Preliminary Results for the Year ended 31 December 1998

17 February 1999

Highlights

Revenues up almost 10% to £1.9 billion

Profit before tax up 20% to £212.8 million from £177.4 million

Fully diluted earnings per share up almost 20% to 18.8p from 15.7p

Final dividend up 20% to 1.72p

- Revenues up almost 10% to £1.918 billion and on a constant currency basis up over 13%

- Operating profit up over 17% to £229.1 million and on a constant currency basis up almost 23%

- Profit before interest and tax up over 19% to £245.2 million and on a constant currency basis up 25%

- Operating margins up 1.0% from 11.8% to 12.8% and on a constant currency basis up 1.2% in line with objectives

- Profit before tax up 20% to £212.8 million and on constant currency basis up by over 26%

- Fully diluted earnings per share up almost 20% to 18.8p from 15.7p and on a constant currency basis up over 26%

- Final dividend up 20% to 1.72p per share making total for the year of 2.56p up 20% over 1997

- Net new billings of over $2.9 billion (1997 $2.1 billion)

- Internet and internet-related billings of $120 million and revenues of $60 million and profitable

Summary of 1998 Results

The Board of WPP announces the unaudited preliminary results for the year ended 31 December 1998. These results represent record profits in the company's thirteenth year.

Turnover was up 9.8% to £8 billion, revenues up 9.8% to £1.918 billion and gross profit up 11.2% to £1.632 billion. On a constant currency basis, revenues were up 13.2% and gross profit up almost 15%.

Operating profit (excluding income from associates) rose by 17.5% to £229.1 million from £194.9 million and by almost 23% in constant currencies. Reported operating margins (including income from associates) rose by 1% for the sixth year in a row, up 1.0% to 12.8% and by 1.2% on a constant currency basis. The gap between the very best performing competition and ourselves continues to narrow. Profit before interest and tax was up over 19% to £245.2 million from £205.5 million and up 25% in constant currencies.

Operating margins before short and long-term incentive payments (totalling over £58 million in 1998) rose to 15.8% from 15.0%. Operating costs rose by 10.2% and by 13.8% in constant currency. The Group's staff cost to revenue ratio fell to 49.7% from 50.3%.

As the Group's staff cost to revenue ratio continues to improve, variable staff costs as a proportion of total staff costs have increased over recent years to 11.1% and as a proportion of revenues to 5.5%. This has resulted in increased flexibility in the cost structure.

Net interest payable and similar charges includes net interest which increased to £19.2 million from £16.1 million, reflecting the increased level of acquisitions and share repurchases. Interest cover, however, has improved to 7.6X in comparison to 7.3X in the previous year.

Profit before tax rose by 20% to £212.8 million from £177.4 million. Pre-tax margins rose to 11.1% from 10.2%. On a constant currency basis, pre-tax profits were up over 26% as sterling strengthened on average by 6% against the dollar and most of the Group's key trading currencies. If sterling had stayed at the same average levels as 1997 pre-tax profits would have been £219 million.

The Group's tax rate on profits was 31.5%, a slight improvement on the previous year's 32%.

Fully diluted earnings per share rose almost 20% to 18.8p from 15.7p restated to reflect the implementation of FRS 14. In constant currency earnings per share rose by over 26%.

The Board recommends an increase of 20% in the final dividend to 1.72p per share, which will be paid in the form of an ordinary dividend, making a total of 2.56p per share for 1998, a 20% increase over 1997.

As mentioned above, on a constant currency basis, revenues rose by over 13% and gross profit was up almost 15% on 1997. Total operating and direct costs were up almost 12% on the previous year. The Group's staff cost to revenue ratio improved to 49.7% from 50.3%. Staff costs rose by 8.5% and salaries by 8.3%.

Our staff numbers averaged 25,589 against 22,909 in 1997, up 11.7%. On a like-for-like basis, average headcount was up 635 to 25,589 from 24,954, an increase of 2.5 %. At the end of 1998 staff numbers were 26,184 compared with 25,692 on a like-for-like basis at the end of 1997, an increase of 1.9%.

Review of operations

In 1998 the worldwide advertising and marketing services industry grew approximately 5-6%. Our company continued to strengthen particularly in the United States, the United Kingdom and Continental Europe. Despite the recessionary concerns in Asia Pacific, these faster growing markets continued to expand. Latin America was the area of the world where volatility and progress was most difficult. In 1998, the Group believes it significantly increased its worldwide market share.

The real cost of network television - still the primary media medium - continues to rise by as much as 5-10% per annum on both sides of the Atlantic. This is caused partly by increased pricing by an oligopoly of media owners and partly by a decline in network audiences. As media advertising can represent the most significant cost to many of our clients after their manufacturing expenses, these clients are increasingly considering alternatives to television advertising. As long as network price inflation continues, clients will increasingly experiment with alternative media and non-traditional alternatives will continue to grow faster, particularly with the fragmentation of traditional media and the rapid development of new technologies. Hence 1998 was the first year when WPP's non-media advertising activities' represented over 50% of Group revenues. In addition, internet and internet-related billings totalled $120 million, with revenues of approximately $60 million or 4% of advertising revenues, which compares to 2% for the industry as a whole.

