY SHARES

Outstanding

| Range of exercise prices £ | Weighted average exercise price £ | Weighted average contractual life Months |
|----------------------------|-----------------------------------|--|
| 5.483 – 17.055 | 12.656 | 96 |

OPTIONS OVER ADRS

Outstanding

| Range of exercise prices \$ | Weighted average exercise price \$ | Weighted average contractual life Months |
|-----------------------------|------------------------------------|--|
| 44.560 – 115.940 | 87.703 | 93 |

As at 31 December 2018 there was £8.5 million (2017: £9.0 million) of total unrecognised compensation costs related to share options. That cost is expected to be recognised over a weighted average period of 20 months (2017: 20 months).

Share options are satisfied out of newly issued shares.

The weighted average fair value of options granted in the year calculated using the Black-Scholes model was as follows:

| | 2018 | 2017 | 2016 |
|-----------------------------------|--------|--------|--------|
| Fair value of UK options (shares) | 107.0p | 112.0p | 135.0p |
| Fair value of US options (ADRs) | \$8.09 | \$9.40 | \$9.94 |
| Weighted average assumptions: | | | |
| UK Risk-free interest rate | 0.78% | 0.57% | 0.44% |
| US Risk-free interest rate | 2.74% | 2.05% | 1.60% |
| Expected life (months) | 48 | 48 | 48 |
| Expected volatility | 24% | 17% | 16% |
| Dividend yield | 3.5% | 2.9% | 2.8% |

Options are issued at an exercise price equal to market value on the date of grant.

The average share price of the Group for the year ended 31 December 2018 was £11.56 (2017: £15.86, 2016: £16.45) and the average ADR price for the same period was \$77.31 (2017: \$101.86, 2016: \$111.20).

26. OTHER RESERVES

Other reserves comprise the following:

| | Capital redemption reserve £m | Equity reserve £m | Revaluation reserve £m | Translation reserve £m | Total other reserves £m |
|--|-------------------------------|-------------------|------------------------|------------------------|-------------------------|
| 1 January 2017 | | | | | |
| Exchange adjustments on foreign currency net investments | – | – | – | (445.5) | (445.5) |
| Gain on revaluation of available for sale investments | – | – | 32.1 | – | 32.1 |
| Recognition and remeasurement of financial instruments | – | (10.1) | – | – | (10.1) |
| 31 December 2017 | 2.7 | (257.2) | 303.4 | 712.8 | 761.7 |
| Exchange adjustments on foreign currency net investments | – | – | – | 69.9 | 69.9 |
| Accounting policy change (IFRS 9) ¹ | – | – | (303.4) | (104.0) | (407.4) |
| Recognition and remeasurement of financial instruments | – | (30.7) | – | – | (30.7) |
| 31 December 2018 | 2.7 | (287.9) | – | 678.7 | 393.5 |

Note

¹ Due to the adoption of IFRS 9, cumulative gains and losses on revaluation of available for sale investments have been transferred to retained earnings, as described in the accounting policies.

27. ACQUISITIONS

The Group accounts for acquisitions in accordance with IFRS 3 Business Combinations. IFRS 3 requires the acquiree's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the consolidated income statement or as an adjustment to goodwill as appropriate under IFRS 3.

The Group acquired a number of subsidiaries in the year. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group. The fair value adjustments for certain acquisitions have been determined provisionally at the balance sheet date.

| | Book value at acquisition £m | Fair value adjustments £m | Fair value to Group £m |
|---|------------------------------|---------------------------|------------------------|
| Intangible assets | – | 40.5 | 40.3 |
| Property, plant and equipment | 3.1 | – | 3.1 |
| Cash | 5.0 | – | 5.0 |
| Trade receivables due within one year | 43.7 | – | 43.7 |
| Other current assets | 20.3 | – | 20.3 |
| Total assets | 72.1 | 40.3 | 112.4 |
| Current liabilities | (42.8) | – | (42.8) |
| Trade and other payables due after one year | (2.4) | (13.5) | (15.9) |
| Deferred tax liabilities | – | (9.9) | (9.9) |
| Provisions | – | (0.4) | (0.4) |
| Total liabilities | (45.2) | (23.8) | (69.0) |
| Net assets | 26.9 | 16.5 | 43.4 |
| Non-controlling interests | | | (6.3) |
| Fair value of equity stake in associate undertakings before acquisition of controlling interest | | | (3.1) |
| Goodwill | | | 141.6 |
| Consideration | | | 175.6 |
| Consideration satisfied by: | | | |
| Cash | | | 127.4 |
| Payments due to vendors | | | 48.2 |

Goodwill arising from acquisitions represents the value of synergies with our existing portfolio of businesses and skilled staff to deliver services to our clients. Goodwill that is expected to be deductible for tax purposes is £65.3 million.

Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed between 31 December 2018 and the date the financial statements have been authorised for issue.

28. RELATED PARTY TRANSACTIONS

From time to time the Group enters into transactions with its associate undertakings. These transactions were not material for any of the years presented.

29. RECONCILIATION TO NON-GAAP MEASURES OF PERFORMANCE

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Reconciliation of revenue to revenue less pass-through costs:

| | 2018 £m | 2017 ¹ £m | 2016 ¹ £m |
|--|-----------------|----------------------|----------------------|
| Revenue | 15,602.4 | 15,804.2 | 14,887.3 |
| Media pass-through costs | (1,458.0) | (1,429.4) | (1,276.2) |
| Data collection pass-through costs | (609.2) | (646.4) | (669.8) |
| Other pass-through costs | (708.6) | (558.8) | (512.7) |
| Revenue less pass-through costs | 12,826.6 | 13,169.6 | 12,428.6 |

Note

¹ Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media and data collection costs. This includes the cost of media where the Group's media investment management sub-sector is buying digital media for its own account on a transparent opt-in basis and, as a result, the subsequent media pass-through costs have to be accounted for as revenue, as well as billings. In addition, the data investment management sector, which forms a significant part of the Group's revenue and in which none of the Group's direct competitors have a significant presence, includes pass-through costs, principally for data collection. Therefore, management considers that revenue less pass-through costs gives a reflection of top-line performance.

Reconciliation of profit before interest and taxation to headline PBIT:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|------------|------------|
| Profit before interest and taxation | 1,474.9 | 2,021.7 | 2,112.9 |
| Amortisation and impairment of acquired intangible assets | 280.0 | 195.1 | 168.4 |
| Goodwill impairment | 183.9 | 27.1 | 27.0 |
| Gains on disposal of investments and subsidiaries | (235.5) | (129.0) | (44.3) |
| (Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership | (2.0) | 0.3 | (232.4) |
| Investment write-downs | 2.0 | 95.9 | 86.1 |
| Restructuring and transformation costs | 302.3 | 56.8 | 27.4 |
| Share of exceptional losses/(gains) of associates | 41.7 | (0.8) | 15.2 |
| Headline PBIT | 2,047.3 | 2,267.1 | 2,160.3 |
| Finance income | 104.8 | 95.2 | 80.4 |
| Finance costs | (289.3) | (269.8) | (254.5) |
| | (184.5) | (174.6) | (174.1) |
| Interest cover on headline PBIT | 11.1 | 13.0 | 12.4 |
| times | times | times | times |

Headline PBIT is one of the metrics that management uses to assess the performance of the business.

Headline PBIT margin¹ before and after share of results of associates:

| | Margin % | 2018 £m | Margin ² % | 2017 ² £m | Margin ² % | 2016 ² £m |
|---|-----------------|----------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Revenue less pass-through costs | 12,826.6 | | | 13,169.6 | | 12,428.6 |
| Headline PBIT | 16.0% | 2,047.3 | 17.2% | 2,267.1 | 17.4% | 2,160.3 |
| Share of results of associates (excluding exceptional gains/losses) | (85.2) | | | (112.7) | | (65.0) |
| Headline operating profit | 15.3% | 1,962.1 | 16.4% | 2,154.4 | 16.9% | 2,095.3 |

Notes

1 Previously referred to as revenue less pass-through costs margin.

2 Prior year figures have been restated for the impact of the adoption of IFRS 15 Revenue from Contracts with Customers, as described in the accounting policies.

