

WPP GROUP PLC

Preliminary results for the year ended 31 December, 2000

Unaudited preliminary consolidated profit & loss account for the year ended 31 December, 2000

	Notes	2000			1999 Total	Constant Currency (Note 3)	
		Continuing Operations *	Acquisitions (Young & Rubicon only)	Total		+/- %	+/- %
		£m	£m	£m	£m	%	%
Turnover (gross billings)		12,212.7	1,736.7	13,949.4	9,345.9	+49.3%	+45.0%
Revenue	5	2,621.3	359.4	2,980.7	2,172.6	+37.2%	+32.9%
Gross Profit		2,376.7	359.4	2,736.1	1,855.3	+47.5%	+42.7%
Operating costs		(2,046.3)	(311.8)	(2,358.1)	(1,591.8)	-48.1%	-43.2%
Operating profit		330.4	47.6	378.0	263.5	+43.5%	40.1%
Income from associates		35.4	2.6	38.0	27.3	+39.2%	+38.0%
Profit on ordinary activities before interest and taxation	5	365.8	50.2	416.0	290.8	+43.1%	+39.9%
Net interest payable and similar charges		(47.8)	(2.5)	(50.3)	(35.4)	-42.1%	-37.0%
Profit on ordinary activities before taxation		318.0	47.7	365.7	255.4	+43.2%	+40.3%
Tax on profit on ordinary activities	6			(109.7)	(76.6)	-43.2%	-40.3%
Profit on ordinary activities after taxation				256.0	178.8	+43.2%	+40.3%
Minority interests				(11.3)	(6.0)	-88.3%	-88.3%
Profit attributable to ordinary share owners				244.7	172.8	+41.6%	+38.5%
Ordinary dividends	7			(37.8)	(24.0)	+57.5%	+57.5%
Retained profit for the year				206.9	148.8	+39.0%	+35.3%
Earnings per share (net basis)							
Basic earnings per ordinary share	8			29.3p	22.9p	+27.9%	+25.1%
Fully diluted earnings per ordinary share	8			28.4p	22.5p	+26.2%	+23.0%
Ordinary dividend per share							
- interim	7			1.2p	1.0p	+20.0%	+20.0%
- final	7			2.55p	2.1p	+21.4%	+21.4%
Earnings per ADR (net basis) **							
Basic earnings per ADR	3			\$2.22	\$1.85	+20.0%	+20.0%
Fully diluted earnings per ADR	3			\$2.15	\$1.82	+18.1%	+18.1%
Ordinary dividend per ADR**							
Interim	3			9.4c	8.1c	+16.0%	+16.0%
Final	3			19.0c	17.0c	+11.8%	+11.8%

* The figures presented for continuing operations include 2000 acquisitions, other than Young & Rubicon. Aggregated figures for acquisitions were revenue of £438.9 million, operating profit of £61.5 million and PBIT of £66.4 million. These figures are shown in more detail in note 4.

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

WPP GROUP PLC

Unaudited preliminary consolidated cash flow statement for the year ended 31 December, 2000

	2000	1999
	£m	£m
Reconciliation of operating profit		
to net cash inflow from operating activities:		
Operating profit	378.0	263.5
Depreciation, amortisation and impairment charge	78.9	42.2
Movements in working capital and provisions	166.1	42.8
Net cash inflow from operating activities	623.0	348.5
Dividends received from associates	7.6	4.3
Return on investments and servicing of finance	(64.6)	(37.1)
United Kingdom and overseas tax paid	(81.4)	(58.4)
Purchase of tangible fixed assets	(111.9)	(64.6)
Purchase of own shares by ESOP trust	(94.1)	(17.9)
Other movements	6.9	2.0
Capital expenditure and financial investment	(199.1)	(80.5)
Cash consideration for acquisitions	(206.5)	(242.2)
(Overdraft)/cash acquired	(33.6)	51.8
Net purchases of other investments	(40.9)	(11.8)
Total acquisitions	(281.0)	(202.2)
Equity dividends paid	(25.6)	(21.1)
Net cash outflow before financing	(21.1)	(46.5)
Increase in drawings on bank loans	126.6	258.0
Proceeds from issue of shares	78.0	12.0
Net cash inflow from financing	204.6	270.0
Increase in cash and overdrafts for the year	183.5	223.5
Translation difference	35.1	(0.6)
Balance of cash and overdrafts at beginning of year	551.4	328.5
Balance of cash and overdrafts at end of year	770.0	551.4
Reconciliation of net cash flow to movement in net (debt)/ funds:		
Increase in cash and overdrafts for the year	183.5	223.5
Cash inflow from debt financing	(126.6)	(258.0)
Debt acquired	(194.9)	-
Other movements	(1.9)	(1.7)
Translation difference	23.4	(6.2)
Movement of net (debt)/ funds in the year	(116.5)	(42.4)
Net funds at beginning of year	91.9	134.3
Net (debt)/ funds at end of year (Note 14)	(24.6)	91.9

