

WPP GROUP PLC

Preliminary results for the year ended 31 December 2006

Unaudited preliminary consolidated income statement for the year ended 31 December 2006

	Notes	2006	2005		Constant Currency ¹
		£m	£m	+/(-)%	+/(-)%
Billings		30,140.7	26,673.7	13.0	13.9
Revenue		5,907.8	5,373.7	9.9	10.9
Direct costs		(296.8)	(241.0)	(23.2)	(24.4)
Gross profit		5,611.0	5,132.7	9.3	10.3
Operating costs	4	(4,869.4)	(4,479.9)	(8.7)	(9.5)
Operating profit		741.6	652.8	13.6	15.5
Share of results of associates	4	41.1	33.9	21.2	24.6
Profit before interest and taxation		782.7	686.7	14.0	15.9
Finance income	5	111.0	87.6	26.7	28.3
Finance costs	5	(211.7)	(182.3)	(16.1)	(16.4)
Profit before taxation		682.0	592.0	15.2	17.6
Taxation	7	(199.4)	(194.0)	(2.8)	(4.6)
Profit for the year		482.6	398.0	21.3	23.9
Attributable to:					
Equity holders of the parent		435.8	363.9	19.8	22.4
Minority interests		46.8	34.1	(37.2)	(39.8)
		482.6	398.0	21.3	23.9
Headline PBIT	6,18	859.0	754.8	13.8	15.7
Headline PBIT margin	18	14.5%	14.0%		
Headline PBT	18	766.3	669.0	14.5	16.8
Earnings per share²					
Basic earnings per ordinary share	9	36.3	30.3p	19.8	22.3
Diluted earnings per ordinary share	9	35.2	29.7p	18.5	21.0

¹ The basis for calculating the constant currency percentage change shown above is described in the glossary attached to this appendix.

² The calculations of the Group's earnings per share and Headline earnings per share are set out in note 9.

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Unaudited preliminary consolidated cash flow statement for the year ended 31 December 2006

	Notes	2006	2005
		£m	£m
Net cash inflow from operating activities	10	661.4	837.5
Investing activities			
Acquisitions and disposals	10	(215.6)	(507.7)
Purchase of property, plant and equipment		(167.8)	(160.5)
Purchase of other intangible assets (incl. capitalised computer software)		(16.7)	(10.8)
Proceeds on disposal of property, plant and equipment		22.4	6.7
Net cash outflow from investing activities		(377.7)	(672.3)
Financing activities			
Issue of shares		70.9	20.3
Share repurchases and buybacks	10	(257.7)	(152.3)
Net increase/(decrease) in borrowings	10	382.1	(595.2)
Financing and share issue costs		(3.7)	(2.2)
Equity dividends paid		(118.9)	(100.2)
Dividends paid to minority shareholders in subsidiary undertakings		(28.8)	(24.0)
Net cash inflow/(outflow) from financing activities		43.9	(853.6)
Net increase/(decrease) in cash and cash equivalents		327.6	(688.4)
Translation differences		(50.3)	85.0
Cash and cash equivalents at beginning of year		679.6	1,283.0
Cash and cash equivalents at end of year	10	956.9	679.6
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		327.6	(688.4)
Cash (outflow)/inflow from decrease/(increase) in debt financing		(380.1)	596.9
Net debt acquired		-	(140.8)
Other movements		9.3	(25.9)
Translation difference		32.6	8.9
Movement of net debt in the year		(10.6)	(249.3)
Net debt at beginning of year		(804.0)	(554.7)
Net debt at end of year	11	(814.6)	(804.0)

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**Unaudited preliminary consolidated statement of recognised income and expense
for the year ended 31 December 2006**

	2006	2005
	£m	£m
Profit for the year	482.6	398.0
Exchange adjustments on foreign currency net investments	(367.0)	266.1
Revaluation of other investments	9.5	21.0
Actuarial gain/(loss) on defined benefit pension schemes	26.0	(16.5)
Deferred tax on defined benefit pension schemes	5.3	3.6
Total recognised income and expense relating to the year	156.4	672.2
Attributable to:		
Equity holders of the parent	109.6	638.1
Minority interests	46.8	34.1
	156.4	672.2

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Unaudited preliminary consolidated balance sheet as at 31 December 2006