Calculation of headline EBITDA:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|------------|------------|
| Headline PBIT (as above) | 2,047.3 | 2,267.1 | 2,160.3 |
| Depreciation of property, plant and equipment | 225.1 | 230.7 | 220.8 |
| Amortisation of other intangible assets | 38.7 | 36.3 | 38.6 |
| Headline EBITDA | 2,311.1 | 2,534.1 | 2,419.7 |

Headline EBITDA is a key metric that private equity firms, for example, use for valuing companies, and is one of the metrics that management uses to assess the performance of the business.

Calculation of headline non-controlling interests:

| | 2018 £m | 2017 £m | 2016 £m |
|--|-------------|------------|------------|
| Non-controlling interests | 76.5 | 95.7 | 101.5 |
| Non-controlling interests relating to restructuring and transformation costs | 4.7 | – | – |
| Headline non-controlling interests | 81.2 | 95.7 | 101.5 |

Reconciliation of profit before taxation to headline PBT and headline earnings:

| | 2018 £m | 2017 £m | 2016 £m |
|---|----------------|------------|------------|
| Profit before taxation | 1,463.3 | 2,109.3 | 1,890.5 |
| Amortisation and impairment of acquired intangible assets | 280.0 | 195.1 | 168.4 |
| Goodwill impairment | 183.9 | 27.1 | 27.0 |
| Gains on disposal of investments and subsidiaries | (235.5) | (129.0) | (44.3) |
| (Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership | (2.0) | 0.3 | (232.4) |
| Investment write-downs | 2.0 | 95.9 | 86.1 |
| Restructuring and transformation costs | 302.3 | 56.8 | 27.4 |
| Share of exceptional losses/(gains) of associates | 41.7 | (0.8) | 15.2 |
| Revaluation of financial instruments | (172.9) | (262.2) | 48.3 |
| Headline PBT | 1,862.8 | 2,092.5 | 1,986.2 |
| Headline tax charge | (419.1) | (460.3) | (417.2) |
| Headline non-controlling interests | (81.2) | (95.7) | (101.5) |
| Headline earnings | 1,362.5 | 1,536.5 | 1,467.5 |
| Ordinary dividends paid | 747.4 | 751.5 | 616.5 |
| Dividend cover on headline earnings | 1.8 | 2.0 | 2.4 |
| times | times | times | times |

Headline PBT and headline earnings are metrics that management use to assess the performance of the business.

Reconciliation of free cash flow:

| | 2018 £m | 2017 £m ¹ | 2016 £m ¹ |
|--|----------------|-------------------------|-------------------------|
| Cash generated by operations | 2,174.7 | 1,938.9 | 2,283.3 |
| Plus: | | | |
| Interest received | 90.4 | 76.9 | 73.9 |
| Investment income | 15.4 | 16.8 | 12.5 |
| Dividends from associates | 49.7 | 46.8 | 60.4 |
| Share option proceeds | 1.2 | 6.4 | 27.2 |
| Proceeds on disposal of property, plant and equipment | 9.5 | 8.0 | 7.7 |
| Less: | | | |
| Earnout payments | (120.2) | (199.1) | (92.3) |
| Interest and similar charges paid | (252.8) | (246.6) | (242.1) |
| Purchases of property, plant and equipment | (314.8) | (288.9) | (252.1) |
| Purchases of other intangible assets (including capitalised computer software) | (60.4) | (37.3) | (33.0) |
| Corporation and overseas tax paid | (383.6) | (424.7) | (414.2) |
| Dividends paid to non-controlling interests in subsidiary undertakings | (106.2) | (87.8) | (89.6) |
| Free cash flow | 1,102.9 | 809.4 | 1,341.7 |

Note

1 Prior year free cash flow has been re-presented to include movements in working capital and provisions and exclude earnout payments.

The Group bases its internal cash flow objectives on free cash flow.

Management believes free cash flow is meaningful to investors because it is the measure of the Group's funds available for acquisition-related payments, dividends to shareholders, share repurchases and debt repayment. The purpose of presenting free cash flow is to indicate the ongoing cash generation within the control of the Group after taking account of the necessary cash expenditures of maintaining the capital and operating structure of the Group (in the form of payments of interest, corporate taxation and capital expenditure).

CONSTANT CURRENCY AND PRO FORMA ('LIKE-FOR-LIKE')

These consolidated financial statements are presented in pounds sterling. However, the Group's significant international operations give rise to fluctuations in foreign exchange rates. To neutralise foreign exchange impact and illustrate the underlying change in revenue and profit from one year to the next, the Group has adopted the practice of discussing results in both reportable currency (local currency results translated into pounds sterling at the prevailing foreign exchange rate) and constant currency.

Management also believes that discussing pro forma or like-for-like contributes to the understanding of the Group's performance and trends because it allows for meaningful comparisons of the current year to that of prior years.

Further details of the constant currency and pro forma methods are given in the financial glossary on pages 178 and 179.

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £m | 2017 £m |
|--|-------|---------------|------------|
| Turnover | | — | — |
| Operating income | | 10.8 | 14.1 |
| Operating profit | | 10.8 | 14.1 |
| Income from shares in Group undertakings | | 35.9 | — |
| Interest payable and similar charges | 31 | (127.1) | (99.3) |
| Revaluation of financial instruments | | — | 0.6 |
| Loss on ordinary activities before taxation | | (80.4) | (84.6) |
| Taxation on loss on ordinary activities | 32 | — | — |
| Loss for the year | | (80.4) | (84.6) |

Note

The accompanying notes form an integral part of this profit and loss account.

All results are derived from continuing activities.

There are no recognised gains or losses in either year, other than those shown above, and accordingly no statement of comprehensive income has been prepared.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

| | Notes | 2018 £m | 2017 £m |
|---|-------|------------------|------------|
| Fixed assets | | | |
| Investments | 33 | 13,160.1 | 13,075.3 |
| | | 13,160.1 | 13,075.3 |
| Current assets | | | |
| Debtors due within one year | 34 | 1,676.2 | 1,661.7 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 35 | (6,368.1) | (5,452.9) |
| Net current liabilities | | (4,691.9) | (3,791.2) |
| Total assets less current liabilities | | 8,468.2 | 9,284.1 |
| Creditors: amounts falling due after more than one year | 36 | (1,389.8) | (1,359.6) |
| Net assets | | 7,078.4 | 7,924.5 |
| Capital and reserves | | | |
| Called-up share capital | | 133.3 | 133.3 |
| Share premium account | | 569.7 | 568.5 |
| Other reserves | 37 | (10.0) | (10.0) |
| Capital redemption reserve | | 2.7 | 2.7 |
| Own shares | | (1,046.9) | (944.1) |
| Profit and loss account | | 7,429.6 | 8,174.1 |
| Equity shareholders' funds | | 7,078.4 | 7,924.5 |

Note

The accompanying notes form an integral part of this balance sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2019.