WPP GROUP PLC

Unaudited preliminary consolidated balance sheet as at 31 December, 2000

	Notes	2000 £m	1999 RESTATED* £m
Fixed assets			
Intangible assets:			
Corporate brands	9	950.0	350.0
Goodwill	2, 10	3,497.3	410.3
Tangible assets			
Investments	10	551.5	356.9
		5,389.0	1,313.9
Current assets			
Stocks and work in progress			
Debtors	11	2,181.0	1,068.4
Debtors within working capital facility:			
Gross debts		464.9	345.7
Non-returnable proceeds		(231.6)	(214.1)
		233.3	131.6
Cash at bank and in hand			
		1,067.6	607.0
		3,723.0	1,920.5
Creditors: amounts falling due within one year	12	(4,252.4)	(2,148.0)
		(529.4)	(227.5)
Net current liabilities			
Total assets less current liabilities		4,859.6	1,086.4
Creditors: amounts falling due after more than one year			
		(1,279.6)	(652.5)
Provisions for liabilities and charges		(145.9)	(79.2)
Net assets		3,434.1	354.7
Capital and reserves			
Share capital			
		111.2	77.5
Reserves			
		3,298.7	268.7
Share owners' funds		3,409.9	346.2
Minority interests			
		24.2	8.5
Total capital employed		3,434.1	354.7

* The 1999 balance sheet has been restated as a result of the implementation of FRS19 in the Group's 2000 financial statements. The resulting prior year adjustment is shown in note 11.

WPP GROUP PLC

Unaudited preliminary reconciliation of movements in consolidated share owners' funds for the year ended 31 December 2000

	2000	1999
		RESTATED*
	£m	£m
Profit for the financial year	244.7	172.8
Ordinary dividends payable	(37.8)	(24.0)
	206.9	148.8
Exchange adjustments on foreign currency net investments	(133.0)	(31.2)
Shares issued for acquisition of Y&R Inc.	2,412.1	-
Reserve for shares to be issued as a result of acquisition of Y&R Inc.	547.3	-
Share issue costs charged to share premium	(33.3)	-
Other share issues	63.7	12.9
Net additions to share owners' funds	3,063.7	130.5
Opening share owners' funds	346.2	215.7
Closing share owners' funds	3,409.9	346.2

Unaudited preliminary statement of consolidated recognised gains and losses for the year ended 31 December 2000

	2000	1999
	£m	£m
Profit for the year	244.7	172.8
Exchange adjustments on foreign currency net investments	(133.0)	(31.2)
Total recognised gains	111.7	141.6

* The 1999 balance sheet has been restated as a result of the implementation of FRS19 in the Group's 2000 financial statements. The cumulative effect of the resulting prior year adjustment is to increase retained earnings at December 31, 1999 by £28.0 million. The implementation did not impact on the reported profit and loss account for 1999.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements

1. Basis of accounting

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

2. Accounting policies

The unaudited preliminary consolidated financial statements comply with relevant accounting standards (UK GAAP) and have been properly prepared using accounting policies set out on pages 56 and 57 of the Group's 1999 Annual Report and Accounts, apart from the adoption of FRS15 (Tangible fixed assets), FRS16 (Current tax) and FRS19 (Deferred tax). There has been no material impact on the financial statements as a result of the adoption of these new standards except in the case of FRS19 (Deferred tax).

