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**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

The Company is subject to a variety of possible risks that could adversely impact its revenues, results of operations or financial condition. Some of these risks relate to the industries in which the Company operates while others are more specific to the Company. The following factors set out potential risks the Company has identified that could adversely affect it. See also the discussion of Forward-Looking Statements preceding Item 1.

**Global economic risk**

*The Company is subject to recessionary economic cycles.*

The Company's business is affected by recessionary economic cycles. The current global credit crisis could adversely impact the Company's business, results of operations, ability to raise appropriate financing and financial condition. Many of the economies in which the Company operates are under significant stress or in recession. The Company cannot predict the duration and severity of this economic downturn in any particular market or globally. These conditions make it difficult for the Company's clients and the Company to accurately forecast and plan future business activities, and they may result in the Company's clients reducing or postponing spending on the services the Company offers. A reduction in client spending and a slowdown in client payments could also adversely affect the Company's working capital. Changes to our debt ratings may affect the Company's access to debt capital. The Company's debt issues are rated by the rating agencies Moody's Investor Services and Standard and Poor's Rating Service. The Company's long term debt is currently rated Baa2 and BBB by the agencies, respectively, and the Company's short term debt obligations P2 and A3, respectively. The rating agencies have placed the Company's debt ratings on "negative outlook" which means that, in the event the Company's financial performance and outlook materially deteriorate, a ratings downgrade could occur. The interest rates and fees payable on certain of the Company's revolving credit facilities would be increased and the Company's access to the bond and commercial paper markets could be impaired if the Company's long term debt ratings are downgraded.

**Client risks**

*The Company competes for clients in a highly competitive industry, and client loss may reduce market share and decrease profits.*

The communications services industry is highly competitive and fragmented. The Company's principal competitors are other large multinational communications services companies, as well as regional and national advertising and/or marketing services firms and new media companies. 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 continually to compare the effectiveness of the WPP agency against other agencies' work. Many clients do not permit an agency working for them 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 the Company's agencies from seeking and winning new clients and assignments. If the Company's agencies are unable to compete effectively in the markets in which they operate, the Company's market share and profits may decrease.

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***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 18% of revenues in the year ended 31 December 2008. 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 unable to collect balances due from any client that files for bankruptcy or becomes insolvent.***

The Company generally provides advertising and communications services to its clients in advance of its receipt of payment. The invoices for these services are typically payable within 30 to 60 days. In addition, the Company commits to media and production purchases on behalf of some of its clients. If one or more of its clients files for bankruptcy, or becomes insolvent or otherwise is unable to pay for the services the Company provides, the Company may be unable to collect balances due to it on a timely basis or at all. In addition, in that event, media and production companies may look to the Company to pay for media purchases and production work to which it committed as an agent on behalf of these clients. The damages, costs, expenses or attorneys' fees arising from the lack of payment could have an adverse effect on the Company's prospects, business, results of operations and financial condition. The reputation of the Company's agencies may also be negatively affected.

#### **Employee risks**

***The Company is dependent on its people.***

The advertising and marketing services industries are highly dependent on the talent, creative abilities and technical skills of the personnel of the service providers and the relationships their 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 service providers, is vulnerable to adverse consequences from the loss of key employees due to competition among providers of advertising and marketing services for talented personnel.

#### **International business risks**

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

The Company operates in 107 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:

- changes in a specific country's or region's political or economic conditions, particularly in emerging markets; and
- conflicts between the intent of various terms of the Company's client service contracts with global clients and possible interpretations of those terms based on local laws and business practices or changes therein.

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.

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

The Company's reporting currency is pounds 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 pounds sterling, including US dollars and euros. Changes in exchange rates cause fluctuations in the Company's results when measured in 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 redeploy earnings in other jurisdictions where they could be used more profitably.

***Merger and acquisition risks***

***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, rationalising personnel levels and implementing internal controls. 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 and other acquired intangible assets recorded on the Company's balance sheet with respect to acquired companies may become impaired.***

The Company has a significant amount of goodwill and other acquired intangible assets 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.

The Company 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.

#### **Regulatory and legal risks**

***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. Changes in tax laws or their application may also adversely affect the Company's reported results. Although 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 may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective.***

The Company may be, or may be joined as, a defendant in litigation brought against its clients by third parties, its clients' competitors, governmental or regulatory authorities or consumers. These actions could involve claims alleging, among other things, that:

- advertising claims made with respect to the Company's clients' products or services are false, deceptive, misleading, or offensive;
- the Company's clients' products are defective or injurious and may be harmful to others; or
- marketing, communications or advertising materials created for the Company's clients infringe on the proprietary rights of third parties since client-agency contracts generally provide that the agency agrees to indemnify the client against claims for infringement of intellectual property rights.

The damages, costs, expenses or attorneys' fees arising from any of these claims could have an adverse effect on the Company's prospects, business, results of operations and financial condition to the extent that we are not adequately insured against such risks or indemnified by the Company's clients. In any case, the reputation of the Company's agencies may be negatively affected by such allegations.

***Civil liabilities or judgments against the Company or its directors or officers based on U.S. federal or state securities laws may not be enforceable in the U.S. or in England and Wales or in Jersey.***

The Company is a public limited company incorporated under the laws of Jersey. Some of the Company's directors and officers reside outside of the United States. In addition, a substantial portion of the directly owned assets of the Company are located outside of the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States against