Mark Read
Chief Executive Officer

Paul Richardson
Group Finance Director

Registered Company Number: 111714

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Ordinary share capital £m | Share premium £m | Translation reserves £m | Capital redemption reserve £m | Own shares £m | Profit and loss account £m | Total equity shareholders' funds £m |
|--|---------------------------------|------------------------|-------------------------------|--|---------------------|----------------------------------|---|
| Balance at 1 January 2017 | 133.2 | 562.2 | (10.0) | 2.7 | (766.7) | 9,017.4 | 8,938.8 |
| Ordinary shares issued | 0.1 | 6.3 | – | – | – | – | 6.4 |
| Treasury share additions | – | – | – | – | (289.6) | – | (289.6) |
| Treasury share allocations | – | – | – | – | 112.2 | (112.2) | – |
| Loss for the year | – | – | – | – | – | (84.6) | (84.6) |
| Dividends paid | – | – | – | – | – | (751.5) | (751.5) |
| Non-cash share-based incentive plans (including share options) | – | – | – | – | – | 105.0 | 105.0 |
| Balance at 31 December 2017 | 133.3 | 568.5 | (10.0) | 2.7 | (944.1) | 8,174.1 | 7,924.5 |
| Ordinary shares issued | – | 1.2 | – | – | – | – | 1.2 |
| Treasury share additions | – | – | – | – | (104.3) | – | (104.3) |
| Treasury share allocations | – | – | – | – | 1.5 | (1.5) | – |
| Loss for the year | – | – | – | – | – | (80.4) | (80.4) |
| Dividends paid | – | – | – | – | – | (747.4) | (747.4) |
| Non-cash share-based incentive plans (including share options) | – | – | – | – | – | 84.8 | 84.8 |
| Balance at 31 December 2018 | 133.3 | 569.7 | (10.0) | 2.7 | (1,046.9) | 7,429.6 | 7,078.4 |

Note

The accompanying notes form an integral part of this statement of changes in equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

30. ACCOUNTING POLICIES

The principal accounting policies of WPP plc (the Company) are summarised below. These accounting policies have all been applied consistently throughout the year and preceding year.

A) BASIS OF ACCOUNTING

The separate financial statements of the Company are prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements are prepared on a going concern basis, further details of which are in the Directors' report on page 79.

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018. The requirement under IFRS 9 to use an expected loss method of impairment of financial assets did not have a material effect on the Company due to materially all financial assets being owed by subsidiary undertakings and are expected to be paid in full.

B) TRANSLATION OF FOREIGN CURRENCY

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

C) INVESTMENTS

Fixed asset investments are stated at cost less provision for impairment.

D) TAXATION

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

E) GROUP AND TREASURY SHARE TRANSACTIONS

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, IFRS 2 (share-based payment) requires the subsidiary to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £84.8 million in 2018 (2017: £105.0 million), with a credit to equity for the same amount.

F) FOREIGN CURRENCY AND INTEREST RATE HEDGING

The Company's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

31. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2018 £m | 2017 £m |
|---|--------------|------------|
| Interest payable on corporate bonds | – | 6.0 |
| Bank and other interest payable | 37.8 | 18.1 |
| Interest payable to subsidiary undertakings | 89.3 | 75.2 |
| | 127.1 | 99.3 |

32. TAXATION ON LOSS ON ORDINARY ACTIVITIES

The tax assessed for the year differs from that resulting from applying the rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

| | 2018 £m | 2017 £m |
|---|---------------|------------|
| Loss on ordinary activities before tax | (80.4) | (84.6) |
| Tax at the rate of 19% (2017: 19.25%) thereon | 15.3 | 16.3 |
| Factors affecting tax charge for the year: | | |
| Revaluation of financial instruments | – | 0.1 |
| Group relief not paid for | (22.1) | (8.7) |
| Items that are not deductible/(taxable) | 6.8 | (7.7) |
| Tax charge for the year | – | – |

33. FIXED ASSET INVESTMENTS

The following are included in the net book value of fixed asset investments:

| | Subsidiary undertakings £m |
|-------------------------|----------------------------------|
| 1 January 2018 | 13,075.3 |
| Additions | 84.8 |
| 31 December 2018 | 13,160.1 |

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2018 cost and net book value were the same.

34. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following are included in debtors falling due within one year:

| | 2018 £m | 2017 £m |
|---|----------------|------------|
| Amounts owed by subsidiary undertakings | 1,675.6 | 1,661.4 |
| Other debtors | 0.6 | 0.3 |
| | 1,676.2 | 1,661.7 |

35. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following are included in creditors falling due within one year:

| | 2018 £m | 2017 £m |
|---|----------------|------------|
| Bank overdrafts | 1,174.1 | 2,627.7 |
| Amounts due to subsidiary undertakings | 5,190.3 | 2,808.3 |
| Interest payable on corporate bonds and bank overdrafts | 1.6 | 2.5 |
| Other creditors and accruals | 2.1 | 14.4 |
| | 6,368.1 | 5,452.9 |

36. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following are included in creditors falling due after more than one year:

| | 2018 £m | 2017 £m |
|--|----------------|------------|
| Amounts due to subsidiary undertakings | 1,389.8 | 1,359.6 |
| Total borrowings are repayable as follows: | | |
| Within one year | 6,368.1 | 5,452.9 |
| Between one and five years | 1,010.9 | 673.7 |
| Over five years | 378.9 | 685.9 |
| | 7,757.9 | 6,812.5 |

37. EQUITY SHAREHOLDERS' FUNDS

Other reserves at 31 December 2018 comprise a translation reserve of £10.0 million (2017: £10.0 million).

At 31 December 2018 the Company's distributable reserves amounted to £6,942.4 million (2017: £7,788.5 million). Further details of the Company's share capital are shown in note 25.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WPP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements of WPP plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit and the Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the accounting policies;
- the consolidated income statement (excluding the US dollar information);
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the Parent Company profit and loss account, balance sheet and statement of changes in equity; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

| | |
|--|--|
| Key audit matters | The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> - Revenue recognition: estimate of revenue recognised over time based on the proportion of the level of service performed for open projects at year-end within the Kantar network  - Goodwill  - Restructuring and transformation costs  - Taxation reserves  Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with  |
| Materiality | The materiality that we used for the Group financial statements was £80.0 million (2017: 105.5 million) which we determined using 5.5% (2017: 5%) of pre-tax profit. |
| Scoping | Those entities subject to audit provide coverage for 76% of the Group's consolidated revenue (2017: 78%) and 81% of the Group's consolidated operating profit (2017: 83%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. |
| Significant changes in our approach | There have been no significant changes in our approach compared with the prior year. However, we revised our assessment of key audit matters as detailed below. |

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

GOING CONCERN

We reviewed the Strategic report to shareholders on page 79 to the financial statements as to 1) whether they considered it appropriate to adopt the going concern basis of accounting in the financial statements and 2) their identification of any material uncertainties to the Group's and Parent Company's ability to conclude that the going concern basis of accounting is appropriate for a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the Strategic report to shareholders and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 79-83 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 79 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 79 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

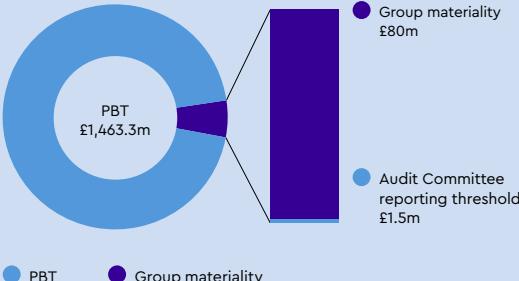
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Given the reduced financial significance of media volume income for the Group, we no longer identified this as a key audit matter in the current year. However, upon the announcement of the potential sale of the Kantar network, which is part of Data Investment Management, we identified that there is a potential for fraud in relation to the cut-off of revenue recognised on open projects at year-end accounted for as revenue recognised over time based on the proportion of the level of service performed within the Kantar network. Therefore, this has been included as a key audit matter in the current year.