	Notes	2006 £m	2005 £m
Non-current assets			
Intangible assets:			
Goodwill	12	5,434.5	5,675.2
Other	13	1,115.4	1,260.6
Property, plant and equipment		415.3	423.5
Interests in associates		411.4	509.9
Other investments		136.5	55.3
Deferred tax assets		108.9	130.3
Trade and other receivables	14	110.3	142.1
		7,732.3	8,196.9
Current assets			
Stocks and work in progress		341.5	281.5
Corporate income tax recoverable		26.5	21.0
Trade and other receivables	14	4,931.9	4,774.5
Cash and short-term deposits		1,663.7	1,115.2
		6,963.6	6,192.2
Current liabilities			
Trade and other payables	15	(6,783.8)	(6,828.4)
Corporate income tax payable		(39.6)	(56.5)
Bank overdrafts and loans		(1,260.6)	(457.8)
		(8,084.0)	(7,342.7)
Net current liabilities		(1,120.4)	(1,150.5)
Total assets less current liabilities		6,611.9	7,046.4
Non-current liabilities			
Bonds and bank loans		(1,217.7)	(1,461.4)
Trade and other payables	16	(331.9)	(330.2)
Corporate income tax payable		(383.7)	(372.8)
Deferred tax liabilities		(467.8)	(533.1)
Provisions for post-employment benefits		(187.6)	(231.4)
Provisions for liabilities and charges		(104.8)	(131.7)
		(2,693.5)	(3,060.6)
Net assets		3,918.4	3,985.8
Equity			
Called-up share capital		124.1	125.3
Share premium account		74.9	2.1
Shares to be issued		7.5	37.2
Merger reserve		(1,370.0)	(1,388.1)
Other reserves		(170.1)	167.3
Own shares ¹		(288.5)	(292.9)
Retained earnings		5,449.0	5,253.6
Equity share owners' funds	17	3,826.9	3,904.5
Minority interests		91.5	81.3
Total equity		3,918.4	3,985.8

¹ Investments in own shares held by the ESOP Trusts.

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, except for the revaluation of certain financial instruments as disclosed in our accounting policies.

2. Accounting policies

The unaudited preliminary consolidated financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), and with the accounting policies of the Group which were set out on pages 145 to 149 of the 2005 Annual Report and Accounts. No changes have been made to the Group's accounting policies since this time.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company's 2006 Annual Report and Accounts will be prepared in compliance with IFRS.

Statutory Information

The financial information for the years ended 31 December 2006 and 2005 does not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2005 have been delivered to the Registrar of Companies and received an unqualified auditors' report and did not contain a statement under s237 (2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 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 2006 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 22 February 2007.

3. Currency conversion

The 2006 unaudited preliminary consolidated income statement is prepared using, among other currencies, an average exchange rate of US\$1.8432 to the pound (2005: US\$1.8189). The unaudited preliminary consolidated balance sheet as at 31 December 2006 has been prepared using the exchange rate on that day of US\$1.9569 to the pound (2005: US\$1.7187).

The basis for calculating the constant currency percentage changes, shown on the face of the unaudited preliminary consolidated income statement, is described in the glossary attached to this appendix.

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Notes to the unaudited preliminary consolidated financial statements (continued)

4. Operating costs and share of results of associates

Operating costs include:

	2006	2005
	£m	£m
Amortisation and impairment of acquired intangible assets	43.3	25.3
Goodwill impairment	35.5	46.0
Goodwill write-down relating to utilisation of pre-acquisition tax losses	8.8	1.1
Gains on disposal of investments	(7.3)	(4.3)
Share-based incentive plans	70.9	68.6
Other operating costs	4,718.2	4,343.2
	4,869.4	4,479.9

The goodwill impairment charge of £35.5 million (2005: £46.0 million) relates to a number of under-performing businesses in the Group. In certain markets, the impact of current, local economic conditions and trading circumstances on these businesses is sufficiently severe to indicate impairment to the carrying value of goodwill.

Operating profit includes credits totalling £10.6 million (2005: £10.1 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2005.

