

Appendix I

Unaudited consolidated interim results for the six months ended 30 June, 1999

Notes	Six months ended		+ / (-) %	Constant Currency + / (-) %	Year ended 31-Dec 1998 £m	
	30-Jun 1999 £m	Six months ended 30-Jun 1998* £m				
Turnover (gross billings)	4,445.10	3,842.10	15.70%	14.10%	8,000.10	
Revenue	1,017.30	900	13.00%	11.40%	1,918.40	
Gross profit	861.2	770	11.80%	10.10%	1,632.50	
Operating costs	-740.6	-666.3	-11.20%	-9.30%	-1,403.40	
Operating profit	120.6	103.7	16.30%	14.90%	229.1	
Income from associates	8.3	4.8	72.90%	81.40%	16.1	
Profit on ordinary activities before interest and taxation	128.9	108.5	18.80%	17.80%	245.2	
Net interest payable and similar charges	-16.3	-14.7	-10.90%	-9.10%	-32.4	
Profit on ordinary activities before taxation	112.6	93.8	20.00%	19.20%	212.8	
Tax on profit on ordinary activities	5	-34.9	-30	-16.30%	-15.60%	-67
Profit on ordinary activities after taxation	77.7	63.8	21.80%	21.10%	145.8	
Minority interests	-2.4	-2.2	-9.10%	-9.10%	-5.5	
Profit attributable to ordinary share owners	75.3	61.6	22.20%	21.50%	140.3	
Ordinary dividends	6	-7.8	-6.2	25.80%	25.80%	-19.6
Retained profit for the period	67.5	55.4	21.80%	21.00%	120.7	
Earnings per share (net basis)						
Basic earnings per ordinary share	7	10.0p	8.4p	19.00%	18.00%	19.1p
Fully diluted earnings per ordinary share	7	9.8p	8.4p	16.70%	15.90%	18.8p
Ordinary dividend per share						
Interim	6	1.0p	0.84p	19.00%	19.00%	0.84p
Final		-	-	-	-	1.72p
Earnings per ADR (net basis) **						
Basic earnings per ADR		\$1.62	\$1.39	16.50%	18.00%	\$3.17
Fully diluted earnings per ADR		\$1.59	\$1.39	14.40%	15.90%	\$3.12
Ordinary dividend per ADR (net) **						
Interim		16.2c	13.9c	16.50%	19.00%	13.9c
Final		-	-	-	-	28.5c

* Restated following implementation of FRS14 "Earnings per Share" (see [note 7](#))

** These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown in note 3

Unaudited summary interim consolidated cash flow statement for the period ended 30 June, 1999

	Six months ended 30 June 1999 £m	Six months ended 30 June 1998 £m	Year ended 31-Dec 1998 £m
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:			
Operating profit	120.6	103.7	229.1
Depreciation charge	19.7	16.1	33.7
<u>Movements in working capital and provisions</u>	<u>-202.9</u>	<u>-204.3</u>	<u>-6.8</u>
Net cash (outflow)/inflow from operating activities	-62.6	-84.5	256
Dividends received from associates	1.8	0.8	3.4
Returns on investments and servicing of finance	-13.9	-14.8	-28.7
United Kingdom and overseas tax paid	-31.6	-28.9	-59
Purchase of tangible fixed assets	-22.1	-17.4	-51.6
Purchase of own shares by ESOP Trust	-4.1	-3.1	-33.3
<u>Other movements</u>	<u>1.6</u>	<u>0.6</u>	<u>2.8</u>
Capital expenditure and financial investment	-24.6	-19.9	-82.1
<u>Net acquisition payments</u>	<u>-54</u>	<u>-58.8</u>	<u>-115.5</u>
<u>Equity dividends paid</u>	<u>-</u>	<u>-</u>	<u>-16.6</u>
Net cash outflow before financing	-184.9	-206.1	-42.5
Increase/(reduction) in drawings on bank loans	42.3	103	-81.4
Proceeds from US bond issuance	-	-	178.8
Share buybacks	-	-17.1	-21.3
<u>Other movements</u>	<u>4</u>	<u>3</u>	<u>2</u>
Net cash inflow from financing	46.3	88.9	78.1
(Decrease)/increase in cash and overdrafts for the period	-138.6	-117.2	35.6
Translation difference	6.8	-1	0.9
Balance of cash and overdrafts at beginning of period	328.5	292	292
<u>Balance of cash and overdrafts at end of period</u>	<u>196.7</u>	<u>173.8</u>	<u>328.5</u>
Reconciliation of net cash flow to movement in net (debt)/funds:			
(Decrease)/increase in cash and overdrafts for the period	-138.6	-117.2	35.6
Cash inflow from debt financing	-42.3	-103	-95.2
Other movements	-0.7	-0.6	-0.9
<u>Translation difference</u>	<u>-5.1</u>	<u>0.9</u>	<u>0.1</u>
Movement of net funds in the period	-186.7	-219.9	-60.4
<u>Net funds at beginning of period</u>	<u>134.3</u>	<u>194.7</u>	<u>194.7</u>
<u>Net (debt)/funds at end of period (Note 11)</u>	<u>-52.4</u>	<u>-25.2</u>	<u>134.3</u>

