

Appendix I

WPP GROUP PLC

Preliminary results for the year ended 31 December 2003

Unaudited preliminary consolidated profit & loss account for the year ended 31 December 2003

	Notes	2003	2002	Constant Currency (Note 3)	Constant Currency (Note 3)
		£m	£m	+/(-)%	+/(-)%
Turnover (gross billings)		18,621.3	18,028.7	3.3	5.6
Cost of sales		(14,515.3)	(14,120.4)	(2.8)	(5.2)
Revenue	4	4,106.0	3,908.3	5.1	7.3
Direct costs		(237.1)	(218.2)	(8.7)	(10.4)
Gross profit		3,868.9	3,690.1	4.8	7.2
Operating costs excluding goodwill amortisation and impairment		(3,375.9)	(3,239.9)	(4.2)	(6.7)
Goodwill amortisation and impairment – subsidiaries	11	(77.7)	(177.7)	56.3	56.3
Operating costs		(3,453.6)	(3,417.6)	(1.1)	(3.3)
Operating profit		415.3	272.5	52.4	56.3
Income from associates		40.5	30.0	35.0	32.3
Goodwill amortisation and impairment - associates	11	(34.3)	-		
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs		421.5	302.5	39.3	41.9
Profits on disposal of fixed assets	5	-	9.2		
Amounts written off fixed asset investments	5	-	(19.9)		
Net interest payable and similar charges on net borrowings		(60.1)	(79.6)	24.5	20.9
Net interest charges on defined benefit pension schemes		(11.5)	(6.8)	(69.1)	(72.3)
Net interest payable and similar charges		(71.6)	(86.4)	17.1	13.4
Profit on ordinary activities before taxation		349.9	205.4	70.4	75.1
Taxation on profit on ordinary activities	6	(122.1)	(103.4)	(18.1)	(15.7)
Profit on ordinary activities after taxation		227.8	102.0	123.3	142.0
Minority interests		(19.4)	(14.0)	(38.6)	(34.5)
Profit attributable to ordinary share owners		208.4	88.0	136.8	161.8
Ordinary dividends	7	(76.8)	(62.5)	22.9	22.9
Retained profit for the year		131.6	25.5		
Headline PBIT ¹	4	533.5	480.2	11.1	11.8
Headline PBIT ¹ margin		13.0%	12.3%		
Headline PBT ¹		473.4	400.6	18.2	18.2
Headline earnings per share ²					
Basic earnings per ordinary share	8	29.8p	25.5p	16.9	17.8
Diluted earnings per ordinary share	8	29.0p	24.9p	16.5	17.4
Standard earnings per share					
Basic earnings per ordinary share	8	18.7p	7.9p	136.7	155.1
Diluted earnings per ordinary share	8	18.2p	7.7p	136.4	154.3

¹ Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculations of Headline PBIT and Headline PBT are presented in Appendix IV.

² Headline earnings per ordinary share excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of Headline earnings is presented in Appendix IV.

³ Constant currency is defined in Appendix IV

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Unaudited preliminary consolidated cash flow statement
for the year ended 31 December 2003

	Notes	2003	2002
		£m	£m
Operating profit		415.3	272.5
Depreciation		127.5	116.6
Goodwill amortisation and impairment charges		77.7	177.7
Movements in working capital and provisions		321.5	213.1
Net cash inflow from operating activities		942.0	779.9
Dividends received from associates		15.6	9.4
Returns on investments and servicing of finance		(38.3)	(78.2)
United Kingdom and overseas tax paid		(93.6)	(85.0)
Capital expenditure and financial investment	9	(88.1)	(157.9)
Acquisitions and disposals	9	(344.5)	(277.3)
Equity dividends paid		(67.0)	(55.6)
Net cash inflow before management of liquid resources and financing		326.1	135.3
Management of liquid resources		(211.4)	(113.6)
Net cash inflow from financing	9	119.7	213.9
Increase in cash and overdrafts for the year		234.4	235.6
Translation difference		(19.3)	(0.4)
Balance of cash and overdrafts at beginning of year		500.9	265.7
Balance of cash and overdrafts at end of year		716.0	500.9
Reconciliation of net cash flow to movement in net debt:			
Increase in cash and overdrafts for the year		234.4	235.6
Cash outflow from increase in liquid resources		211.4	113.6
Cash inflow from increase in debt financing		(24.3)	(201.2)
Other movements		(9.4)	(8.8)
Translation difference		(50.9)	23.2
Movement of net debt in the year		361.2	162.4
Net debt at beginning of year		(722.7)	(885.1)
Net debt at end of year	10	(361.5)	(722.7)