Share of results of associates include:

	2006	2005
	£m	£m
Share of profit before interest and taxation	61.4	54.0
Share of exceptional gains	4.0	-
Share of interest and minority interest	0.9	(0.9)
Share of taxation	(25.2)	(19.2)
	41.1	33.9

Share of exceptional gains of £4.0 million in the year ended 31 December 2006 represents the Group's share of negative goodwill recognised in the income statements of its associate undertakings during the year.

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Notes to the unaudited preliminary consolidated financial statements (continued)

5. Finance income and finance costs

Finance income includes:

	2006	2005
	£m	£m
Expected return on pension scheme assets	25.2	24.2
Investment income	5.7	5.6
Interest income	80.1	57.8
	111.0	87.6

Finance costs include:

	2006	2005
	£m	£m
Interest on pension scheme liabilities	32.4	32.0
Interest payable and similar charges	171.3	141.4
Finance charges (excluding revaluation of financial instruments)	203.7	173.4
Revaluation of financial instruments	8.0	8.9
	211.7	182.3

The following are included in the revaluation of financial instruments shown above:

	2006	2005
	£m	£m
Movements in fair value of treasury instruments	3.3	3.0
Revaluation of put options over minority interests	4.7	5.8
Other	-	0.1
	8.0	8.9

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Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2006	2005
	£m	£m
Revenue		
Advertising and Media Investment Management	2,806.9	2,606.4
Information, Insight & Consultancy	892.9	810.4
Public Relations & Public Affairs	595.7	534.4
Branding & Identity, Healthcare and Specialist Communications	1,612.3	1,422.5
	5,907.8	5,373.7
Headline PBIT¹		
Advertising and Media Investment Management	443.7	402.7
Information, Insight & Consultancy	98.7	83.4
Public Relations & Public Affairs	89.5	75.3
Branding & Identity, Healthcare and Specialist Communications	227.1	193.4
	859.0	754.8
Headline PBIT Margin	%	%
Advertising and Media Investment Management	15.8	15.5
Information, Insight & Consultancy	11.1	10.3
Public Relations & Public Affairs	15.0	14.1
Branding & Identity, Healthcare and Specialist Communications	14.1	13.6
	14.5	14.0

¹ Headline PBIT is defined in note 18.

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Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

	2006	2005
	£m	£m
Revenue		
United Kingdom	856.3	808.1
North America	2,291.1	2,106.9
Continental Europe	1,532.9	1,410.3
Asia Pacific, Latin America, Africa & Middle East	1,227.5	1,048.4
	5,907.8	5,373.7
Headline PBIT¹		
United Kingdom	97.9	84.6
North America	389.0	350.1
Continental Europe	194.3	176.1
Asia Pacific, Latin America, Africa & Middle East	177.8	144.0
	859.0	754.8
Headline PBIT Margin	%	%
United Kingdom	11.4	10.5
North America	17.0	16.6
Continental Europe	12.7	12.5
Asia Pacific, Latin America, Africa & Middle East	14.5	13.7
	14.5	14.0

¹ Headline PBIT is defined in note 18.

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Notes to the unaudited preliminary consolidated financial statements (continued)

7. Taxation

The Group tax rate on Headline PBT¹ is 26.0% (2005: 29.0%). The Group tax rate on Reported PBT is 29.2% (2005: 32.8%). The tax charge comprises:

	2006	2005
	£m	£m
Current tax		
UK Corporation tax at 30%		
Current year	36.6	32.9
Prior years	(44.9)	(24.4)
	(8.3)	8.5
Foreign tax		
Current year	216.9	177.3
Prior years	(7.6)	9.9
	209.3	187.2
Total Current tax	201.0	195.7
Deferred tax		
Current year	(1.6)	(1.7)
Tax expense	199.4	194.0

¹ Headline PBT is defined in note 18.

8. Ordinary dividends

The Board has recommended a final dividend of 7.61p (2005: 6.34p) per ordinary share in addition to the interim dividend paid of 3.60p (2005: 3.00p) per ordinary share. This makes a total for the year of 11.21p (2005: 9.34p) per ordinary share, an increase of 20%. The final dividend is expected to be paid on 9 July 2007 to share owners on the register at 8 June 2007.

