

**Unaudited preliminary consolidated profit & loss account for the year ended 31 December, 1998**

	Notes	1998 £m	1997* £m	+ / (-) %	Constant Currency (note 3) + / (-) %
<b>Turnover (gross billings)</b>		8,000.1	7,287.3	+9.8%	+13.2%
<b>Revenue</b>		1,918.4	1,746.7	+9.8%	+13.2%
<b>Gross profit</b>		1,632.5	1,468.7	+11.2%	+14.9%
Operating costs		(1,403.4)	(1,273.8)	-10.2%	-13.8%
<b>Operating profit</b>		229.1	194.9	+17.5%	+22.7%
Income from associates		16.1	10.6	+51.9%	+65.4%
<b>Profit on ordinary activities before interest and taxation</b>		245.2	205.5	+19.3%	+24.8%
Net interest payable and similar charges		(32.4)	(28.1)	-15.3%	-16.1%
<b>Profit on ordinary activities before taxation</b>		212.8	177.4	+20.0%	+26.2%
Tax on profit on ordinary activities	4	(67)	(56.7)	-18.2%	-24.2%
<b>Profit on ordinary activities after taxation</b>		145.8	120.7	+20.8%	+27.1%
Minority interests		(5.5)	(4.7)	-17.00%	-17.00%
<b>Profit attributable to ordinary share owners</b>		140.3	116	20.90%	+27.60%
Ordinary dividends	5	(19.6)	(15.7)	+24.80%	+24.80%
<b>Retained profit for the year</b>		120.7	100.3	+20.3%	+28.0%
<b>Earnings per share (net basis)</b>					
Basic earnings per ordinary share	6	19.1p	15.8p	+20.9%	+27.1%
Fully diluted earnings per ordinary share	6	18.8p	15.7p	+19.7%	+26.1%
<b>Ordinary dividend per share</b>					
Interim (net)	5	0.84p	0.7p	+20.0%	+20.0%
Final	5	1.72p	1.43p	+20.3%	+20.3%
<b>Earnings per ADR (net basis)</b>					
Basic earnings per ADR	3	\$3.17	\$2.62	+21.0%	+27.1%
Fully diluted earnings per ADR	3	\$3.12	\$2.60	+20.0%	+26.1%
<b>Ordinary dividend per ADR</b>					
Interim (net)	3	13.9c	11.4c	+21.9%	+20.0%
Final	3	28.3c	23.5c	+20.4%	+20.3%

\* Restated following implementation of FRS9 "Associates and Joint Ventures" and FRS14 "Earnings per Share" (see note 2)

**Unaudited preliminary consolidated cash flow statement for the year ended 31 December, 1998**

	1998 £m	1997 £m *
<b>Reconciliation of operating profit to net cash inflow</b>		
<b>from operating activities:</b>		
Operating profit	229.1	194.9
Depreciation charge	33.7	29.1
Movements in working capital and provisions	(6.8)	59.0
<b>Net cash inflow from operating activities</b>	<b>256.0</b>	<b>283.0</b>
<b>Dividends received from associates</b>	<b>3.4</b>	<b>2.8</b>
<b>Return on investments and servicing of finance</b>	<b>(28.7)</b>	<b>(30.5)</b>
<b>United Kingdom and overseas tax paid</b>	<b>(59.0)</b>	<b>(54.0)</b>
Purchase of tangible fixed assets	(51.6)	(36.3)
Purchase of own shares by ESOP trust	(33.3)	(12.7)
Other movements	2.8	3.2
<b>Capital expenditure and financial investment</b>	<b>(82.1)</b>	<b>(45.8)</b>
Acquisitions payments	(105.7)	(51.2)
Net purchases of other investments	(9.8)	(17.3)
<b>Total acquisitions</b>	<b>(115.5)</b>	<b>(68.5)</b>
<b>Equity dividends paid</b>	<b>(16.6)</b>	<b>(13.5)</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(42.5)</b>	<b>73.5</b>
Net repayment of bank loans	-	(18.5)
Reduction in drawings on bank loans	(81.4)	(106.4)
Proceeds from US bond issuance	178.8	-
Share buybacks	(21.3)	(18.5)
Other movements	2.0	1.1
<b>Net cash inflow/(outflow) from financing</b>	<b>78.1</b>	<b>(142.3)</b>
<b>Increase/(decrease) in cash and overdrafts for the year</b>	<b>35.6</b>	<b>(68.8)</b>
Translation difference	0.9	(13.8)
<b>Balance of cash and overdrafts at beginning of year</b>	<b>292.0</b>	<b>374.6</b>
<b>Balance of cash and overdrafts at end of year</b>	<b>328.5</b>	<b>292.0</b>
<b>Reconciliation of net cash flow to movement in net funds:</b>		
Increase/(decrease) in cash and overdrafts for the year	35.6	(68.8)
Cash (inflow)/outflow from debt financing	(95.2)	126.1
Other movements	(0.9)	(1.0)
Translation difference	0.1	(20.8)
<b>Movement in net funds in the year</b>	<b>(60.4)</b>	<b>35.5</b>
<b>Net funds at beginning of year</b>	<b>194.7</b>	<b>159.2</b>
<b>Net funds at end of year (Note 11)</b>	<b>134.3</b>	<b>194.7</b>

