Exchange rates

Fluctuations in the exchange rate between the pound sterling and the US dollar will affect the dollar equivalent of the pound sterling prices of the Company's ordinary shares on The London Stock Exchange and, as a result, are likely to affect the market price of the ADSs in the United States. US dollar amounts paid to holders of ADSs also depend on the sterling/US dollar exchange rate at the time of payment. The annual average of the daily Bloomberg Closing Mid Point rate for pounds sterling expressed in US dollars for each of the five years ended 31 December 2004 was:

Year ended 31 December	Average
2000	1.5162
2001	1.4401
2002	1.5036
2003	1.6356
2004	1.8326

The following table sets forth for each of the most recent six months, the high and low Bloomberg Closing Mid Point rates. As of 31 May 2005, the Bloomberg Closing Mid Point rate was 1.8224.

Month ended	High	Low
31 December 2004	1.9477	1.9140
31 January 2005	1.9038	1.8614
28 February 2005	1.9232	1.8557
31 March 2005	1.9279	1.8659
30 April 2005	1.9191	1.8740
31 May 2005	1.9067	1.8208

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The Company competes for clients in a highly competitive industry, which may reduce market shares and decrease profits.

The communications services industry is highly competitive and fragmented. At the parent company level, the Company's principal competitors are other large multinational communications services companies, as well as regional and national advertising and/or marketing services firms. In the communications services industry, service agreements with clients are generally terminable by the client upon 90 days' notice. As such, clients may move their accounts to another agency on relatively short notice. In many cases, a WPP agency represents a client for only a portion of its advertising or marketing services needs or only in particular geographic areas, thus enabling the client to continually compare the effectiveness of the WPP agency against other agencies' work. Many clients do not permit an agency working for it to represent competing accounts or product lines in the same market. A lesser number of companies will not permit any of the agencies owned by a communications service company to work on competing accounts or product lines in any market. These client conflict policies can and sometimes do prevent WPP's agencies from seeking and winning new clients and assignments. If WPP's agencies are unable to compete effectively in the markets in which they operate, WPP's market share and profits may decrease.

The Company receives a significant portion of its revenues from a limited number of large clients, and the loss of these clients could adversely impact the Company’s prospects, business, financial condition and results of operations.

A relatively small number of clients contribute a significant percentage of the Company’s consolidated revenues. The Company’s ten largest clients accounted for approximately 31% of revenues in the year ended 31 December 2004. The Company’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 Company’s clients will continue to utilise the Company’s services to the same extent, or at all, in the future. A significant reduction in advertising and marketing spending by, or the loss of one or more of, the Company’s largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Company’s prospects, business, financial condition and results of operations.

The Company may be subject to certain regulations that could restrict the Company’s activities.

From time to time, governments, government agencies and industry self-regulatory bodies in the United States, European Union and other countries in which the Company operates have adopted statutes, regulations and rulings that directly or indirectly affect the form, content and scheduling of advertising, public relations and public affairs, and market research, or otherwise affect the activities of the Company and its clients. For further discussion of such regulations, see the discussion in the Government regulation section under Item 4B. Though the Company does not expect any existing or proposed regulations to materially adversely impact the Company’s business, the Company is unable to estimate the effect on its future operations of the application of existing statutes or regulations or the extent or nature of future regulatory action.

The Company is dependent on its employees.

The advertising and marketing services businesses are highly dependent on the talent, creative abilities and technical skills of its personnel and the relationships its personnel have with clients. The Company believes that its operating companies have established reputations in the industry that attract talented personnel. However, the Company, like all services businesses, is vulnerable to adverse consequences from the loss of key employees due to the competition among their businesses for talented personnel.

The Company is exposed to the risks of doing business internationally.

The Company operates in 106 countries throughout the world. The Company’s international operations are subject to a number of risks inherent in operating in different countries. These include, but are not limited to risks regarding:

- currency exchange rate fluctuations;
- restrictions on repatriation of earnings; and
- changes in a specific country’s or region’s political or economic conditions, particularly in emerging markets.

The occurrence of any of these events or conditions could adversely affect the Company’s ability to increase or maintain its operations in various countries.

Currency exchange rate fluctuations could adversely affect the Company’s consolidated results of operations.

The Company’s reporting currency is the UK pound sterling. However, the Company’s significant international operations give rise to an exposure to changes in foreign exchange rates, since most of its revenues from countries other than the UK are denominated in currencies other than the UK pound sterling, including the US dollar. Changes in exchange rates can reduce the Company's revenues when measured in UK pounds sterling.

The Company may have difficulty repatriating the earnings of its subsidiaries.

Any payment of dividends, distributions, loans or advances to the Company by its subsidiaries could be subject to restrictions on, or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the Company's subsidiaries operate. If the Company is unable to repatriate the earnings of its subsidiaries it could have an adverse impact on the Company's ability to pay dividends or to redeploy earnings in other jurisdictions where they could be used more profitably.

The Company is subject to recessionary economic cycles.

The Company's business is affected by recessionary economic cycles. Recessionary economic cycles may adversely affect the businesses of the Company's clients, which can have the effect of reducing the amount of services they purchase for the Company's agencies and thus can materially adversely affect the Company's consolidated results of operations.

The Company may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

The Company regularly reviews potential acquisitions of businesses that are complementary to its businesses. As part of the review the Company conducts business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction. Despite the Company's efforts, it may be unsuccessful in ascertaining or evaluating all such risks. As a result, it might not realise the intended advantages of any given acquisition. If the Company fails to realise the expected benefits from one or more acquisitions, the Company's business, results of operations and financial condition could be adversely affected.

The Company may be unsuccessful in integrating any acquired operations with its existing businesses.

The Company may experience difficulties in integrating operations acquired from other companies. These difficulties include the diversion of management's attention from other business concerns and the potential loss of key employees of the acquired operations. Acquisitions also frequently involve significant costs related to integrating information technology, accounting and management services and rationalising personnel levels. If the Company experiences difficulties in integrating one or more acquisitions, the Company's business, results of operations and financial condition could be adversely affected.

Goodwill recorded on the Company's balance sheet with respect to acquired companies may become impaired.

The Company has a significant amount of goodwill recorded on its balance sheet with respect to acquired companies. The Company annually tests the carrying value of goodwill for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Company to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial condition and results of operations.

We may use ordinary shares, incur indebtedness, expend cash or use any combination of ordinary shares, indebtedness and cash for all or part of the consideration to be paid in future acquisitions that would result in additional goodwill being recorded on the Company's balance sheet.