Unaudited preliminary consolidated statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	2002
	£m	£m
Profit for the year	208.4	88.0
Exchange adjustments on foreign currency net investments	74.8	82.3
Actuarial gain/(loss) on defined benefit pension schemes in accordance with FRS17 (Retirement Benefits)	14.0	(52.8)
Deferred tax on defined benefit pension schemes	10.0	-
Total recognised gains and losses relating to the year	307.2	117.5

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Unaudited preliminary consolidated balance sheet
as at 31 December 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Intangible assets:			
Corporate brands		950.0	950.0
Goodwill	11	4,710.3	4,407.0
Tangible assets		344.6	377.3
Investments		689.3	628.7
		6,694.2	6,363.0
Current assets			
Stocks and work in progress		269.6	291.6
Debtors	12	2,394.5	2,256.4
Trade debtors within working capital facility:			
Gross debts		507.5	385.7
Non-returnable proceeds		(280.4)	(217.4)
		227.1	168.3
Current asset investments (short-term bank and escrow deposits)		401.8	190.4
Cash at bank and in hand		1,018.1	689.1
		4,311.1	3,595.8
Creditors: amounts falling due within one year	13	(4,924.2)	(4,120.1)
Net current liabilities		(613.1)	(524.3)
Total assets less current liabilities		6,081.1	5,838.7
Creditors: amounts falling due after more than one year (including convertible bonds)	14	(1,691.1)	(1,837.5)
Provisions for liabilities and charges		(133.5)	(102.0)
Net assets excluding pension provision		4,256.5	3,899.2
Pension provision		(188.9)	(184.8)
Net assets including pension provision		4,067.6	3,714.4
Capital and reserves			
Called up share capital		118.7	115.7
Share premium account		955.3	836.6
Shares to be issued		130.0	195.7
Merger reserve		2,921.0	2,869.3
Other reserves		(178.9)	(254.3)
Profit and loss account		73.4	(87.4)
Equity share owners' funds	16	4,019.5	3,675.6
Minority interests		48.1	38.8
Total capital employed		4,067.6	3,714.4

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Notes to the unaudited preliminary consolidated financial statements (Notes 1-16)

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 and have been prepared using accounting policies set out on pages 104 to 106 of WPP Group plc's 2002 Annual Report and Accounts. No changes have been made to the accounting policies since this time.

The policies set out in the 2002 Annual Report and Accounts are in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP).

Statutory Information and Audit Review

The financial information for the years ended 31 December 2003 or 2002 does not constitute the company's statutory accounts. The financial information for the year ended 31 December 2002 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237 (2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2003 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting. The audit report for the year ended 31 December 2003 has yet to be signed.

The preliminary announcement was approved by the board of directors on 26 February 2004.

3. Currency conversion

The 2003 unaudited preliminary consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US\$1.6356 to the pound (2002:US\$1.5036). The unaudited preliminary consolidated balance sheet as at 31 December 2003 has been prepared using the exchange rate on that day of US\$1.7833 to the pound (2002: US\$1.6100).

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 accounts for the years ended 31 December 2002 and 31 December 2003 have been prepared using the average exchange rate for the year ended 31 December 2003 of €1.4450 to the pound. The unaudited preliminary consolidated balance sheets at 31 December 2002 and 31 December 2003 have been prepared using the exchange rate on 31 December 2003 of €1.4198 to the pound.

The basis for calculating the constant currency percentage changes, shown on the face of the unaudited preliminary consolidated profit and loss account, is presented in Appendix IV.