Unaudited consolidated balance sheet as at 30 June, 1999

Notes	30-Jun 1999 £m	30-Jun 1998 £m	31-Dec 1998 £m
Fixed assets			
Intangible assets:			

Corporate brands		350	350	350
Goodwill	8	204.1	79.4	158
Tangible assets		178.1	145.6	166.7
Investments	8	290.7	73.3	268.2
		1,022.90	648.3	942.9
Current assets				
Stocks and work in progress		140.2	124.8	107.3
Debtors		1,058.00	917.9	893.1
Debtors within working capital facility:				
Gross debts		326	300.8	294.5
Non-returnable proceeds		<u>-219.5</u>	<u>-208.8</u>	<u>-209.2</u>
		106.5	92	85.3
Cash at bank and in hand		302.7	221.9	423.9
		1,607.40	1,356.60	1,509.60
Creditors: amounts falling due within one year	9	-1,846.60	-1,570.80	-1,777.30
Net current liabilities		-239.2	-214.2	-267.7
Total assets less current liabilities		783.7	434.1	675.2
Creditors: amounts falling due after more than one year	10	-468.6	-345.7	-401.5
Provisions for liabilities and charges		-80	-68.3	-77.9
Net assets		235.1	20.1	195.8
Capital and reserves				
Share capital		77	73.5	76.6
Reserves		149.6	-61.5	111.1
Share owners' funds		226.6	12	187.7
Minority interests		8.5	8.1	8.1
Total capital employed		235.1	20.1	195.8

Unaudited reconciliation of movements in consolidated share owners' funds for the period ended 30 June, 1999

	Six months ended 30 June 1999	Six months ended 30 June 1998	Year ended 31 December 1998
	£m	£m	£m
Profit for the period	75.3	61.6	140.3
Ordinary dividends payable	-7.8	-6.2	-19.6
	67.5	55.4	120.7
Exchange adjustments on foreign currency net investments	-33.4	-4.1	4

Share buybacks	-	-17.1	-21.3
Other movements	4.8	3	4.1
Net additions to share owners' funds	38.9	37.2	212.9
Opening share owners' funds	187.7	-25.2	-25.2
Closing share owners' funds	226.6	12	187.7

Unaudited statement of consolidated recognised gains and losses for the period ended 30 June, 1999

	Six months ended 30 June 1999	Six months ended 30 June 1998	Year ended 31 December 1998
	£m	£m	£m
Profit for the period	75.3	61.6	140.3
Exchange adjustments on foreign currency net investments	-33.4	-4.1	4
Total recognised gains	41.9	57.5	144.3

Notes to the unaudited consolidated interim financial statements

1. Basis of accounting

The consolidated interim financial statements are prepared under the historical cost convention.

2. Accounting policies

The consolidated interim financial statements comply with relevant accounting standards and have been prepared using accounting policies set out on pages 52 and 53 of the Group's 1998 Annual Report and Accounts, apart from the adoption of FRS 12 (Provisions and Contingencies) and FRS 13 (Derivatives and Other Financial Instruments). There has been no

material impact on the financial statements as a result of the adoption of these new standards.

The policies set out in the 1998 Annual Report and Accounts are in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP).

3. Currency conversion

The 1999 unaudited interim consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US\$1.6197 to the pound (period ended 30 June, 1998: US\$1.65; year ended 31 December, 1998: US\$1.6574). The balance sheet as at 30 June, 1999 has been prepared using the exchange rate on that day of US\$1.5763 to the pound (30 June, 1998: US\$1.6685; 31 December, 1998: US\$1.6638).

The constant currency percentage changes shown on the face of the profit and loss account have been calculated by applying 1999 exchange rates to the results for 1998 and 1999.

The unaudited preliminary consolidated profit and loss account and balance sheet are presented in Euros in Appendix II for illustrative purposes. The unaudited interim consolidated profit and loss account is prepared using an average exchange rate of $\pounds 1.5372$ to the pound (period ended 30 June, 1998: $\pounds 1.5070$; year ended 31 December 1998: $\pounds 1.4771$). The balance sheet as at 30 June, 1999 has been prepared using the exchange rate on the day of $\pounds 1.5285$ to the pound (30 June, 1998: $\pounds 1.5197$; 31 December, 1998: $\pounds 1.4169$).