In addition, with the increase in costs incurred in respect of restructuring, we have included this as a key audit matter in the current year.

| Key audit matter description | How the scope of our audit responded to the key audit matter | Key observations |
|---|--|---|
| <p>Revenue recognition: estimate of revenue recognised over time based on the proportion of the level of service performed for open projects at year-end within the Kantar network </p> <p>Assessing the timing of recognition revenue recognised on open projects at year-end and the proportion of the level of service at that date is an area of complexity and judgement due to the need for management to estimate the costs to complete the project. A risk exists that sales are incorrectly recorded in the wrong period based on incorrect management estimates.</p> <p>Given the degree of judgement and complexity involved and the announcement of the potential sale of the Kantar network (part of Data Investment Management), we also determined that there was a potential for fraud through possible manipulation of this balance.</p> <p>Refer to page 100 (Audit Committee report), page 124 (accounting policies) and page 132 (notes to the consolidated financial statements).</p> | <p>We have:</p> <ul style="list-style-type: none"> - Analysed the total open contracts as at the year-end by total contract value and against prior periods to identify unusual trends; - Recalculated revenue recognised based on the proportion of the level of service performed by obtaining schedules of estimated costs to complete from project managers and challenging the key underlying assumptions to test their completeness and accuracy by reference to independent data sources; - Confirmed contract terms and the absence of side agreements with customers and assessing such terms or agreements and basis for rebates for the period to which they may relate (for example; acceptance criteria, delivery and payment terms, the absence of future or continuing vendor obligations, and cancellation or refund provisions which are often relevant in such circumstances); - Inquired of the Group's sales and marketing personnel or in-house legal counsel regarding open projects and their knowledge of any unusual terms or conditions associated with these transactions; - Attended year-end meetings where such projects are discussed in detail in order to observe the review control and internal challenge occurring; - Performed substantive analytical procedures relating to revenue using disaggregated data; for example, comparing revenue reported by month and by service during the current reporting period with comparable prior periods or with revenue related to cash collections. | <p>The results of our testing were satisfactory. Cut-off of revenue recognised on open projects at year-end and estimated costs to complete in calculating the proportion of the level of service performed at that date appear to be reasonable.</p> |
| <p>Goodwill </p> <p>Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary.</p> <p>Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects, including revenue growth and operating margin. The Group is highly acquisitive. As such, given the magnitude of the goodwill balance (2018: £13,202.8 million, 2017: £12,952.9 million), and the relative sensitivity to certain inputs to the impairment testing process, in particular the discount rate, the valuation of goodwill is considered a key audit matter.</p> <p>Certain parts of the business, including, in particular VMLY&R, were sensitive to the assumptions used in the impairment review and were treated as a key audit matter in the current year.</p> <p>Refer to page 100 (Audit Committee report), page 123 (accounting policies) and page 140 (notes to the consolidated financial statements).</p> | <p>We have:</p> <ul style="list-style-type: none"> - Assessed the key assumptions used in the impairment models for goodwill, including specifically the operating cash flow projections, discount rates, and long term growth rates; - Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment, including consideration of the potential impact of Brexit; - Our internal fair value specialists assisted in computing an independent assessment of the discount rates used and assessing the methodology used in preparing the impairment testing models; - Tested the integrity and mathematical accuracy of the impairment models; and - Considered the sensitivity of the impairment testing model to changes in key assumptions. <p>We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and goodwill impairment recognised, including whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.</p> | <p>The results of our testing were satisfactory and we concur that the assumptions used in the impairment models, including the discount rates, and level of goodwill impairment booked in the year are appropriate.</p> |

| Key audit matter description | How the scope of our audit responded to the key audit matter | Key observations | | | | | | | | | | | | |
|---|--|--|----------------------------|-------------------------------------|--------------------|---|--|--|--|---|--|--|--|--|
| Restructuring and transformation costs  | <p>Management has implemented a restructuring and transformation programme as part of a strategic review in the current year.</p> <p>Management judgement is required to determine whether a restructuring cost can be recognised in the year. Restructuring and transformation costs were £302.3 million for the year ended 31 December 2018 (2017: £56.8 million) as highlighted in note 3 and within the Audit Committee report. The key judgements include assessing whether the timing and extent of the plans and their communication to those likely to be affected meet the requirements set out in IAS 37 Provisions, Contingent Assets and Contingent Liabilities.</p> <p>We therefore identified a key audit matter in relation to the cut-off such costs as recognised in the year.</p> | <p>We have:</p> <ul style="list-style-type: none"> - Performed a walkthrough of the process performed by Management and tested the design, implementation and operating effectiveness of key controls identified; - Made enquiries made of management of the operating companies and have corroborated our understanding of the restructuring programmes in place gained at a Group level; and - Performed substantive testing by selecting a sample of costs and obtaining supporting documentation, at a component and global level. For the sample selected we have assessed whether the recognition criteria as set out in IAS 37 Provisions, Contingent Assets and Contingent Liabilities have been met in the year such that the cut-off of the costs has been appropriately accounted for and that management's estimates at the year-end date are reasonable. | | | | | | | | | | | | |
| Taxation reserves  | <p>There is uncertainty in respect of resolving matters with tax authorities around the world. The highly disaggregated nature of the Group coupled with its acquisitive nature means that there are a number of different tax jurisdictions in which the Group could be liable to pay additional tax above the amount due based on its tax returns, making potential tax exposures a key audit matter. Therefore assessing the Group's exposure to significant tax risks and the level of provisions recognised is an area of judgement.</p> <p>Refer to page 100 (Audit Committee report), page 125 (accounting policies) and page 136 (notes to the consolidated financial statements).</p> | <p>We have:</p> <ul style="list-style-type: none"> - Discussed and considered all significant taxation exposures with Group management including their tax specialists; and - Together with our internal taxation specialists we challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held. <p>We reviewed correspondence with taxation authorities in significant locations where available, as well as reviewing the support or opinions received from external counsel and other advisors where management has utilised such opinions to make assumptions on the level of taxation payable.</p> | | | | | | | | | | | | |
| OUR APPLICATION OF MATERIALITY | | | | | | | | | | | | | | |
| We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. | Based on our professional judgement, we determined materiality for the financial statements as a whole as follows: | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th></th> <th>Group financial statements</th> <th>Parent Company financial statements</th> </tr> </thead> <tbody> <tr> <td>Materiality</td><td>£80.0 million (2017: £105.5 million)</td><td>£32.0 million (2017: £42.2 million)</td></tr> <tr> <td>Basis for determining materiality</td><td>5.5% of profit before tax (2017: 5.0% of profit before tax)</td><td>The basis of materiality is shareholder's equity, taking into account the Group materiality. The materiality used is less than 1% of shareholder's equity (2017: less than 1% of shareholder's equity).</td></tr> <tr> <td>Rationale for the benchmark applied</td><td>We have determined that the critical benchmark for the Group was pre-tax profit because we consider this measure to be what the shareholders believe to be a key performance indicator for the Group. We also considered this measure to be suitable having compared to another benchmark: our materiality is below 1% of equity (2017: below 1%). Materiality is lower than for the year ended 31 December 2017 primarily as a result of a lower pre-tax profit achieved in 2018.</td><td>Given the nature of the Company as a parent company, we consider shareholder's equity to be the most appropriate basis for materiality. We have, however, capped the materiality at 40% of Group Materiality (2017: 40% of Group Materiality).</td></tr> </tbody> </table> | | Group financial statements | Parent Company financial statements | Materiality | £80.0 million (2017: £105.5 million) | £32.0 million (2017: £42.2 million) | Basis for determining materiality | 5.5% of profit before tax (2017: 5.0% of profit before tax) | The basis of materiality is shareholder's equity, taking into account the Group materiality. The materiality used is less than 1% of shareholder's equity (2017: less than 1% of shareholder's equity). | Rationale for the benchmark applied | We have determined that the critical benchmark for the Group was pre-tax profit because we consider this measure to be what the shareholders believe to be a key performance indicator for the Group. We also considered this measure to be suitable having compared to another benchmark: our materiality is below 1% of equity (2017: below 1%). Materiality is lower than for the year ended 31 December 2017 primarily as a result of a lower pre-tax profit achieved in 2018. | Given the nature of the Company as a parent company, we consider shareholder's equity to be the most appropriate basis for materiality. We have, however, capped the materiality at 40% of Group Materiality (2017: 40% of Group Materiality). | |
| | Group financial statements | Parent Company financial statements | | | | | | | | | | | | |
| Materiality | £80.0 million (2017: £105.5 million) | £32.0 million (2017: £42.2 million) | | | | | | | | | | | | |
| Basis for determining materiality | 5.5% of profit before tax (2017: 5.0% of profit before tax) | The basis of materiality is shareholder's equity, taking into account the Group materiality. The materiality used is less than 1% of shareholder's equity (2017: less than 1% of shareholder's equity). | | | | | | | | | | | | |
| Rationale for the benchmark applied | We have determined that the critical benchmark for the Group was pre-tax profit because we consider this measure to be what the shareholders believe to be a key performance indicator for the Group. We also considered this measure to be suitable having compared to another benchmark: our materiality is below 1% of equity (2017: below 1%). Materiality is lower than for the year ended 31 December 2017 primarily as a result of a lower pre-tax profit achieved in 2018. | Given the nature of the Company as a parent company, we consider shareholder's equity to be the most appropriate basis for materiality. We have, however, capped the materiality at 40% of Group Materiality (2017: 40% of Group Materiality). | | | | | | | | | | | | |
|  <p>PBT £1,463.3m</p> <p>Group materiality £80m</p> <p>Audit Committee reporting threshold £1.5m</p> <p>● PBT ● Group materiality</p> | | | | | | | | | | | | | | |

We agreed with the Audit Committee that we would separately report to the Committee all audit differences in excess of £1.5 million (2017: £1.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As a result of the highly disaggregated nature of the Group, with operations in 112 countries and more than 3,000 offices among more than 150 companies within the Group, a significant portion of audit planning time is spent so that the scope of our work is appropriate to address the Group's identified risks of material misstatement.