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Notes to the unaudited preliminary consolidated financial statements (continued)

4. Segmental analysis

Reported contributions by geographical area were as follows:

	2003	2002	+/(-)%
	£m	£m	
Revenue			
United Kingdom	664.9	619.2	7.4
United States	1,608.5	1,655.0	(2.8)
Continental Europe	1,079.4	929.6	16.1
Canada, Asia Pacific, Latin America, Africa & Middle East	753.2	704.5	6.9
	4,106.0	3,908.3	5.1
Headline PBIT¹			
United Kingdom	71.8	67.5	6.4
United States	240.7	239.2	0.6
Continental Europe	121.8	99.7	22.2
Canada, Asia Pacific, Latin America, Africa & Middle East	99.2	73.8	34.4
	533.5	480.2	11.1

Reported contributions by operating sector were as follows:

	2003	2002	+/(-)%
	£m	£m	
Revenue			
Advertising and Media investment management	1,935.8	1,810.0	7.0
Information, insight and consultancy ²	703.6	664.7	5.9
Public relations and public affairs	426.3	447.6	(4.8)
Branding and identity, Healthcare and Specialist communications ²	1,040.3	986.0	5.5
	4,106.0	3,908.3	5.1
Headline PBIT¹			
Advertising and Media investment management	295.5	274.7	7.6
Information, insight and consultancy ²	50.0	48.5	3.1
Public relations and public affairs	55.0	46.5	18.3
Branding and identity, Healthcare and Specialist communications ²	133.0	110.5	20.4
	533.5	480.2	11.1

¹ Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is presented in Appendix IV.

² In 2003 certain of the Group's Specialist communications companies in strategic marketing consulting were moved into the renamed Information, insight and consultancy sector. As a result the comparative figures for both Information, insight and consultancy and Branding and identity, Healthcare and Specialist communications have been restated to reflect this change.

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Notes to the unaudited preliminary consolidated financial statements (continued)

5. Profits on disposal of fixed assets

The net profit on disposal of fixed assets comprised:

	2003	2002
	£m	£m
Profit on disposal of freehold property	-	3.6
Net profit on disposal of investments	-	5.6
	-	9.2

In 2002, profits were realised on the disposal of two freehold properties in the United Kingdom and on a number of minority investments in new media and marketing services companies in the United States and United Kingdom.

Amounts written off fixed asset investments of £19.9 million in 2002 related to write-downs on certain non-core minority investments in new media companies and other technology ventures in light of the decline in technology equity valuations.

These transactions did not have a material effect on the Group's tax charge in 2002.

During 2003, the Group continued to take measures to reduce its fixed and variable cost base in response to the continuing global downturn in its core markets. These actions resulted in a number of charges which, although recurring in nature, were at a considerably higher level than would normally be expected. These items principally comprised property rationalisation costs and severance payments. In addition, due to the above market factors, amounts were written off trade receivables and other current assets.

At the same time the Group has released £12.0 million (2002: £13.0 million) to operating profit relating to excess provisions established in respect of acquisitions completed prior to 2002.

Management consider that the combination of the above charges and releases, when taken together, does not materially impact the Group's quality of earnings.

6. Taxation

The Group tax rate on headline PBT¹ is 25.8% (2002: 25.8%). The tax charge comprises:

	2003	2002
	£m	£m
Total current tax	116.2	93.8
Total deferred tax	(8.7)	(1.5)
Share of associates tax	14.6	11.1
Total tax on profits	122.1	103.4

¹ Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline PBT is presented in Appendix IV.

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Notes to the unaudited preliminary consolidated financial statements (continued)

7. Ordinary dividends

The Board has recommended a final dividend of 4.40p (2002: 3.67p) per ordinary share. In addition to the interim dividend paid of 2.08p (2002: 1.73p) per ordinary share, this makes a total for the year of 6.48p (2002: 5.40p) per ordinary share. The final dividend is expected to be paid on 5 July 2004 to share owners on the register at 4 June 2004.

	2003	2002
Ordinary dividend per share -		
interim	2.08p	1.73p
final	4.40p	3.67p
	6.48p	5.40p
Ordinary dividend per ADR¹ -		
interim	17.0¢	13.0¢
final	36.0¢	27.6¢
	53.0¢	40.6¢

¹ These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown in note 3. This translation 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.

8. Earnings per share

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

Headline basic earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million), and adjusted for goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes of £123.5 million (2002: £195.2 million). The weighted average number of shares in issue used was 1,115,319,576 shares (2002: 1,110,556,878 shares).

Headline diluted earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million) and adjusted for goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes of £123.5 million (2002: £195.2 million). The weighted average number of shares in issue used was 1,145,014,508 shares (2002: 1,136,548,459 shares). This takes into account potentially issuable ordinary shares arising from the exercise of employee share options, certain incentive schemes and convertible debt where these are expected to dilute earnings. For the years ended 31 December 2003 and 31 December 2002, both the \$287.5 million convertible loan note and the £450 million convertible bond were accretive to earnings and therefore excluded from the calculation.