4. Segmental Analysis

Reported contributions by geographical area were as follows:

	30-Jun-99	30-Jun-98	31-Dec-98
£m	£m	£m	
Revenue			
United Kingdom	212	187.3	393.5
United States	432.4	369.4	764.4
Continental Europe	199.1	174.8	396
Canada, Asia Pacific, Latin America, Africa & Middle East	173.8	168.5	364.5
	1,017.30	900	1,918.40
PBIT¹			
United Kingdom	25.2	20.9	42.2
United States	68	55.8	111.6
Continental Europe	25	24.5	55
Canada, Asia Pacific, Latin America, Africa & Middle East	10.7	7.3	36.4
	128.9	108.5	245.2

Reported contributions by operating sector were as follows:

	30-Jun-99	30-Jun-98	31-Dec-98
£m	£m	£m	£m
Revenue			
Advertising, media planning, buying and research	477.2	450.5	951.3
Information and consultancy	191.9	163.2	367.2
Public relations and public affairs	82.8	64.7	134.8
Branding and identity, healthcare and specialist communications	265.4	221.6	465.1
	1,017.30	900	1,918.40

PBIT¹

Advertising, media planning, buying and research	69.2	63.2	141.3
Information and consultancy	18	15.3	39.3
Public relations and public affairs	11.6	8.1	15.7
Branding and identity, healthcare and specialist communications	30.1	21.9	48.9
	128.9	108.5	245.2

¹ PBIT: Profit on ordinary activities before interest and taxation

5. Taxation

The Group tax rate on profit on ordinary activities before taxation is 31% (30 June, 1998: 32%; year ended 31 December, 1998: 31.5%). The tax charge relates mainly to overseas operations, except for £5.1 million in respect of UK corporation tax and £4.3 million in respect of associated companies.

6. Interim dividend

An interim dividend of 1.0p (1998: 0.84p net) per ordinary share has been declared by the Board. This is expected to be paid on 20 November 1999 to share owners on the register at 22 October 1999. No advance corporation tax is payable in respect of the interim dividend owing to the abolition of ACT with effect from April 1999.

7. Earnings per share

Basic and fully diluted earnings per share have been calculated in accordance with FRS14 'Earnings per share', and the prior year comparatives have been restated accordingly.

(a) Basic earnings per share have been calculated using earnings of £75.3 million (30 June, 1998: £61.6 million; year ended 31 December, 1998: £140.3 million) and weighted average shares in issue during the six months to 30 June, 1999 of 752,798,633 shares (30 June, 1998: 729,757,040 shares; year ended 31 December, 1998: 735,700,122 shares).

(b) Fully diluted earnings per share have been calculated on a weighted average of 768,181,423 shares (30 June, 1998: 737,407,317 shares; year ended 31 December, 1998: 746,939,733 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.

(c) At 30 June, 1999 there were 769,574,125 ordinary shares in issue.

8. Net movement on goodwill

Total goodwill of £58.5 million arising during the period includes £46.1 million in respect of the acquisition of subsidiary undertakings. In addition, investments include £12.4 million of goodwill in respect of associate undertakings. Cash paid in respect of these acquisitions was £57.3 million. Future anticipated payments to vendors totalled £97.2 million (30 June, 1998: £52.7 million; 31 December, 1998: £97.9 million), based on the directors' best estimates of future obligations, which are dependent on future performance of the interests acquired.

These acquisitions do not have a significant impact on the Group's results for the six months to 30 June 1999.

9. Creditors: amounts falling within one year

The following are included in creditors falling due within one year:

	30-Jun-99	30-Jun-98	31-Dec-98
	£m	£m	£m
Bank loans and overdrafts	105.9	57.2	95.4
Trade creditors	1,160.50	1,033.50	1,102.40
Corporate income tax payable	58.7	38.8	50
Deferred income	103.6	86.3	111.1
Payments due to vendors (note 8)	6.1	6.6	14.3
Other creditors and accruals	411.8	348.4	404.1
	<u>1,846.60</u>	<u>1,570.80</u>	<u>1,777.30</u>

10. Creditors: amounts falling due after more than one year

The following are included in creditors falling due after more than one year:

	30-Jun-99	30-Jun-98	31-Dec-98
	£m	£m	£m
Corporate bond and bank loans	249.2	189.9	194.2
Corporate income taxes payable	99.2	78.5	91.3
Payments due to vendors (note 8)	91.1	46.1	83.6
Other creditors and accruals	29.1	31.2	32.4
	<u>468.6</u>	<u>345.7</u>	<u>401.5</u>