\* Restated following implementation of FRS9 "Associates and Joint Ventures" (see note 2)

**Unaudited preliminary consolidated balance sheet as at 31 December, 1998**

	Note s	1998 £m	1997 £m
<b>Fixed assets</b>			
Intangible assets:			
Corporate brands		350.0	350.0
Goodwill	2, 7	158.0	-
Tangible assets		166.7	143.5
Investments	7	268.2	70.5
		942.9	564.0
<b>Current assets</b>			
Stocks and work in progress		107.3	99.7
Debtors	8	893.1	827.6
Debtors within working capital facility:			
Gross debts		294.5	335.2
Non-returnable proceeds		(209.2)	(211.7)
		85.3	123.5
Cash at bank and in hand		423.9	364.5
		1,509.6	1,415.3
<b>Creditors: amounts falling due within one year</b>	9	(1,777.3)	(1,701.6)
<b>Net current liabilities</b>		(267.7)	(286.3)
<b>Total assets less current liabilities</b>		675.2	277.7
<b>Creditors: amounts falling due after more than one year</b>	10	(401.5)	(221.5)
<b>Provisions for liabilities and charges</b>		(77.9)	(74.5)
<b>Net assets/(liabilities)</b>		195.8	(18.3)
<b>Capital and reserves</b>			
Share capital		76.6	73.6
Reserves	2	111.1	(98.8)
<b>Share owners' funds</b>		187.7	(25.2)
Minority interests		8.1	6.9
<b>Total capital employed</b>		195.8	(18.3)

**Unaudited preliminary reconciliation of movements in consolidated share owners' funds for the year ended 31 December 1998**

	Note	1998	1997
	s	£m	£m
Profit for financial year		140.3	116.0
Ordinary dividends payable		(19.6)	(15.7)
		120.7	100.3
Exchange adjustments on foreign currency net investments		4.0	(40.1)
Share buybacks		(21.3)	(18.5)
Net movement on goodwill write-off reserve		-	(91.6)
Shares issued for acquisitions	7	105.4	-
Other movements		4.1	2.4
<b>Net additions to share owners' funds</b>		212.9	(47.5)
<b>Opening share owners' funds</b>		(25.2)	22.3
<b>Closing share owners' funds</b>		187.7	(25.2)

**Unaudited preliminary statement of consolidated recognised gains and losses for the year ended 31 December 1998**

	1998	1997
	£m	£m
Profit for the year	140.3	116.0
Exchange adjustments on foreign currency net investments	4.0	(40.1)
Total recognised gains	144.3	75.9

**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 prepared using accounting policies set out on pages 56 and 57 of the Group's 1997 Annual Report and Accounts, apart from the adoption of FRS9 (Associates and Joint Ventures), FRS10 (Goodwill and Intangible Assets), FRS11 (Impairment of Fixed Assets and Goodwill) and FRS14 (Earnings per Share).

The impact of FRS9 is to change the presentation of income from associates within the profit and loss account. This is now excluded from operating profit and shown as a separate line before profit on ordinary activities before interest and taxation.

During 1998 the Group has also implemented FRS10. For acquisitions made on or after 1 January 1998 goodwill is capitalised as an intangible fixed asset.

The directors are of the opinion that the intangible assets of the Group have an infinite economic life because of the institutional nature of the corporate brand

names, their proven ability to maintain market leadership and profitable operations over long periods of time and WPP's commitment to develop and enhance their value. The carrying value of intangible assets will continue to be reviewed annually for impairment and adjusted to the recoverable amount if required.

The financial statements depart from the specific requirement of companies legislation to amortise goodwill over a finite period in order to give a true and fair view. The directors consider this to be necessary for the reasons given above. Because of the infinite life of these intangible assets, it is not possible to quantify its impact.