Standard basic earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million) and weighted average shares in issue during the period of 1,115,319,576 shares (2002: 1,110,556,878 shares).

Standard diluted earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million). The weighted average number of shares used was 1,145,014,508 shares (December 2002: 1,136,548,459 shares). This takes into account potentially issuable ordinary shares arising from the exercise of employee share options, certain incentive schemes and convertible debt where these are expected to dilute earnings. For the years ended 31 December 2003 and 31 December 2002, both the \$287.5 million convertible loan note and the £450 million convertible bond were accretive to earnings and therefore excluded from the calculation.

At 31 December 2003 there were 1,187,432,353 ordinary shares in issue.

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Notes to the unaudited preliminary consolidated financial statements (continued)

8. Earnings per share (continued)

Basic and diluted earnings per ADR have been calculated below using the same method as earnings per share, multiplied by a factor of 5.

Earnings per ADR	2003	2002	+ / (-) %	Constant Currency³ + / (-) %
Headline earnings per ADR^{1,2}				
Basic earning per ADR	\$2.43	\$1.92	26.6	17.8
Diluted earnings per ADR	\$2.37	\$1.87	26.7	17.4
Standard earnings per ADR¹				
Basic earnings per ADR	\$1.53	\$0.59	159.3	155.1
Diluted earnings per ADR	\$1.49	\$0.58	156.9	154.3

¹ These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown in note 3. This translation 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.

² Headline earnings per ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes.

³ Constant currency is defined in Appendix IV.

9. Analysis of non-operating cash flows

The following tables analyse the items included within the main cash flow headings on page 13:

	2003 £m	2002 £m
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(93.9)	(100.5)
Purchase of own shares by ESOP Trust	(2.9)	(67.6)
Proceeds from sale of tangible assets	8.7	10.2
	(88.1)	(157.9)
Acquisition and disposals		
Cash consideration for acquisition of Cordiant	(207.9)	-
Proceeds from disposal of interest in Zenith Optimedia Group	75.0	-
Net cash acquired - Cordiant	37.8	-
Initial cash consideration for other acquisitions	(70.1)	(141.2)
Earnout payments	(56.2)	(82.4)
Loan note redemptions	(38.7)	(93.7)
Net cash acquired – other acquisitions	5.3	62.8
Purchases of other investments (including associates)	(100.7)	(26.1)
Proceeds from disposal of other investments (including associates)	11.0	3.3
	(344.5)	(277.3)
Net cash inflow from financing		
Proceeds from issue of convertible bond	-	450.0
Increase/(reduction) in drawings on bank loans	25.0	(239.3)
Financing and share issue costs	(3.4)	(12.9)
Share placement	100.2	-
Proceeds from issue of shares	18.1	24.4
Share cancellations	(20.2)	(8.3)
	119.7	213.9

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Notes to the unaudited preliminary consolidated financial statements (continued)

10. Net debt

	2003	2002
	£m	£m
Cash at bank and in hand	1,018.1	689.1
Current asset investments	401.8	190.4
Bank loans and overdrafts due within one year (note 13)	(552.4)	(199.7)
Corporate and convertible bonds and bank loans due after more than one year (note 14)	(1,229.0)	(1,402.5)
Net debt	(361.5)	(722.7)

Current asset investments represents cash on deposit with a maturity of greater than 24 hours.

There are no investor put options on any outstanding debt instruments.

11. Goodwill and acquisitions

During the year, the Group charged £33.0 million (2002: £32.0 million) of goodwill amortisation and £79.0 million (2002: £145.7 million) of goodwill impairment to the profit and loss account, a total of £112.0 million (2002: £177.7 million).

The impairment charge relates to a number of under-performing businesses in the Information, insight and consultancy, and Branding and identity, Healthcare and Specialist communications sectors. The impact of the current economic climate on the future earnings of these businesses is sufficiently severe to indicate an impairment to the carrying value of goodwill.

The directors continue to assess the useful life of goodwill arising on acquisitions. Gross goodwill of £519.1 million is subject to amortisation over periods of between 10 and 20 years.