11. Net (debt) / funds

	30-Jun-99	30-Jun-98	31-Dec-98
	£m	£m	£m
Cash at bank and in hand	302.7	221.9	423.9
Bank loans and overdrafts due within one year (note 9)	-105.9	-57.2	-95.4
Corporate bond and loans due after one year (note 10)	-249.2	-189.9	-194.2
Net (debt)/funds	-52.4	-25.2	-134.3

12. Year 2000 compliance

As referred to in the Group's 1998 annual report, WPP has now substantially completed a Group-wide programme of work designed to achieve its Year 2000 compliance objectives by 30 June 1999. The cost of this work is still estimated to be in the region of \$20 million being expended between 1997 and 2000. Year 2000 compliance of most of the Group's IT systems and products was achieved by the target date. The remediation of the remaining non-compliant IT systems or products is planned to be completed before the end of September

1999. The Group will continue to monitor the Year 2000 compliance of its business critical suppliers and clients. The Group's Year 2000 compliance programme and its associated contingency plans are designed to minimise the disruption to the business of WPP arising from the millennium date change. However, there can be no guarantee that every possible cause of business disruption will be avoided, especially where due to events outside the control of the Group.

13. Statutory information and audit review

The results for the six months to 30 June, 1999 and 1998 do not constitute statutory accounts. The statutory accounts for the year ended 31 December, 1998 received an unqualified auditors' report and have been filed with the Registrar of Companies. The interim financial statements are unaudited but have been reviewed by the auditors and their report to the directors is set out below.

INDEPENDENT REVIEW REPORT TO WPP GROUP PLC

Introduction

We have been instructed by the company to review the financial information set out in Appendices I and II and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reason for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 1999.

Arthur Andersen
Chartered Accountants
London

16 August 1999

Appendix II

Preliminary results for the six months ended 30 June, 1999

Unaudited preliminary consolidated profit and loss account for the six months ended 30 June, 1999

Presented in Euros for illustrative purposes only

	Six months ended	Six months ended	Year
	30-Jun	30-Jun	ended
	1999	1998	31-Dec
	EUR	EUR	1998
			EUR
Turnover (gross billings)	6,833.00	5,790.10	11,817.00
Revenue	1,563.80	1,356.30	2,833.70
Gross profit	1,323.80	1,160.40	2,411.40
Operating costs	-1,138.40	-1,004.10	-2,073.00
Operating profit	185.4	156.3	338.4
Income from associates	12.7	7.2	23.8
Profit on ordinary activities before interest and taxation	198.1	163.5	362.2
Net interest payable and similar charges	-25	-22.1	-47.9
Profit on ordinary activities before taxation	173.1	141.4	314.3
Tax on profit on ordinary activities	-53.6	-45.2	-98.9
Profit on ordinary activities after taxation	119.5	96.2	215.4
Minority interests	-3.7	-3.3	-8.1
Profit attributable to ordinary share owners	115.8	92.9	207.3
Ordinary dividends	-12	-9.3	-29
Retained profit for the period	103.8	83.6	178.3
Earnings per share (net basis)			
Basic earnings per ordinary share	15.4c	12.7c	28.2c
Ordinary dividend per share			
Interim	1.54c	1.27c	1.24c
Final	-	-	2.54c

Unaudited preliminary consolidated balance sheet as at 30 June, 1999

Presented in Euros for illustrative purposes only

	30-Jun 1999 EUR	30-Jun 1998 EUR	31-Dec 1998 EUR
Fixed assets			
Intangible assets:			
Corporate brands	535	531.9	495.9
Goodwill	312	120.7	223.9
Tangible assets	272.2	221.3	236.2
Investments	444.3	111.4	380
	1,563.50	985.3	1,336.00
Current assets			
Stocks and work in progress	214.3	189.7	152
Debtors	1,617.20	1,394.90	1,265.40
Debtors within working capital facility:			
Gross debts	498.3	457.1	417.3
Non-returnable proceeds	<u>-335.5</u>	<u>-317.3</u>	<u>-296.4</u>
	162.8	139.8	120.9
Cash at bank and in hand	462.7	337.2	600.6
	2,457.00	2,061.60	2,138.90
Creditors: amounts falling due within one year	-2,822.50	-2,387.10	-2,518.30
Net current liabilities	-365.5	-325.5	-379.4
Total assets less current liabilities	1,198.00	659.8	956.6
Creditors: amounts falling due after more than one year	-716.3	-525.4	-568.9
Provisions for liabilities and charges	-122.3	-103.8	-110.4
Net assets	359.4	30.6	277.3
Capital and reserves			
Share capital	117.7	111.7	108.5
Reserves	228.7	-93.4	157.4
Share owners' funds	346.4	18.3	265.9
Minority interests	13	12.3	11.4
Total capital employed	359.4	30.6	277.3