FR19 requires that deferred tax should be recognised as a liability or asset if the transactions or events that give the Group an obligation to pay more tax in the future or a right to pay less tax in future have occurred by the balance sheet date. The Standard is mandatory for all accounting periods ending on or after 23 January 2002 but, consistent with ASB's encouragement for companies to adopt early, the Group has decided to implement FRS19 in its 2000 financial statements. The effects of the early adoption of FRS19 and the resulting prior year adjustments are shown in notes 6 and 11.

The directors have also reassessed their opinion that all the goodwill and intangible assets of the Group have an infinite life. For certain acquisitions, where the directors consider it more appropriate, goodwill is now amortised over its useful life up to a 20 year period, from the date of acquisition. The impact of this revision to the estimated life of goodwill is shown in note 10.

3. Currency conversion

The 2000 unaudited preliminary consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US\$1.5162 to the pound (1999: US\$1.6178). The unaudited preliminary consolidated balance sheet as at 31 December 2000 has been prepared using the exchange rate on that day of US\$1.4937 to the pound (1999: US\$1.6182).

The unaudited preliminary consolidated profit and loss account and balance sheet are presented in Euros in Appendix II for illustrative purposes. The unaudited preliminary consolidated profit and loss account has been prepared using an average exchange rate of $\pounds 1.6428$ to the pound (1999: $\pounds 1.5202$). The unaudited preliminary balance sheet at 31 December 2000 has been prepared using the exchange rate on that day of $\pounds 1.5912$ to the pound (1999: $\pounds 1.6056$).

The constant currency percentage changes shown on the face of the profit and loss account have been calculated by applying 2000 exchange rates to the results for 1999 and 2000 for both the Sterling and Euro financial statements.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

4. Acquisitions

The total contributions of acquisitions completed in 2000 was follows:

	Young & Rubicam	Other Acquisitions	Total
	£m	£m	£m
Revenue	359.4	79.5	438.9
Gross profit	359.4	79.5	438.9
Operating costs	(311.8)	(65.6)	(377.4)
Operating profit	47.6	13.9	61.5
Income from associates	2.6	2.3	4.9
Profit on ordinary activities before interest and taxation	50.2	16.2	66.4
Net interest payable and similar charges	(2.5)	(0.1)	(2.6)
Profit on ordinary activities before taxation	47.7	16.1	63.8

5. Segmental Information

Reported contributions by geographical area were as follows:

	2000	1999
	£m	£m
Revenue		
United Kingdom	532.4	434.7
United States	1,273.6	915.2
Continental Europe	586.3	426.2
Canada, Asia Pacific, Latin America, Africa & Middle East	588.4	396.5
	2,980.7	2,172.6
PBIT_		
United Kingdom	63.1	51.5
United States	191.4	139.0
Continental Europe	81.9	55.8
Canada, Asia Pacific, Latin America, Africa & Middle East	79.6	44.5
	416.0	290.8

_PBIT: Profit on ordinary activities before interest and taxation

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

Reported contributions by operating sector were as follows:

	2000	1999
	£m	£m
Revenue		
Advertising and media investment management	1,399.0	1,013.1
Information and consultancy	512.1	419.7
Public relations and public affairs	330.1	178.9
Branding and Identity, Healthcare and Specialist Communications	739.5	560.9
	2,980.7	2,172.6
PBIT		
Advertising and media investment management	231.4	155.9
Information and consultancy	51.6	42.1
Public relations and public affairs	43.2	23.9
Branding and Identity, Healthcare and Specialist Communications	89.8	68.9
	416.0	290.8

_PBIT: Profit on ordinary activities before interest and taxation

6. Taxation

The Group tax rate on profit on ordinary activities before taxation is 30% (1999: 30%). The tax charge comprises:

	2000	1999
	£m	£m
Corporation Tax at 30% (1999 – 30.25%)	6.4	12.4
Deferred taxation	(10.6)	(0.7)
Overseas taxation	100.3	56.5
Tax on profits of associate companies	13.6	8.1
ACT write-off	-	0.3
	109.7	76.6

7. Ordinary dividends

The Board has recommended a final dividend of 2.55p (1999: 2.1p) per ordinary share. In addition to the interim dividend paid of 1.2p (1999: 1.0p net) per ordinary share, this makes a total for the year of 3.75p (1999: 3.1p) per ordinary share. The final dividend is expected to be paid on 9 July 2001 to share owners on the register at 8 June 2001. No advance corporation tax is paid or payable in respect of either the interim or final dividends owing to the abolition of ACT with effect from April 1999.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

8. Earnings per share

Basic and fully diluted earnings per share have been calculated in accordance with FRS14 "Earnings per Share".