Goodwill in relation to subsidiary undertakings increased by £303.3 million in the year, including £269.9 million arising on the acquisition of Cordiant Communications Group plc ("Cordiant"). Other than amortisation and impairment this includes both goodwill arising on acquisitions completed in the year and also adjustments to goodwill relating to acquisitions completed in prior years. Goodwill in relation to associate undertakings increased by £43.2 million in the period. Acquisitions contributed revenue of £183.4 million, operating profit of £16.4 million and profit on ordinary activities before interest, taxation, fixed asset gains and write-downs of £22.3 million.

Future anticipated payments to vendors in respect of earnouts, totalled £215.7 million (2002: £237.8 million), based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates.

On 1 August 2003, the Group completed its acquisition, via a scheme of arrangement, of Cordiant. The results of Cordiant have been consolidated into the results of WPP Group plc from that date.

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Notes to the unaudited preliminary consolidated financial statements (continued)

12. Debtors

The following are included in debtors:

	2003	2002
	£m	£m
Trade debtors outside working capital facility	1,883.4	1,753.0
Prepayments and accrued income	159.5	122.8
Deferred tax	70.0	61.6
Other debtors	281.6	319.0
	2,394.5	2,256.4

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.

13. Creditors: amounts falling due within one year

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

	2003	2002
	£m	£m
Bank loans and overdrafts	552.4	199.7
Trade creditors	2,733.3	2,477.8
Corporate income tax payable	29.5	29.9
Dividend proposed	52.2	42.5
Deferred income	391.9	335.0
Payments due to vendors (earnout agreements)	81.6	73.6
Loan notes due to vendors	13.9	27.3
Other creditors and accruals	1,069.4	934.3
	4,924.2	4,120.1

Bank loans and overdrafts include overdrafts of £302.1 million (2002: £188.2 million).

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

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

	2003	2002
	£m	£m
Corporate and convertible bonds and bank loans	1,229.0	1,402.5
Corporate income tax payable	268.7	215.7
Payments due to vendors (earnout agreements)	134.1	164.2
Other creditors and accruals	59.3	55.1
	1,691.1	1,837.5

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Notes to the unaudited preliminary consolidated financial statements (continued)

14. Creditors: amounts falling due after more than one year (continued)

The following table sets out the directors' best estimates of future earnout related obligations:

	2003	2002
	£m	£m
Within one year	81.6	73.6
Between 1 and 2 years	60.9	75.9
Between 2 and 3 years	32.4	20.8
Between 3 and 4 years	37.0	36.5
Between 4 and 5 years	3.8	29.0
Over 5 years	-	2.0
	215.7	237.8

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

	2003	2002
	£m	£m
Within one year	552.4	199.7
Between 1 and 2 years	273.1	227.4
Between 2 and 3 years	-	302.3
Between 3 and 4 years	443.4	-
Between 4 and 5 years	512.5	420.1
Over 5 years	-	452.7
	1,781.4	1,602.2

15. Contingent liabilities in respect of option agreements

WPP has entered into agreements with certain share owners of partially owned subsidiaries and associate companies to acquire additional equity interests. These agreements typically contain options requiring WPP to purchase their shares at specified times up to 2009 on the basis of average earnings both before and after the exercise of the option.

All arrangements contain clauses that cap the maximum amount payable by WPP. The table below shows the illustrative amounts that would be payable by WPP in respect of these options, on the basis of the relevant companies' current financial performance, if all the options had been exercised at 31 December 2003.

	Currently Exercisable	Not Currently Exercisable	Total
	£m	£m	£m
Subsidiaries	10.4	30.4	40.8
Associates	4.1	10.1	14.2
Total	14.5	40.5	55.0

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Notes to the unaudited preliminary consolidated financial statements (continued)

16. Reconciliation of movements in consolidated share owners' funds

	2003	2002
	£m	£m
Profit for the year	208.4	88.0
Ordinary dividends payable	(76.8)	(62.5)
	131.6	25.5
Exchange adjustments on foreign currency net investments	74.8	82.3
Ordinary shares issued in respect of acquisitions	16.9	8.2
Share placement	100.2	-
Share issue costs charged to share premium account or merger reserve	(2.8)	(3.4)
Other share issues	18.1	24.3
Share cancellations	(20.2)	(8.3)
Other movements	1.3	-
Actuarial gain/(loss) on defined benefit schemes	14.0	(52.8)
Deferred tax on defined benefit pension schemes	10.0	-
Net additions to equity share owners' funds	343.9	75.8
Opening equity share owners' funds	3,675.6	3,599.8
Closing equity share owners' funds	4,019.5	3,675.6