The initial recognition of the J Walter Thompson corporate brand was credited to the revaluation reserve. Following the implementation of FRS10 this amount of £175.0 million has been transferred to the profit and loss account reserve. In addition a transfer of £1,280.9 million has been made from the goodwill write-off reserve to the profit and loss account reserve in accordance with FRS10.

The impact of FRS14 is to change the method of calculation of basic and fully diluted earnings per share (EPS). The main result of this is that certain shares held by the employee share ownership plan (ESOP) are now excluded from the weighted average number of shares.

### **3. Currency conversion**

The 1998 unaudited preliminary consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US\$1.6574 to the pound (1997: US\$1.6381). The unaudited preliminary consolidated balance sheet as at 31 December 1998 has been prepared using the exchange rate on that day of US\$1.6638 to the pound (1997: US\$1.6454). The US\$ figures for earnings and ordinary dividends per ADR for each year have been calculated by applying the average US\$ exchange rates to the pound figures for illustrative purposes.

The constant currency percentage changes shown on the face of the profit and loss account have been calculated by applying 1998 exchange rates to the results for 1997 and 1998.

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 EUR 1.477 to the pound (1997: EUR 1.4502). The unaudited preliminary balance sheet at 31 December 1998 has been prepared using the exchange rate on that day of EUR 1.4169 to the pound (1997: EUR 1.4948).

#### 4. Taxation

The Group tax rate on profit on ordinary activities before taxation is 31.5% (1997: 32%). The tax charge comprises:

	1998 / £m	1997 / £m
Corporation Tax at 31% (1997 - 31.5%)	12.9	6.1
Deferred taxation	-	(2.6)
Overseas taxation	51.4	52.0
Tax on profits of associate companies	6.8	3.9
Write-back of previously written-off ACT	(4.1)	(2.7)
	<b>67.0</b>	<b>56.7</b>

#### 5. Ordinary Dividends

The board has recommended a final dividend of 1.72p (1997: 1.43p net) per ordinary share. In addition to the interim dividend paid of 0.84p net (1997: 0.7p net) per ordinary share, this makes a total for the year of 2.56p (1997: 2.13p net) per ordinary share. The final dividend is expected to be paid on 12 July 1999 to share owners on the register at 11 June 1999. No advance corporation tax is payable in respect of the final dividend owing to the abolition of ACT with effect from April 1999.

#### 6. 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.

(a) Basic earnings per share have been calculated using earnings of £140.3 million (1997: £116.0 million) and weighted average shares in issue during the year of 735,700,122 shares (1997: 732,426,990 shares).

(b) Fully diluted earnings per share have been calculated on a weighted average of 746,939,733 shares (1997: 738,922,627 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.

(c) At 31 December 1998, there were 766,477,562 ordinary shares in issue.

#### 7. Goodwill

Goodwill of £158.0 million includes amounts capitalised during the year in respect of acquisitions of subsidiary undertakings. In addition, investments include £90.6 million of goodwill in respect of associated undertakings acquired during the year. Included in these amounts are £105.7 million of cash paid and £63.5 million of additional future anticipated payments to vendors.

Also included within these amounts are £105.4 million of shares issued as consideration for the Group's 20% interest in Asatsu DK, Japan's third largest advertising and communications company.

In respect of all existing earnout arrangements, the future anticipated payments total £97.9 million (1997: £34.4 million), based on the directors' best estimates of future obligations, which are dependent on future performance of the interests acquired. £14.3 million of earnout payments are expected to be paid during 1999.

Due to their timing, these acquisitions do not have a significant impact on the Group's results for the year.

## 8. Debtors

The following are included in debtors:

	1998 / £m	1997 / £m
Trade debtors	678.9	633.9
Prepayments and accrued income	53.3	57.8
Other debtors	160.9	135.9
	<b>893.1</b>	<b>827.6</b>

## 9. Creditors: amounts falling due within one year

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

	1998 / £m	1997 / £m
Bank loans and overdrafts	95.4	81.8
Trade creditors	1,102.4	1,113.0
Corporate income tax payable	50.0	49.2
Deferred income	111.1	97.3
Payments due to vendors (note 7)	14.3	9.1
Other creditors and accruals	404.1	351.2
	<b>1,777.3</b>	<b>1,701.6</b>

Overdraft balances included within bank loans and overdrafts amount to £95.4 million (1997: £72.5 million).