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Notes to the unaudited preliminary consolidated financial statements (continued)

9. Earnings per share

Basic EPS

The calculation of basic Reported and Headline EPS is as follows:

	2006	2005	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£m)	435.8	363.9		
Headline earnings (£m) (note 18)	520.1	440.9		
Average shares used in Basic EPS calculation (m)	1,201.0	1,200.1		
Reported EPS	36.3p	30.3p	19.8	22.3
Headline EPS	43.3p	36.7p	18.0	20.2

¹ Reported earnings is equivalent to profit for the year attributable to equity holders of the parent.

Diluted EPS

The calculation of diluted Reported and Headline EPS is set out below:

	2006	2005	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	436.9	363.9		
Diluted Headline earnings (£m)	521.2	440.9		
Shares used in diluted EPS calculation (m)	1,242.2	1,224.8		
Diluted Reported EPS	35.2p	29.7p	18.5	21.0
Diluted Headline EPS	42.0p	36.0p	16.7	18.9

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. For the year ended 31 December 2006, the \$150 million Grey convertible bonds were dilutive to earnings whilst the £450 million convertible bonds were accretive. Earnings for the purposes of this calculation consequently included an additional £1.1 million in 2006. In 2005, both convertibles were accretive to earnings and therefore excluded from the calculation of dilutive earnings.

A reconciliation between the shares used in calculating Basic and Diluted EPS is as follows:

	2006	2005
	m	m
Average shares used in Basic EPS calculation	1,201.0	1,200.1
Dilutive share options outstanding	14.9	18.6
Other potentially issuable shares	17.4	6.1
\$150 million Grey convertible bonds	8.9	-
Shares used in Diluted EPS calculation	1,242.2	1,224.8

At 31 December 2006 there were 1,240,605,187 (2005: 1,252,899,372) ordinary shares in issue.

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Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows

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

Net cash inflow from operating activities:

	2006	2005
	£m	£m
Profit for the year	482.6	398.0
Taxation	199.4	194.0
Finance costs	211.7	182.3
Finance income	(111.0)	(87.6)
Share of results of associates	(41.1)	(33.9)
Operating profit	741.6	652.8
Adjustments for:		
Non cash share-based incentive plans (including share options)	70.9	68.6
Depreciation of property, plant and equipment	129.1	111.4
Goodwill impairment	35.5	46.0
Goodwill write-down relating to utilisation of pre-acquisition tax losses	8.8	1.1
Amortisation and impairment of acquired intangible assets	43.3	25.3
Amortisation of other intangible assets	13.5	10.7
Gains on disposal of investments	(7.3)	(4.3)
(Gains)/losses on sale of property, plant and equipment	(3.7)	1.1
Operating cash flow before movements in working capital and provisions	1,031.7	912.7
Movements in working capital and provisions	(171.1)	107.6
Cash generated by operations	860.6	1,020.3
Corporation and overseas tax paid	(162.0)	(136.0)
Interest and similar charges paid	(135.1)	(128.2)
Interest received	75.2	62.4
Investment income	2.4	5.6
Dividends from associates	20.3	13.4
	661.4	837.5

Acquisitions and disposals:

	2006	2005
	£m	£m
Initial cash consideration	(120.5)	(561.2)
Cash and cash equivalents acquired (net)	21.4	173.9
Earnout payments	(91.6)	(96.7)
Loan note redemptions	(11.7)	(33.0)
Purchase of other investments (including associates)	(28.7)	(29.0)
Proceeds on disposal of investments	15.5	38.3
	(215.6)	(507.7)

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Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2006	2005
	£m	£m
Share cancellations (excluding brokerage fees)	(218.8)	(123.3)
Purchase of own shares by ESOP trusts	(38.9)	(29.0)
	(257.7)	(152.3)

Net increase/(decrease) in borrowings:

	2006	2005
	£m	£m
(Decrease)/increase in drawings on bank loans	(21.8)	17.1
Proceeds from issue of €600 million Eurobonds	403.9	-
Repayment of \$287.5 million convertible bonds	-	(154.5)
Repayment of \$125 million Grey debt	-	(65.3)
Repayment of working capital facility	-	(277.2)
Repayment of \$200 million bonds	-	(115.3)
	382.1	(595.2)

Cash and cash equivalents:

	2006	2005
	£m	£m
Cash at bank and in hand	1,476.8	1,029.0
Short-term bank deposits	186.9	86.2
Overdrafts ¹	(706.8)	(435.6)
	956.9	679.6