Appendix II

WPP GROUP PLC

Unaudited preliminary consolidated profit & loss account for the year ended 31 December 2003
Presented in Euros for illustrative purposes only³

	2003	2002
	€m	€m
Turnover (gross billings)	26,907.8	26,051.5
Costs of sales	(20,974.6)	(20,404.0)
Revenue	5,933.2	5,647.5
Direct Costs	(342.6)	(315.3)
Gross Profit	5,590.6	5,332.2
Operating costs excluding goodwill amortisation and impairment	(4,878.2)	(4,681.7)
Goodwill amortisation and impairment – subsidiaries	(112.3)	(256.8)
Operating costs	(4,990.5)	(4,938.5)
Operating profit	600.1	393.7
Income from associates	58.5	43.4
Goodwill amortisation and impairment - associates	(49.5)	-
Profit on ordinary activities before interest, taxation, fixed asset and write-downs	609.1	437.1
Profits on disposal of fixed assets	-	13.3
Amounts written off fixed asset investments	-	(28.8)
Net interest payable and similar charges on net borrowings	(86.9)	(115.0)
Net interest charges on defined benefit pension schemes	(16.6)	(9.8)
Net interest payable and similar charges	(103.5)	(124.8)
Profit on ordinary activities before taxation	505.6	296.8
Taxation on profit on ordinary activities	(176.4)	(149.4)
Profit on ordinary activities after taxation	329.2	147.4
Minority interests	(28.0)	(20.2)
Profit attributable to ordinary share owners	301.2	127.2
Ordinary dividends	(111.0)	(90.3)
Retained profit for the year	190.2	36.9
Headline PBIT ¹	770.9	693.9
Headline PBIT¹ margin	13.0%	12.3%
Headline PBT ¹	684.1	578.9
Headline earnings per share²		
Basic earnings per ordinary share	43.1¢	36.8¢
Diluted earnings per ordinary share	41.9¢	36.0¢
Standard earnings per share		
Basic earnings per ordinary share	27.0¢	11.4¢
Diluted earnings per ordinary share	26.3¢	11.1¢

¹ Headline PBIT: Profit on ordinary activities before interest, taxation, excluding goodwill amortisation and impairment, fixed asset gains and write-downs.

Headline PBT: Profit on ordinary activities before taxation, excluding goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes.

² Headline earnings per ordinary share exclude goodwill amortisation and impairment, investment gains and write-downs, and net interest charges on defined benefit pension schemes.

³ These figures have been translated for convenience purposes only, using the profit and loss exchange rate shown in Note 3 of Appendix I.

WPP GROUP PLC

Unaudited preliminary consolidated balance sheet as at 31 December 2003
Presented in Euros for illustrative purposes only¹

	2003	2002
	€m	€m
Fixed assets		
Intangible assets:		
Corporate brands	1,348.8	1,348.8
Goodwill	6,687.7	6,257.1
Tangible assets	489.2	535.7
Investments	978.7	892.6
	9,504.4	9,034.2
Current assets		
Stocks and work in progress	382.8	414.0
Debtors	3,399.7	3,203.6
Trade debtors within working capital facility:		
Gross debts	720.5	547.6
Non-returnable proceeds	<u>(398.1)</u>	<u>(308.7)</u>
	322.4	239.0
Current asset investments (short-term bank and escrow deposits)	570.5	270.3
Cash at bank and in hand	1,445.5	978.4
	6,120.9	5,105.3
Creditors: amounts falling due within one year	(6,991.4)	(5,849.7)
Net current liabilities	(870.5)	(744.4)
Total assets less current liabilities	8,633.9	8,289.8
Creditors: amounts falling due after more than one year (including convertible loan notes)	(2,401.0)	(2,608.9)
Provisions for liabilities and charges	(189.5)	(144.8)
Net assets excluding pension provision	6,043.4	5,536.1
Pension provision	(268.2)	(262.4)
Net assets including pension provision	5,775.2	5,273.7
Capital and reserves		
Called up share capital	168.5	164.3
Share premium account	1,356.3	1,187.8
Shares to be issued	184.6	277.9
Merger reserve	4,150.1	4,073.8
Other reserves	(256.8)	(361.1)
Profit and loss account	104.2	(124.1)
Equity share owners' funds	5,706.9	5,218.6
Minority interests	68.3	55.1
Total capital employed	5,775.2	5,273.7

¹ These figures have been translated for convenience purposes only, using the balance sheet exchange rate shown in Note 3 of Appendix I.