In selecting the components that are in scope each year, we refresh and update our understanding of the Group and its environment, including obtaining an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level, in order to check that the units selected provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

Those entities subject to audit provide for coverage of 76% of the Group's consolidated revenue (2017: 78%) and 81% of the Group's consolidated operating profit (2017: 83%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, many of which are local statutory materiality levels which in all instances are capped at 40% of Group materiality.

In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit, we tested the consolidation process and carried out analytical procedures at the parent entity level.

HOW WE WORK CLOSELY WITH COMPONENT AUDITORS

The Group audit team plans its visits to component auditors based on a carefully designed programme, which considers a variety of factors including size of entity and number of significant risks; this programme is put in place to check that appropriate oversight and guidance is provided to the component auditors through a combination of:

- upfront team briefings to all component teams;
- site visits;
- central review of documentation; and
- risk assessment discussions and detailed workpaper reviews.

These are designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits all key locations across the Group on regular basis. In addition we assess the competence of our component auditors.

In years when we do not visit a key location we will:

- include the component audit partner in our team briefing;
- discuss their risk assessment; and
- review documentation of the findings from their work.

We also hold quarterly meetings with management at a regional and global level in order to update our understanding of the Group and its environment on an ongoing basis.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in relation to the cut-off of revenue recognised on open projects at year-end and estimated costs to complete in calculating the proportion of the level of service performed at that date in the Kantar network; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included various taxation laws, Securities and Exchange Commission, Major Securities Law, Listing Rules, European Union law and Companies (Jersey) Law. In addition, compliance with the Group's regulatory solvency requirements were fundamental to the Group's ability to continue as a going concern.

AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified the fraud risk in relation to the cut-off of revenue recognised on open projects at year-end and estimated costs to complete in calculating the proportion of the level of service performed at that date in the Kantar network as a key audit matter. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and internal and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OPINIONS ON OTHER MATTERS PRESCRIBED BY OUR ENGAGEMENT LETTER

In our opinion the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006 as if that Act had applied to the Company.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Corporate Governance report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Corporate Governance report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under our engagement letter we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS**AUDITOR TENURE**

Following the recommendation of the Audit Committee, we were appointed by the Company at the AGM on 20 May 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ending 31 December 2002 to 31 December 2018.

CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Muschamp
For and on behalf of Deloitte LLP
Recognised Auditor
London, United Kingdom
10 April 2019

ADDITIONAL INFORMATION

| | |
|--|-----|
| Five-year summary | 172 |
| Taskforce on Climate-related Financial Disclosures | 173 |
| Other statutory information | 174 |
| Information for shareholders | 176 |
| Financial glossary | 178 |
| Where to find us | 180 |

FIVE-YEAR SUMMARY

| | 2018 £m | 2017 ¹ £m | 2016 ¹ £m | 2015 £m | 2014 £m |
|--|------------------|-------------------------|-------------------------|------------|------------|
| Income statement | | | | | |
| Billings ² | 55,798.3 | 55,585.4 | 55,278.0 | 47,631.9 | 46,186.3 |
| Revenue | 15,602.4 | 15,804.2 | 14,887.3 | 12,235.2 | 11,528.9 |
| Revenue less pass-through costs ² | 12,826.6 | 13,169.6 | 12,428.6 | 10,524.3 | 10,064.8 |
| Operating profit | 1,431.4 | 1,908.2 | 2,063.1 | 1,632.0 | 1,507.3 |
| Headline EBITDA ³ | 2,311.1 | 2,534.1 | 2,419.7 | 2,002.4 | 1,909.5 |
| Headline PBIT ³ | 2,047.3 | 2,267.1 | 2,160.3 | 1,774.0 | 1,680.6 |
| Profit before taxation | 1,463.3 | 2,109.3 | 1,890.5 | 1,492.6 | 1,451.9 |
| Headline PBT ³ | 1,862.8 | 2,092.5 | 1,986.2 | 1,622.3 | 1,512.6 |
| Profit for the year | 1,139.4 | 1,912.3 | 1,501.6 | 1,245.1 | 1,151.5 |
| Headline PBIT margin ³ | 16.0% | 17.2% | 17.4% | 16.9% | 16.7% |
| Balance sheet | | | | | |
| Non-current assets | 17,924.3 | 18,506.0 | 19,125.3 | 15,373.8 | 14,107.3 |
| Net current liabilities | (666.0) | (357.7) | (1,328.1) | (840.1) | (521.4) |
| Net assets | 9,806.6 | 9,956.1 | 9,761.7 | 8,015.8 | 7,826.8 |
| Net debt | (4,016.7) | (4,483.1) | (4,130.5) | (3,210.8) | (2,275.4) |
| Average net debt | (4,965.6) | (5,142.7) | (4,340.5) | (3,562.3) | (3,000.8) |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Our people | | | | | |
| Revenue per employee (£000) | 116.5 | 117.6 | 112.2 | 97.9 | 95.0 |
| Revenue less pass-through costs ² per employee (£000) | 95.8 | 98.0 | 93.7 | 84.2 | 82.9 |
| Staff cost per employee (£000) | 61.0 | 61.9 | 58.7 | 53.3 | 53.1 |
| Average headcount | 133,903 | 134,428 | 132,657 | 124,930 | 121,397 |
| Share information | | | | | |
| Headline ⁴ – basic earnings per share | 109.2p | 121.8p | 114.8p | 95.4p | 86.9p |
| – diluted earnings per share | 108.0p | 120.4p | 113.2p | 93.6p | 84.9p |
| Reported – basic earnings per share | 85.2p | 144.0p | 109.6p | 90.0p | 82.4p |
| – diluted earnings per share | 84.3p | 142.4p | 108.0p | 88.4p | 80.5p |
| Dividends per share ⁵ | 60.00p | 60.00p | 56.60p | 44.69p | 38.20p |
| Dividend payout ratio on headline diluted earnings per share | 56% | 50% | 50% | 48% | 45% |
| Share price – high | 1,471.0p | 1,921.0p | 1,850.0p | 1,611.0p | 1,383.0p |
| – low | 805.0p | 1,253.0p | 1,338.0p | 1,304.0p | 1,117.0p |
| Market capitalisation at year-end (£m) | 10,682.6 | 17,029.8 | 23,260.3 | 20,236.9 | 17,831.3 |

Notes

¹ 2017 and 2016 figures have been restated for the adoption of IFRS 15: Revenue from Contracts with Customers as described in the accounting policies. No restatement has been made in 2015 or 2014.

² Billings and revenue less pass-through costs are defined on pages 178 and 179.

³ The calculation of 'headline' measures of performance (including headline EBITDA, headline PBIT, headline PBIT margin and headline PBT) is set out in note 29 of the financial statements. Headline PBIT margin was previously referred to as revenue less pass-through costs margin.

⁴ Headline earnings per share for 2018, 2017 and 2016 is set out in note 9 of the financial statements.

⁵ Dividends per share represents the dividends declared in respect of each year.