¹ Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

11. Net debt

	2006	2005
	£m	£m
Cash and short-term deposits	1,663.7	1,115.2
Bank loans and overdrafts due within one year	(1,260.6)	(457.8)
Corporate bond and loans due after one year	(1,217.7)	(1,461.4)
Net debt	(814.6)	(804.0)

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Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings decreased by £240.7 million (2005: increased by £1,285.5 million) in the year. This includes both goodwill arising on acquisitions completed in the year and adjustments to goodwill relating to acquisitions completed in prior years, net of impairment charges and the effect of currency translation. Goodwill in relation to associate undertakings decreased by £76.0 million (2005: increased by £79.1 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £235.5 million (2005: £220.0 million). Earnouts are 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.

The contribution to revenue and operating profit of acquisitions completed in 2006 was not material.

13. Other intangible assets

The following are included in other intangibles:

	2006	2005
	£m	£m
Brands with an indefinite useful life	811.4	897.0
Acquired intangibles	271.9	330.3
Other (including capitalised computer software)	32.1	33.3
	1,115.4	1,260.6

14. Trade and other receivables**Amounts falling due within one year:**

	2006	2005
	£m	£m
Trade receivables	4,021.4	3,999.3
VAT and sales taxes recoverable	50.0	43.0
Other debtors	438.4	350.8
Prepayments and accrued income	422.1	381.4
	4,931.9	4,774.5

Amounts falling due after more than one year:

	2006	2005
	£m	£m
Other debtors	106.6	115.8
Prepayments and accrued income	3.7	26.3
	110.3	142.1

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Notes to the unaudited preliminary consolidated financial statements (continued)

15. Trade and other payables: amounts falling due within one year

The following are included in trade and other payables falling due within one year:

	2006	2005
	£m	£m
Trade payables	4,743.6	4,659.3
Deferred income	510.8	604.2
Payments due to vendors	87.9	81.3
Loan notes due to vendors	1.8	13.6
Liabilities in respect of put option agreements with vendors	51.1	50.4
Other creditors and accruals	1,388.6	1,419.6
	6,783.8	6,828.4

16. Trade and other payables: amounts falling due after more than one year

The following are included in trade and other payables falling due after more than one year:

	2006	2005
	£m	£m
Payments due to vendors	147.6	138.7
Liabilities in respect of put option agreements with vendors	28.8	39.6
Other creditors and accruals	155.5	151.9
	331.9	330.2

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

	2006	2005
	£m	£m
Within one year	87.9	81.3
Between 1 and 2 years	36.1	71.9
Between 2 and 3 years	34.6	14.7
Between 3 and 4 years	49.1	20.3
Between 4 and 5 years	27.8	31.8
Over 5 years	-	-
	235.5	220.0

The Group does not consider there to be any material contingent liabilities as at 31 December 2006.

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Notes to the unaudited preliminary consolidated financial statements (continued)

17. Reconciliation of movements in consolidated equity share owners' funds

	2006	2005
	£m	£m
Profit for the year attributable to equity share owners	435.8	363.9
Ordinary dividends	(118.9)	(100.2)
	316.9	263.7
Ordinary shares issued in respect of acquisitions	-	506.4
Other ordinary shares issued	73.0	18.3
Share cancellations	(218.8)	(123.3)
Share issue/cancellation costs	(1.7)	(3.6)
Net additions of own shares by ESOP Trusts	(38.9)	(29.0)
Transfer to goodwill	-	(5.1)
Non cash share-based incentive plans (including stock options)	70.9	68.6
Tax benefit of share-based payments	32.3	12.9
Actuarial gain/(loss) on defined benefit pension schemes	26.0	(16.5)
Deferred tax on defined benefit pension schemes	5.3	3.6
Exchange adjustments on foreign currency net investments	(367.0)	266.1
Revaluation of other investments	9.5	21.0
Financial instruments – movements during the year	14.9	(27.6)
Net (deductions)/additions to equity share owners' funds	(77.6)	955.5
Opening equity share owners' funds	3,904.5	2,949.0
Closing equity share owners' funds	3,826.9	3,904.5

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Notes to the unaudited preliminary consolidated financial statements (continued)