Appendix III

WPP GROUP PLC

To present the impact of US transitional guidelines on the expensing of share options, for illustrative purposes only
Unaudited preliminary pro forma consolidated profit and loss account for the year ended 31 December 2003

	2003	2002
	£m	£m
Turnover (gross billings)	18,621.3	18,028.7
Cost of sales	(14,515.3)	(14,120.4)
Revenue	4,106.0	3,908.3
Direct costs	(237.1)	(218.2)
Gross Profit	3,868.9	3,690.1
Operating costs excluding goodwill amortisation and impairment	(3,375.9)	(3,239.9)
Fair value of share options	(13.9)	(5.0)
Goodwill amortisation and impairment - subsidiaries	(77.7)	(177.7)
Operating costs	(3,467.5)	(3,422.6)
Operating profit	401.4	267.5
Income from associates	40.5	30.0
Goodwill amortisation and impairment - associates	(34.3)	-
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs	407.6	297.5
Profits on disposal of fixed assets	-	9.2
Amounts written off fixed asset investments	-	(19.9)
Net interest payable and similar charges on net borrowings	(60.1)	(79.6)
Net interest charges on defined benefit pension schemes	(11.5)	(6.8)
Net interest payable and similar charges	(71.6)	(86.4)
Profit on ordinary activities before taxation	336.0	200.4
Taxation on profit on ordinary activities	(120.6)	(102.7)
Profit on ordinary activities after taxation	215.4	97.7
Minority interests	(19.4)	(14.0)
Profit attributable to ordinary share owners	196.0	83.7
Ordinary dividends	(76.8)	(62.5)
Retained profit for the year	119.2	21.2
Headline PBIT ¹	519.6	475.2
Headline PBIT¹ margin	12.7%	12.2%
Headline PBT ¹	459.5	395.6
Headline earnings per share²		
Basic earnings per ordinary share	28.6p	25.1p
Diluted earnings per ordinary share	27.9p	24.5p
Standard earnings per share		
Basic earnings per ordinary share	17.6p	7.5p
Diluted earnings per ordinary share	17.1p	7.4p
Headline earnings per ADR^{2,3}		
Basic earnings per ADR	\$2.34	\$1.89
Diluted earnings per ADR	\$2.28	\$1.84
Standard earnings per ADR³		
Basic earnings per ADR	\$1.44	\$0.56
Diluted earnings per ADR	\$1.40	\$0.56

¹ Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs.
Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes.

² Headline earnings per ordinary share and ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes.

³ These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown in Note 3 of Appendix I.

Appendix III (continued)**WPP GROUP PLC****Share options – illustrative charge**

Appendix III illustrates the impact on WPP were it to adopt an approach to expensing the weighted average fair value of options consistent with current United States transitional guidelines under the prospective adoption method contained within FAS 148, adopting a Black Scholes valuation model. This would give rise to a charge to operating profit of £13.9 million (3.7% of headline earnings) for the year ended 31 December 2003 and £5.0 million (1.5% of headline earnings) for the year ended 31 December 2002, in respect of executive share options granted since 1 January 2002.

On a proforma basis, had WPP adopted a policy of charging the weighted average fair value of options to the profit and loss account over the vesting period of each options grant, adopting a Black Scholes basis of valuation, then the resulting charge to operating profit would be £23.8 million (6.4% of headline earnings) for the year ended 31 December 2003, and £22.4 million (7.1% of headline earnings) for the year ended 31 December 2002.