The information on this page is unaudited.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We support the Taskforce on Climate-related Financial Disclosures and aim to develop our disclosures in line with its recommendations. This voluntary framework seeks to encourage businesses to disclose climate-related risks and opportunities and is structured around four themes: governance, strategy, risk management, and metrics and targets. Our disclosure, across these four themes, is set out below.

GOVERNANCE

Paul Richardson, WPP's Group Finance Director, was the Board Director responsible for sustainability in 2018. This includes overall responsibility for our climate change strategy and risk management. He gives an annual assessment of sustainability risks and opportunities (including climate change) and performance to the Board. At Board level, the Nomination and Governance Committee has responsibility for sustainability and climate change. Andrea Harris, Group Chief Counsel and Head of Sustainability, has operational responsibility for the Company's response to climate change.

STRATEGY

Climate change is a major threat to global social and economic development. With operations in 112 countries globally, WPP and our clients are exposed to many of its physical and transition impacts. These include risks relating to climate change regulation and the impact of more frequent extreme weather events on our offices and people in some locations. The most material opportunity for WPP is the potential to work with clients on sustainability-related briefs. Around 13% of our revenues come from clients who have engaged with us on sustainability and as more sectors are impacted by climate change this will increase. WPP's climate-related risks and opportunities are disclosed in our Sustainability Report and CDP disclosure.

RISK MANAGEMENT

Climate change-related risks are integrated into our overall risk management processes. Performance and updated risk implications are reviewed by the Audit Committee on a bi-annual basis. Assessment of risk is informed by feedback from investors, clients and our people. Our overall risk management process is outlined on pages 78-83.

Group-level sustainability risks and opportunities (including climate) are reviewed at least quarterly by the sustainability team. The assessment is informed by feedback from investors, clients and employees. Factors considered include regulatory requirements, reputational risk, physical risks, and opportunities to advise our clients. Evaluation criteria include relevance to our industry, relevance to sustainability, regulatory/legal risks, financial implications and the operations affected. In 2018/19 we are providing guidance to operating companies on assessing climate-related risk, and our operating companies will be forming Risk Committees with sustainability (including climate) risk as part of their remit.

METRICS AND TARGETS

We have been reporting on a range of climate change indicators since 2006 and have an ambitious reduction target, in line with climate science. A summary is provided on page 72 with further information in our Sustainability Report. Our most material climate-related opportunities relate to our client work. Examples of work relating to climate change are included in our downloadable Sustainability Report 2018: wpp.com/sustainability.

OTHER STATUTORY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the Company is aware of the following interests of 3% or more in the issued ordinary share capital:

| | |
|----------------------|-------|
| MFS | 6.02% |
| Harris Associates LP | 5.67% |
| BlackRock Inc | 5.38% |

The disclosed interests refer to the respective combined holdings of the entity and to interests associated with it.

The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

PROFITS AND DIVIDENDS

The profit before tax for the year was £1,463.3 million (2017: £2,109.3 million). The Directors declared a final dividend of 37.30p (2017: 37.30p) per share to be paid on 8 July 2019 to shareholders on the register at 14 June 2019 which, together with the interim ordinary dividend of 22.70p (2017: 22.70p) per share paid on 5 November 2018, makes a total of 60.00p for the year (2017: 60.00p).

EMISSIONS

CO₂e EMISSIONS BREAKDOWN (TONNES OF CO₂e)

| Emission source | | 2018 | 2017 (target base year) | 2016 | 2015 | 2014 |
|-----------------------------------|--|----------------|-------------------------------|---------|---------|---------|
| Scope 1 | Natural gas combustion | 7,180 | 6,602 | 6,617 | 6,677 | 7,203 |
| | Heating oil combustion | 1,671 | 1,046 | 1,234 | 1,458 | 2,546 |
| | Total scope 1 emissions | 8,851 | 7,648 | 7,851 | 8,135 | 9,749 |
| Scope 2 | Total purchased electricity at grid average intensity (location-based) | 111,891 | 130,947 | 144,963 | 153,798 | 159,540 |
| | Total purchased electricity at grid average intensity (market-based) | 88,669 | 100,362 | 115,021 | 123,218 | 138,348 |
| | Total purchased heat and steam | 2,343 | 1,963 | 1,884 | - | - |
| | Total scope 2 emissions (location-based) | 114,234 | 132,910 | 146,847 | 153,798 | 159,540 |
| | Total scope 2 emissions (market-based) | 91,012 | 102,325 | 116,905 | 123,218 | 138,348 |
| Total scope 1 and 2 emissions | Total scope 1 and 2 emissions (location-based) | 123,085 | 140,558 | 154,698 | 161,933 | 169,289 |
| | Total scope 1 and 2 emissions (market-based) | 99,863 | 109,973 | 124,756 | 131,353 | 148,097 |
| Scope 3 | Business air travel | 85,459 | 89,518 | 92,445 | 98,885 | 96,590 |
| | Total scope 3 emissions | 85,459 | 89,518 | 92,445 | 98,885 | 96,590 |
| Total CO ₂ e emissions | Total greenhouse gas emissions (location-based) | 208,544 | 230,076 | 247,143 | 260,818 | 265,879 |
| | Total greenhouse gas emissions (market-based) | 185,322 | 199,491 | 217,201 | 230,238 | 244,687 |

WPP'S CARBON INTENSITY (TONNES OF CO₂e)

| Intensity metric | | 2018 | 2017 (target base year) | 2016 | 2015 | 2014 |
|---|--|-------------|-------------------------------|------|-------|-------|
| Tonnes per employee (Scope 1 and 2, market-based) | | 0.74 | 0.82 | 0.93 | 1.03 | 1.20 |
| Tonnes per £m revenue (Scope 1 and 2, market-based) | | 6.40 | 6.96 | 8.38 | 10.74 | 12.85 |

Our carbon emissions statement has been prepared in accordance with the Greenhouse Gas Protocol and aligns with the scope 2 market-based emissions methodology guidance.

Our reporting incorporates carbon dioxide equivalent emissions from building energy use and business air travel. In previous years we included an estimate of an additional 15% for other scope 3 emissions that we do not currently measure on a global basis. A review of our carbon strategy in 2018 showed that this estimate did not meet the standards of the GHG Protocol. We have therefore decided to remove the estimate and we are working to expand our data collection systems to report on further scope 3 categories.

CHANGE OF CONTROL

All of our bonds contain provisions which are triggered on a change of control of the Company. The holders of such bonds have the right to repayment at par except for holders of our US\$ bonds. The holders of our US\$ bonds have the right to redeem the bonds at 101% of par, if the Company is non-investment grade at the time of the change of control or becomes non-investment grade within 120 days of the announcement of the change of control.

In addition, the Group has a Revolving Credit Facility in the amount of \$2,500 million due July 2021, the terms of which require the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity. On 15 March 2019, the Group refinanced the facility and extended the term of the \$2.5 billion five-year revolving credit facility to March 2024.

In general terms, awards granted under WPP's incentive plans will usually vest on a change of control, albeit on a prorated basis. Where awards are subject to performance conditions, those conditions will still need to be met, also on a prorated basis. Certain incentive plans allow the Compensation Committee to require outstanding awards to be exchanged for equivalent awards in the acquiring company.

Emissions data is included for all operations for which WPP and its subsidiaries have operational control. Associate companies are excluded. In 2018, our data covered 99% of our operations by headcount. The remaining 1% was extrapolated based on the Group's total headcount at year-end.

Our carbon data is reviewed by Bureau Veritas, an independent assurance provider. See its Independent Verification Statement on our website wpp.com/sustainability. Additional information on our carbon emissions methodology is included in our Sustainability Report.

ARTICLES OF ASSOCIATION

There are no restrictions on amending the Articles of Association of the Company other than the requirement to pass a special resolution of the shareholders.

SHARE CAPITAL

The Company's authorised share capital consists solely of 1,750,000,000 ordinary 10 pence shares. The Company operates an American Depository Receipt programme. The rights and obligations relating to the ordinary share capital are outlined in the Articles of Association; there are no restrictions on transfer, no restrictions on voting rights and no securities carry special voting rights with regard to control of the Company.