18. Non-GAAP measures of performance

Reconciliation of profit before interest and taxation to
Headline PBIT for the year ended 31 December 2006

	2006	2005
	£m	£m
Profit before interest and taxation	782.7	686.7
Amortisation and impairment of acquired intangible assets	43.3	25.3
Goodwill impairment	35.5	46.0
Goodwill write-down relating to utilisation of pre-acquisition tax losses	8.8	1.1
Gains on disposal of investments	(7.3)	(4.3)
Share of exceptional gains of associates	(4.0)	-
Headline PBIT	859.0	754.8
Finance income	111.0	87.6
Finance charges (excluding revaluation of financial instruments)	(203.7)	(173.4)
	(92.7)	(85.8)
Interest cover on Headline PBIT	9.3 times	8.8 times

Calculation of Headline EBITDA

	2006	2005
	£m	£m
Headline PBIT (as above)	859.0	754.8
Depreciation of property, plant and equipment	129.1	111.4
Amortisation of other intangible assets	13.5	10.7
Headline EBITDA	1,001.6	876.9

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Notes to the unaudited preliminary consolidated financial statements (continued)

18. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to Headline PBT
and Headline earnings for the year ended 31 December 2006

	2006	2005
	£m	£m
Profit before taxation	682.0	592.0
Amortisation and impairment of acquired intangible assets	43.3	25.3
Goodwill impairment	35.5	46.0
Goodwill write-down relating to utilisation of pre-acquisition tax losses	8.8	1.1
Gains on disposal of investments	(7.3)	(4.3)
Share of exceptional gains of associates	(4.0)	-
Revaluation of financial instruments	8.0	8.9
Headline PBT	766.3	669.0
Taxation	(199.4)	(194.0)
Minority interests	(46.8)	(34.1)
Headline earnings	520.1	440.9
Ordinary dividends	118.9	100.2
Dividend cover on Headline earnings	4.4 times	4.4 times

Headline PBIT margins before and after share of results of associates

	Margin (%)	2006	Margin (%)	2005
		£m		£m
Revenue		5,907.8		5,373.7
Headline PBIT	14.5%	859.0	14.0%	754.8
Share of results of associates (excluding exceptional gains)		37.1		33.9
Headline PBIT excluding share of results of associates	13.9%	821.9	13.4%	720.9

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

18. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the year ended 31 December 2006

	2006	2005
	£m	£m
Cash generated by operations	860.6	1,020.3
Plus:		
Interest received	75.2	62.4
Investment income	2.4	5.6
Dividends received from associates	20.3	13.4
Issue of shares	70.9	20.3
Proceeds on disposal of property, plant and equipment	22.4	6.7
Gains/(losses) on sale of property, plant and equipment	3.7	(1.1)
Movements in working capital and provisions	171.1	(107.6)
Less:		
Interest and similar charges paid	(135.1)	(128.2)
Purchase of property, plant and equipment	(167.8)	(160.5)
Purchase of other intangible assets (including capitalised computer software)	(16.7)	(10.8)
Corporation and overseas tax paid	(162.0)	(136.0)
Dividends paid to minority shareholders in subsidiary undertakings	(28.8)	(24.0)
Free Cash Flow	716.2	560.5

WPP GROUP PLC**GLOSSARY AND BASIS OF PREPARATION****2004 UK GAAP**

UK Generally Accepted Accounting Principles ('UK GAAP') extant in respect of 2004 – the basis of preparation of the Group's consolidated financial statements for the year ended 31 December 2004, as previously reported, prior to the implementation of International Financial Reporting Standards ('IFRS').

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 period 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.

Billings and estimated net new billings

Billings comprises the gross amounts billed to clients in respect of commission-based / fee-based income together with the total of other fees earned. Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' media budgets, which may not necessarily result in actual billings of the same amount.

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2006 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 operating profit before depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to minority shareholders in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets.

Headline earnings

Headline PBT less taxation and minority interests.

Headline operating profit / Headline PBIT

Profit before finance income/costs, taxation, investment gains, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, and share of exceptional gains of associates.

Headline PBT

Profit before taxation, investment gains, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains of associates and gains/losses arising from the revaluation of financial instruments.

Operating margin

Headline operating profit as a percentage of revenue.

Pro forma ('like-for-like')

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