The following assumptions have been made in determining the fair value of options granted in the year:

UK Risk-free rate	4.38%
US Risk-free rate	2.67%
Expected life	48 months
Expected volatility	45%
Dividend yield	1.0%

Appendix IV

WPP GROUP PLC

**Reconciliation of profit on ordinary activities before interest, taxation,
fixed asset gains and write-downs to PBIT for the year ended 31 December 2003**

	2003	2002
	£m	£m
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs	421.5	302.5
Goodwill amortisation and impairment	112.0	177.7
Headline PBIT	533.5	480.2
Net interest payable and similar charges	71.6	86.4
Interest cover on Headline PBIT	7.5 times	5.6 times

	2003	2002
	£m	£m
Interest cover (excluding FRS17 interest) on Headline PBIT		
Headline PBIT	533.5	480.2
Net interest payable and similar charges on net borrowings	60.1	79.6
Interest cover (excluding FRS17 interest) on Headline PBIT	8.9 times	6.0 times

**Reconciliation of profit on ordinary activities before taxation
to PBT and headline earnings for the year ended 31 December 2003**

	2003	2002
	£m	£m
Profit on ordinary activities before taxation	349.9	205.4
Goodwill amortisation and impairment	112.0	177.7
Profits on disposal of fixed assets	-	(9.2)
Amounts written off fixed asset investments	-	19.9
Net interest charges on defined benefit pension schemes	11.5	6.8
Headline PBT	473.4	400.6
Taxation on profit on ordinary activities	(122.1)	(103.4)
Minority interests	(19.4)	(14.0)
Headline earnings	331.9	283.2
Ordinary dividends	76.8	62.5
Dividend cover on headline earnings	4.3 times	4.5 times

WPP GROUP PLC

Segmental margin analysis

Reported margins by geographical area were as follows:

	Revenue	Headline	
		PBIT ¹	Margin (%)
	£m	£m	
United Kingdom	664.9	71.8	10.8
United States	1,608.5	240.7	15.0
Continental Europe	1,079.4	121.8	11.3
Canada, Asia Pacific, Latin America, Africa & Middle East	753.2	99.2	13.2
	4,106.0	533.5	13.0

Reported margins by operating sector were as follows:

	Revenue	Headline	
		PBIT ¹	Margin (%)
	£m	£m	
Advertising and Media investment management	1,935.8	295.5	15.3
Information, insight and consultancy	703.6	50.0	7.1
Public relations and public affairs	426.3	55.0	12.9
Branding and identity, Healthcare and Specialist communications	1,040.3	133.0	12.8
	4,106.0	533.5	13.0

Reported margins before and after income from associates were as follows:

	Margin (%)	2003	Margin (%)	2002
		£m		£m
Revenue		4,106.0		3,908.3
Headline PBIT	13.0	533.5	12.3	480.2
Income from associates		40.5		30.0
Headline PBIT excluding income from associates	12.0	493.0	11.5	450.2

¹Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of PBIT is presented above.

WPP GROUP PLC

Reconciliation of free cash flow for the year ended 31 December 2003

	2003	2002
	£m	£m
Operating profit	415.3	272.5
Add back:		
Depreciation and amortisation, including impairment	205.2	294.3
Plus:		
Dividends received from associates	15.6	9.4
Proceeds from the issue of shares	18.1	24.4
Proceeds from sale of tangible fixed assets	8.7	10.2
Proceeds from disposal of investments	11.0	3.3
Proceeds from disposal of interest in Zenith Optimedia Group	75.0	-
Less:		
Purchase of tangible fixed assets	(93.9)	(100.5)
UK and overseas tax paid	(93.6)	(85.0)
Returns on investments and servicing of finance	(38.3)	(78.2)
Free Cash Flow	523.1	350.4

WPP GROUP PLC

GLOSSARY AND BASIS OF PREPARATION

Average net debt

Average net debt is calculated as the average daily net bank borrowings of the Group, derived from the Group's automated banking system. Net debt at a year end is calculated as the sum of the net bank borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet.

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying constant exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Free cash flow

Free cash flow is calculated as headline PBIT before equity income and depreciation (including dividends received from associates, proceeds from the issue of shares, and proceeds from disposal of tangible fixed assets and investments), less tax paid, returns on investments and servicing of finance and the purchase of tangible fixed assets.

Headline PBIT

Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs.

Headline PBT

Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes.

Headline earnings

Headline PBT less taxation on profit on ordinary activities and minority interests.

Operating margin

Headline PBIT as a percentage of revenue.

Pro forma ('like for like')

Pro forma comparisons are calculated as follows: current year actual results (which include acquisitions from the relevant date of completion) are compared with prior year 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.