At the AGM on 13 June 2018, shareholders passed resolutions authorising the Company, in accordance with its Articles of Association, to allot shares up to a maximum nominal amount of £84,322,993 of which £12,661,110 could be allotted for cash free of statutory pre-emption rights. In the year under review no shares were issued for cash free from pre-emption rights. Details of share capital movements are given in note 25 of the financial statements on pages 153-155.

AUTHORITY FOR PURCHASE OF OWN SHARES

At the AGM on 13 June 2018, shareholders passed a special resolution authorising the Company, in accordance with its Articles of Association, to purchase up to 126,611,100 of its own shares in the market. In the year under review, 16,636,805 ordinary shares of 10 pence each were purchased at an average price of £12.45 per share.

GOING CONCERN

The Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and, in particular, the three-year plan and budget, the Directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

LISTING RULES – COMPLIANCE WITH LR 9.8.4C

| Section | Applicable sub-paragraph within LR 9.8.4C | Location |
|---------|---|---|
| 4 | Details of long-term incentive schemes | Directors' Remuneration report, pages 113-115 |

The above table sets out only those sections of LR 9.8.4C which are relevant. The remaining sections of LR 9.8.4C are not applicable.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The Directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have also elected to prepare financial statements for the Company in accordance with UK accounting standards. Company law requires the Directors to prepare such financial statements in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures, when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' Compensation Report.

The Directors are responsible for the maintenance and integrity of the Company website. Jersey legislation and UK regulation governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The Directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he or she ought to have taken, as a Director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with the principles of the UK Corporate Governance Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable; these are described on page 100.

The Board considers the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The letters from the Chairmen of the Nomination and Governance, Audit and Compensation Committees, the statements regarding Directors' responsibilities and statement of going concern set out above and the Directors' remuneration and interests in the share capital of the Company set out on pages 88-119, are included in the Directors' report, which also includes the sections strategic report and corporate governance.

By Order of the Board

Marie Capes
Company Secretary
10 April 2019

INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS' REGISTER

A register of shareholders' interests is kept at the Company's registrar's office in Jersey and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

ANALYSIS OF SHAREHOLDINGS AT 31 DECEMBER 2018

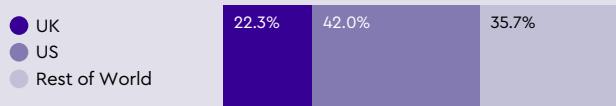
Issued share capital as at 31 December 2018: 1,332,678,227 ordinary shares.

| Number of shares held | Number of holders | % owners | Shareholdings | % outstanding* |
|-----------------------|-------------------|---------------|----------------------|----------------|
| 1-100 | 2,310 | 19.5% | 78,741 | 0.0% |
| 101-250 | 1,316 | 11.2% | 231,788 | 0.0% |
| 251-500 | 1,325 | 11.2% | 496,173 | 0.0% |
| 501-1,000 | 1,192 | 10.1% | 901,592 | 0.1% |
| 1,001-5,000 | 1,766 | 15.0% | 4,224,703 | 0.3% |
| 5,001-10,000 | 619 | 5.2% | 4,455,087 | 0.3% |
| 10,001-25,000 | 773 | 6.6% | 12,724,502 | 1.0% |
| 25,001-50,000 | 580 | 4.9% | 20,860,121 | 1.6% |
| 50,001-100,000 | 576 | 4.9% | 40,911,173 | 3.1% |
| 100,001-500,000 | 891 | 7.6% | 203,685,265 | 15.3% |
| 500,001-1,000,000 | 217 | 1.8% | 155,041,518 | 11.6% |
| 1,000,001-2,000,000 | 116 | 1.0% | 161,060,328 | 12.1% |
| 2,000,001-3,000,000 | 43 | 0.4% | 102,164,211 | 7.7% |
| 3,000,001-4,000,000 | 25 | 0.2% | 85,565,129 | 6.4% |
| 4,000,001 and above | 48 | 0.4% | 540,277,896 | 40.5% |
| Total | 11,797 | 100.0% | 1,332,678,227 | 100.0% |

* All calculations are based on the percentage outstanding on the share register as of 31 December 2018.

| Shareholders by geography | % | Shareholders by type | % |
|---------------------------|------------|-------------------------|------------|
| UK | 22.3 | Institutional investors | 94.4 |
| US | 42.0 | Our people | 1.2 |
| Rest of World | 35.7 | Other individuals | 4.4 |
| Total | 100 | Total | 100 |

Shareholders by geography %



Shareholders by type %



¹ In addition, as at 31 December 2018, 1.9% of the Company's share capital (excluding treasury shares) is under option to our people.

DIVIDENDS

Ordinary shareholders have received the following dividends in respect of each financial year:

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------------------|---------------|--------|--------|--------|--------|
| Interim dividend per ordinary share | 22.70p | 22.70p | 19.55p | 15.91p | 11.62p |
| Final dividend per ordinary share | 37.30p | 37.30p | 37.05p | 28.78p | 26.58p |
| Total | 60.00p | 60.00p | 56.60p | 44.69p | 38.20p |

FINANCIAL CALENDAR

The 2018 final dividend will be paid on 8 July 2019 to shareholders on the register at 14 June 2019.

Interim statements for the half-year ending 30 June are issued in August.

Quarterly trading announcements are issued in April and October.

Interim dividends are paid in November.

Preliminary announcements of results for the financial year ending 31 December are issued in the first quarter.

Annual Reports are posted to shareholders in April.

Annual General Meetings are held in London in June.

SHARE PRICE

The closing price of the shares at 31 December was as follows:

| | At 5 April 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------|--------------------|--------|----------|----------|----------|----------|
| Ordinary 10p shares | 869.0p | 846.6p | 1,341.0p | 1,816.0p | 1,563.0p | 1,345.0p |

Share price information is also available online at wpp.com/investors/share-price

ONLINE INFORMATION

WPP's public website, wpp.com, provides current and historical financial information, news releases, trading reports and share price information.
Go to wpp.com/investors

ACCESS NUMBERS/TICKER SYMBOLS

| | NYSE | Reuters | Bloomberg |
|-------------------|------|---------|-----------|
| Ordinary shares | - | WPP.L | WPP LN |
| American | | | |
| Depository Shares | WPP | WPP.N | WPP US |

REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES
Enquiry number: 0870 707 1411

AMERICAN DEPOSITORY RECEIPTS (ADRS) OFFICE

Citibank N.A.
PO Box 43077
Providence
RI 02940-3077

Telephone enquiries: within the US +1 877 248 4237
Telephone enquiries: outside the US +1 781 575 4555
Email enquiries: citibank@shareholders-online.com

WPP REGISTERED OFFICE

Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

The Company's registered number is 111714.

AMERICAN DEPOSITORY RECEIPTS (ADRS)

Each ADR represents five ordinary shares.

WPP plc is subject to the informational requirements of the US securities laws applicable to foreign companies and files an annual report on Form 20-F and other information with the US Securities and Exchange Commission. These documents are available at the Commission's website, sec.gov. Our reports on Form 20-F are also available from our Investor Relations department in New York.

ADR DIVIDENDS

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP plc shares and receive all cash dividends in US dollars. These are normally paid twice a year.

Dividend cheques are mailed directly to the ADR holder on the payment date if ADRs are registered with WPP's US depositary. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depositary is Citibank N.A. (address on page 177).

Dividends per ADR in respect of each financial year are set out below.

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------|---------|---------|---------|---------|---------|
| In £ sterling | | | | | |
| Interim | 113.50p | 113.50p | 97.75p | 79.55p | 58.10p |
| Final | 186.50p | 186.50p | 185.25p | 143.90p | 132.90p |
| Total | 300.00p | 300.00p | 283.00p | 223.45p | 191.00p |
| In US dollars ¹ | | | | | |
| Interim | 151.53¢ | 146.27¢ | 132.42¢ | 121.62¢ | 95.72¢ |
| Final | 249.00¢ | 240.34¢ | 250.96¢ | 219.99¢ | 218.95¢ |
| Total | 400.53¢ | 386.61¢ | 383.38¢ | 341.61¢ | 314.67¢ |

¹ These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 127. 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.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

No withholding tax is imposed on dividends paid to ADR holders and there will be no entitlement to offset any part of the notional UK taxation credit against any US taxation liability. The dividends received will be subject to US taxation.