- (a) Basic earnings per share have been calculated using earnings of £244.7 million (1999: £172.8 million) and weighted average shares in issue during the year of 834,280,801 shares (1998: 753,324,054 shares).
- (b) Fully diluted earnings per share have been calculated using earnings of £244.7 million (1999: £172.8 million), as adjusted for income arising on the convertible loan note of £0.9 million (1999: £nil). The weighted average shares used was 865,978,000 shares (1999: 768,691,993 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.
- (c) At 31 December 2000, there were 1,111,853,705 ordinary shares in issue.

9. Corporate Brands

The Group has capitalised an additional £600 million for the Corporate brand names of Y&R Inc., which was acquired during the year.

10. Goodwill

Total goodwill of £3,092.1 million arising during the year includes £3,087.0 million in respect of acquisitions of subsidiary undertakings. This amount includes £2,818.5 million arising from the acquisition of Y&R Inc, which was completed on 4th October 2000.

In addition, investments include £5.1 million of goodwill in respect of associated undertakings acquired during the year.

Cash paid in respect of these acquisitions was £206.5 million. Future anticipated payments to vendors total £302.3 million (1999 : £172.4 million), based on the directors' best estimates of future obligations, which are dependent on future performance of the interests acquired. £94.1 million of earnout payments are expected to be paid during 2001.

During the year, the Group charged £8.5million (1999: £nil) to operating profit, arising from the impairment of goodwill during the year due to the adjustment of the carrying value of goodwill to its recoverable amount.

Additionally, £6.6million (1999: £nil) was charged to operating profit for goodwill amortisation, as goodwill arising on certain acquisitions is now being amortised over periods up to 20 years as a result of the Group's reassessment of the useful economic life of goodwill.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

11. Debtors

The following are included in debtors:	<u>2000</u>	<u>1999</u>
	£m	RESTATED* £m
Trade debtors	1,699.4	770.0
Prepayments and accrued income	129.3	70.1
Deferred tax	57.4	28.0
Other debtors	294.9	200.3
	<u>2,181.0</u>	<u>1,068.4</u>

The deferred tax asset is regarded as recoverable since, based on all available evidence, including forecasts of profit, it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The 31 December 1999 balance sheet has been restated to recognise a deferred tax asset of £28.0 million as a result of the implementation by the Group of FRS19 in its 2000 financial statements.

12. Creditors: amounts falling due within one year

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

	<u>2000</u>	<u>1999</u>
	£m	£m
Bank loans and overdrafts	297.6	148.3
Trade creditors	2,574.9	1,315.0
Corporate income tax payable	42.4	34.6
Deferred income	267.6	125.8
Payments due to vendors (note 10)	94.1	41.2
Other creditors and accruals	975.8	483.1
	<u>4,252.4</u>	<u>2,148.0</u>

Overdraft balances included within bank loans and overdrafts amount to £297.6 million (1999: £55.6 million).

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

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

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

	<u>2000</u> £m	<u>1999</u> £m
Corporate bond, convertible loan note and bank loans	794.6	366.8
Corporate income taxes payable	212.5	122.9
Payments due to vendors (note 10)	208.2	131.2
Other creditors and accruals	64.3	31.6
	<u>1,279.6</u>	<u>652.5</u>

The corporate bond, convertible loan note, bank loans and overdrafts included within short and long term creditors fall due for repayment as follows:

	<u>2000</u> £m	<u>1999</u> £m
Within one year	297.6	148.3
Between 1 and 2 years	-	-
Between 2 and 5 years	402.8	183.1
Over 5 years	391.8	183.7
	<u>1,092.2</u>	<u>515.1</u>