## 9. Creditors: amounts falling due within one year

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

	1998 / £m	1997 / £m
Corporate bond and bank loans	194.2	88.0
Corporate income taxes payable	91.3	75.3
Payments due to vendors (note 7)	83.6	25.3
Other creditors and accruals	32.4	32.9
	<b>401.5</b>	<b>221.5</b>

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

	1998 / £m	1997 / £m
Within one year	95.4	81.8
Between 1 and 2 years	-	-
Between 2 and 5 years	15.1	87.0
Over 5 years	179.1	1.0
	289.6	169.8

During the year, the Group completed its debut US\$300 million USA bond offering. The Group issued US\$200 million of 6.625% Notes due 2005 and US\$100 million of 6.875% Notes due 2008. Net proceeds of the offering were used to reduce drawings on existing loan facilities and for general corporate purposes.

#### 11. Net funds

	1998 / £m	1997 / £m
Cash at bank and in hand	423.9	364.5
Bank loans and overdrafts due within one year (note 9)	(95.4)	(81.8)
Corporate bond and loans due after one year (note 10)	(194.2)	(88.0)
<b>Net funds</b>	134.3	194.7

#### 12. Statutory information and audit review

The results for the year to 31 December 1998 and 1997 do not constitute statutory accounts and are unaudited. The statutory accounts for the year ended 31 December 1997 received an unqualified auditors' report and have been filed with the Registrar of Companies.



**Unaudited preliminary consolidated profit & loss account for the year ended 31 December, 1998**

Presented in Euros for illustrative purposes only

	<b>1998</b>	<b>1997</b>	<b>+ / (-)</b>
	EUR / m	EUR / m	%
<b>Turnover (gross billings)</b>	11,817.	10,567.7	+11.9%
	0		
<b>Revenue</b>	2,833.7	2,533.0	+11.9%
<b>Gross profit</b>	2,411.4	2,129.8	+13.2%
Operating costs	(2,073.	(1,847.2)	-12.2%
	0)		
<b>Operating profit</b>	338.4	282.6	+19.7%
Income from associates	23.8	15.4	+54.5%
<b>Profit on ordinary activities before interest and taxation</b>	362.2	298.0	+21.5%
Net interest payable and similar charges	(47.9)	(40.7)	-17.7%
<b>Profit on ordinary activities before taxation</b>	314.3	257.3	+22.2%
Tax on profit on ordinary activities	(98.9)	(82.2)	-20.3%
<b>Profit on ordinary activities after taxation</b>	215.4	175.1	+23.0%
Minority interests	(8.1)	(6.8)	-19.1%
<b>Profit attributable to ordinary share owners</b>	207.3	168.3	+23.2%
Ordinary dividends	(29.0)	(22.8)	+27.2%
<b>Retained profit for the year</b>	178.3	145.5	+22.5%
<b>Earnings per share (net basis)</b>			
Basic earnings per ordinary share	28.2c	22.9c	+23.1%
Fully diluted earnings per ordinary share	27.8c	22.8c	+21.9%
<b>Ordinary dividend per share - interim (net)</b>	1.24c	1.02c	+21.6%
- final	2.54c	2.07c	+22.7%

**Unaudited preliminary consolidated balance sheet as at 31 December, 1998**

**Presented in Euros for illustrative purposes only**

	<b>1998</b>	<b>1997</b>
	EUR / m	EUR / m
<b>Fixed assets</b>		
Intangible assets:		
Corporate brands	495.9	523.2
Goodwill	223.9	-
Tangible assets	236.2	214.5
Investments	380.0	105.4
	<u>1,336.0</u>	<u>843.1</u>
<b>Current assets</b>		
Stocks and work in progress	152.0	149.0
Debtors	1,265.4	1,237.1
Debtors within working capital facility:		
Gross debts	417.3	501.1
Non-returnable proceeds	<u>(296.4)</u>	<u>(316.4)</u>
	120.9	184.7
Cash at bank and in hand	600.6	544.9
	<u>2,138.9</u>	<u>2,115.7</u>
<b>Creditors:</b> amounts falling due within one year	(2,518.3)	(2,543.6)
<b>Net current liabilities</b>	<u>(379.4)</u>	<u>(427.9)</u>
<b>Total assets less current liabilities</b>	956.6	415.2
<b>Creditors:</b> amounts falling due after more than one year	(568.9)	(331.1)
<b>Provisions for liabilities and charges</b>	(110.4)	(111.4)
<b>Net assets/(liabilities)</b>	<u>277.3</u>	<u>(27.3)</u>
<b>Capital and reserves</b>		
Share capital	108.5	110.1
Reserves	157.4	(147.7)
<b>Share owners' funds</b>	265.9	(37.6)
Minority interests	11.4	10.3
<b>Total capital employed</b>	<u>277.3</u>	<u>(27.3)</u>