TAX INFORMATION**UK TAXATION****Dividends received from 6 April 2018**

UK resident individuals receive a Dividend Allowance in the form of a 0% tax rate on the first £2,000 of dividend income received each tax year.

Any dividends received over the Dividend Allowance are taxed at a rate of 7.5% on dividend income for individuals in the basic rate band, 32.5% for higher rate tax payers and at 38.1% for individuals with income of £150,000 or more.

Capital gains tax

The market value of an ordinary share at 31 March 1982 was 39p. Since that date rights issues have occurred in September 1986, August 1987 and April 1993. For capital gains tax purposes the acquisition cost of ordinary shares is adjusted to take account of such rights issues. Since any adjustments will depend on individual circumstances, shareholders are advised to consult their professional advisors.

Capital gains

As liability to capital gains tax on a disposal of WPP shares will depend on individual circumstances, shareholders are advised to consult their professional advisors.

FINANCIAL GLOSSARY

| Term used in Annual Report | US equivalent or brief description |
|---|--|
| Allotted | Issued |
| ADRs/ADSs | American Depository Receipts/American Depository Shares. The Group uses the terms ADR and ADS interchangeably. One ADR/ADS represents five ordinary shares |
| Average net debt and net debt | Average net debt is calculated as the average daily net borrowings of the Group. Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet |
| Billings | Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned |
| Called-up share capital | Ordinary shares, issued and fully paid |
| Constant currency | The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2018 exchange rates to local currency reported results for the current and prior year. This gives a US dollar-denominated income statement which exclude any variances attributable to foreign exchange rate movements |
| ESOP | Employee share ownership plan |
| Estimated net new billings | Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' marketing budgets, which may not necessarily result in actual billings of the same amount |
| EURIBOR | The euro area inter-bank offered rate for euro deposits |
| Finance lease | Capital lease |
| Free cash flow | Free cash flow is calculated as headline operating profit before non-cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, proceeds from the disposal of property, plant and equipment and movements in working capital and provisions, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to non-controlling interests in subsidiary undertakings, earnout payments and purchases of property, plant and equipment and purchases of other intangible assets |
| Freehold | Ownership with absolute rights in perpetuity |
| General and administrative costs | General and administrative costs include marketing costs, certain professional fees and an allocation of other costs, including staff and establishment costs, based on the function of employees within the Group |
| Headline earnings | Headline PBT less headline tax charge and non-controlling interests |
| Headline EBITDA | Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of intangible assets, share of exceptional losses/gains of associates, depreciation of property, plant and equipment, losses/gains on remeasurement of equity interests arising from a change in scope of ownership and restructuring and transformation costs |
| Headline operating profit | PBIT excluding share of results of associates before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, gains/losses on remeasurement of equity interest on acquisition of controlling interest, and restructuring and transformation costs |
| Headline tax charge | Taxation excluding tax/deferred tax relating to gains on disposal of investments and subsidiaries, deferred tax impact of the amortisation of acquired intangible assets and other goodwill items, the tax impact of the 2017 US tax reform and tax charge/credit relating to restructuring and transformation costs |
| Headline PBIT | Profit before finance income/costs and revaluation of financial instruments, taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, restructuring and transformation costs, share of exceptional gains/losses of associates and gains/losses on remeasurement of equity interests arising from a change in scope of ownership |
| Headline PBIT margin | Headline PBIT margin is calculated as headline PBIT (defined above) as a percentage of revenue less pass-through costs. Headline PBIT margin was previously referred to as revenue less pass-through costs margin |

| Term used in Annual Report | US equivalent or brief description |
|--|---|
| Headline PBT | Profit before taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, restructuring and transformation costs, share of exceptional gains/losses of associates, gains/losses arising from the revaluation of financial instruments, and gains/losses on remeasurement of equity interests arising from a change in scope of ownership |
| IFRS/IAS | International Financial Reporting Standard/International Accounting Standard |
| LIBOR | The London inter-bank offered rate |
| OCI | Consolidated statement of comprehensive income |
| Operating margin | Headline PBIT as a percentage of revenue less pass-through costs |
| Pass-through costs | Pass-through costs comprise fees paid to external suppliers where they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media and data collection costs |
| Profit | Income |
| Profit attributable to equity holders of the parent | Net income |
| Pro forma ('like-for-like') | Pro forma comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses the terms 'pro forma' and 'like-for-like' interchangeably |
| Revenue less pass-through costs | Revenue less pass-through costs is revenue less media, data collection and other pass-through costs |
| Sarbanes-Oxley Act or SOX | An Act passed in the US to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes |
| Share capital | Ordinary shares, capital stock or common stock issued and fully paid |
| Share premium account | Additional paid-in capital or paid-in surplus (not distributable) |
| Shares in issue | Shares outstanding |
| UK Corporate Governance Code | The UK Corporate Governance Code published by the Financial Reporting Council dated April 2016 |

FORWARD-LOOKING STATEMENT

In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-looking statements (as defined in the Reform Act) in oral or written public statements issued by or on behalf of the Company. These forward-looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward-looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, delays or reductions in client advertising budgets, shifts in industry rates of compensation, regulatory compliance costs or litigation, natural disasters or acts of terrorism, the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK) and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described under the heading Principal Risks on pages 80-83, which could also cause actual results to differ from forward-looking information. In light of these and other uncertainties, the forward-looking statements included in this document should not be regarded as a representation by the Company that the Company's plans and objectives will be achieved. The Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

WHERE TO FIND US

COMPANY CENTRES

WPP NEW YORK
3 World Trade Center
175 Greenwich Street
New York NY 10007
Tel +1 (212) 632 2200

WPP LONDON

Sea Containers
18 Upper Ground
London SE1 9GL
Tel +44 (0)20 7282 4600

WPP ASIA PACIFIC

50 Scotts Road
Singapore 228242
Tel +65 6508 5219

COMPANY INFORMATION

If you would like further general information about WPP, its companies or any of the programmes or initiatives mentioned in this Annual Report, please visit our website, wpp.com, or email: enquiries@wpp.com

BUSINESS DEVELOPMENT

For more about WPP companies' professional services, please contact:
Jason Day
jason.day@wpp.com

CONTACT POINTS

INVESTOR RELATIONS
Paul Richardson
Group Finance Director
Tel +1 (212) 632 2200
paul.richardson@wpp.com

Fran Butera
Investor Relations Director
New York
Tel +1 (212) 632 2235
fran.butera@wpp.com

Lisa Hau
Investor Relations Director
London
Tel +44 (0)20 7282 4600
lisa.hau@wpp.com

INVESTOR INFORMATION

Investor relations material and our financial statements are available online at wpp.com/investors

CORPORATE COMMUNICATIONS

AND MEDIA RELATIONS
Chris Wade
Group Communications Director
Tel +44 (0)20 7282 4600
chris.wade@wpp.com

NORTH AMERICA

Kevin McCormack
Tel +1 (212) 632 2200
kevin.mccormack@wpp.com

ASIA PACIFIC

Juliana Yeh
Tel +852 2280 3790
juliana.yeh@wpp.com

EMEA

Niken Wresniwiyo
Tel +44 (0)20 7282 4600
niken.wresniwiyo@wpp.com

SUSTAINABILITY

Andrea Harris
Tel +44 (0)20 7282 4600
andrea.harris@wpp.com

Written by WPP
Designed and produced by Superunion, London
superunion.com
©WPP 2019

This product is made of material from well-managed, FSC®-certified forests and other controlled sources. Printed in the UK by Pureprint Group. A CarbonNeutral® company, certificated to Environmental Management System ISO14001 and holders of FSC® chain of custody certification.