14. Net (debt)/ funds

	<u>2000</u> £m	<u>1999</u> £m
Cash at bank and in hand	1,067.6	607.0
Bank loans and overdrafts due		
Within one year (note 12)	(297.6)	(148.3)
Corporate bond, convertible loan note and loans due		
After one year (note 13)	(794.6)	(366.8)
Net (debt)/ funds	<u>(24.6)</u>	<u>91.9</u>

15. Statutory information and audit review

The results for the year to 31 December 2000 do not constitute statutory accounts and are unaudited. The statutory accounts for the year ended 31 December 1999 received an unqualified auditors' report and have been filed with the Registrar of Companies.

WPP GROUP PLC

Appendix II

Preliminary results for the year ended 31 December, 2000

Unaudited preliminary consolidated profit & loss account for the year ended 31 December, 2000

Presented in Euros for illustrative purposes only

	2000			1999 Total _m	Constant Currency (Note 3) +/- %
	Continuing Operations _m	Acquisitions (Young & Rubicam only) _m	Total _m		
Turnover (gross billings)	20,063.0	2,853.1	22,916.1	14,207.6	+61.3%
Revenue	4,306.3	590.4	4,896.7	3,302.8	+48.3%
Gross profit	3,904.5	590.4	4,494.9	2,820.4	+59.4%
Operating costs	(3,361.7)	(512.2)	(3,873.9)	(2,419.8)	-60.1%
Operating profit	542.8	78.2	621.0	400.6	+55.0%
Income from associates	58.1	4.3	62.4	41.5	+50.4%
Profit on ordinary activities before interest and taxation	600.9	82.5	683.4	442.1	+54.6%
Net interest payable and similar charges	(78.5)	(4.1)	(82.6)	(53.8)	-53.5%
Profit on ordinary activities before taxation	522.4	78.4	600.8	388.3	+54.7%
Tax on profit on ordinary activities			(180.2)	(116.5)	-54.7%
Profit on ordinary activities after taxation			420.6	271.8	+54.7%
Minority interests			(18.6)	(9.1)	-104.4%
Profit attributable to ordinary share owners			402.0	262.7	+53.0%
Ordinary dividends			(62.1)	(36.5)	+70.1%
Retained profit for the year			339.9	226.2	+50.3%
Earnings per share (net basis)					
Basic earnings per ordinary share			48.1c	34.8c	+38.2%
Fully diluted earnings per ordinary share			46.7c	34.2c	+36.5%
Ordinary dividend per share - interim			1.97c	1.52c	+29.6%
- final			4.19c	3.19c	+31.3%

WPP GROUP PLC

Unaudited preliminary consolidated balance sheet as at 31 December, 2000

Presented in Euros for illustrative purposes only

	2000	1999
		RESTATED *
	_m	_m
Fixed assets		
Intangible assets:		
Corporate brands	1,511.6	561.9
Goodwill	5,565.0	658.8
Tangible assets	620.9	315.8
Investments	877.5	573.0
	8,575.0	2,109.5
Current assets		
Stocks and work in progress	383.6	182.2
Debtors	3,470.4	1,715.4
Debtors within working capital facility:		
Gross debts	739.7	555.1
Non-returnable proceeds	(368.5)	(343.8)
	371.2	211.3
Cash at bank and in hand	1,698.8	974.6
	5,924.0	3,083.5
Creditors: amounts falling due within one year	(6,766.4)	(3,448.8)
Net current liabilities	(842.4)	(365.3)
Total assets less current liabilities	7,732.6	1,744.2
Creditors: amounts falling due after more than one year	(2,036.1)	(1,047.7)
Provisions for liabilities and charges	(232.2)	(127.2)
Net assets	5,464.3	569.3
Capital and reserves		
Share capital	176.9	124.4
Reserves	5,248.9	431.3
Share owners' funds	5,425.8	555.7
Minority interests	38.5	13.6
Total capital employed	5,464.3	569.3

* The 1999 balance sheet has been restated as a result of the implementation of FRS19 in the Group's 2000 financial statements. The resulting prior year adjustment is shown in note 11.