Revenue and operating profit by region

The pattern of revenue growth differed regionally. The table below gives details of revenues and revenue growth (on a constant currency basis) by region for 1998 as well as proportions of operating profits.

Region	Revenue as a % of Total Group	Revenue growth % +/(-) 98/97	Operating profit as a % of Total Group
North America	41.6	11.1	47.3
United Kingdom	20.5	17.7	17.2
Continental Europe	20.6	20.9	22.4
Asia Pacific, Latin America, Africa and the Middle East	17.3	5.4	13.1
TOTAL GROUP	100	13.2	100

Net new billings of £1.7 billion ($2.9 billion) were won last year, up 38% on 1997

Revenue and operating profit by communications services sector and brand

The pattern of revenue growth also varied by communications services sector and brand. The table below gives details of revenues and revenue growth by communications services sector for 1998 (on a constant currency basis) as well as proportions of operating profits.

Communications Services Sector	Revenue as a % of Total Group	Revenue growth % +/(-) 98/97	Operating profit as a % of Total Group
Advertising, Media Planning, Buying and Research	49.6	8.4	57.6
Information and Consultancy	19.2	26.4	16
Public Relations and Public Affairs	7	20.8	6.4
Specialist Communications	24.2	12	20
TOTAL GROUP *	100	13.2	100

* Includes internet and internet-related revenue totalling $60m.

Advertising, media planning, buying and research

Combined advertising, media planning, buying and research revenues at J. Walter Thompson Company and Ogilvy & Mather Worldwide rose by 8.1%. Combined operating margins were 15.4%. Combined operating costs rose by 8.4% and the combined staff costs to revenue ratio fell to 55.9% from 56.2%. J. Walter Thompson Company generated net new billings of £226 million ($374 million) and Ogilvy & Mather Worldwide £212 million ($349 million). MindShare generated net new billings of £478 million ($788 million).

Conquest Europe's revenues rose over 24% and operating profits and margins were up sharply. Net new billings were £33 million ($54 million).

Information and consultancy

The Group's information and consultancy businesses continued their strong growth with gross profit rising by almost 24%. Operating costs rose by over 19%. As a result, margins rose by 1.7% over the previous year. Particularly strong performances were recorded by Research International in Belgium, Brazil, Germany, Greece, Italy, Japan, the Netherlands, Spain and Australia; at Millward Brown in the United Kingdom, United States, France, Canada, Italy and Singapore; at Kantar Media Research in BMRB United Kingdom, Winona and IMRB.

Public relations and public affairs

The Group's public relations and public affairs activities continued to advance strongly.

Hill and Knowlton's revenues rose by over 15% and operating costs by over 12%. As a result, margins increased to over 10%, ahead of target and schedule.

Ogilvy Public Relations Worldwide's revenues rose by over 31% and operating costs by approximately 25%. For the second year in a row following the change in leadership profitability and margins improved significantly over the previous year.

Our public relations and public affairs businesses as a whole showed operating margins of over 11%, in excess of the Group's objective for 1998 and in line with the best performing publicly listed competition. Operating management has indicated that there is more operating margin improvement to go for.

Specialist communications

Specialist communications revenues rose by 12%. Gross profit rose by over 20% and operating costs by over 19%. As a result, overall operating margins increased. Several of our companies in this sector performed particularly well, including in promotion and direct marketing - Mando Marketing, RTCdirect, Promotional Campaigns Group, EWA, OgilvyOne, A Eicoff & Company and DSB&K; in identity and design - Banner McBride, BDG McColl, Brouillard, Enterprise IG Group; in healthcare marketing - Thomas Ferguson Associates and OZM Group and in other specialist marketing resources - The Henley Centre, Management Ventures and Mendoza Dillon & Asociados.

Manufacturing

The Group's manufacturing division had a better year with operating profits rising to £0.4 million from £0.3 million.

Balance sheet

An unaudited summary of the Group's consolidated balance sheet as at 31 December 1998 is attached in Appendix I. Appendix II presents, for illustrative purposes only, the preliminary consolidated profit and loss account and the preliminary consolidated balance sheet in euros. As at 31 December 1998, the Group was cash positive with net cash of £134 million compared with £195 million at 31 December 1997 (1997 - £196 million on the basis of 1998 year end exchange rates), despite cash expenditure of £115 million on acquisitions and £55 million on share repurchases. As usual, this was primarily due to the seasonally strong fourth quarter and management efforts to improve working capital.

Net debt averaged £143 million in 1998 up £28 million against £115 million in 1997 (1997 - up £22 million against £121 million at 1998 exchange rates). These net debt figures compare with a current equity market capitalisation of approximately £3.5 billion giving a total enterprise value of approximately £3.6 billion.

Cash flow continued to improve as a result of improved profitability and management of working capital. In 1998, operating profit was £229 million, capital expenditure £52 million, depreciation £34 million, tax paid £59 million, interest and similar charges paid £26 million and other net cash inflows of £6 million. Free cash flow available for debt repayment, acquisitions, share buybacks and dividends was therefore £132 million. A summarised unaudited consolidated cash flow statement is included in Appendix I. This free cash flow was more than absorbed by acquisition payments and investments of £115 million, share repurchases and cancellations of £55 million and dividends of £17 million.

In order to enhance share owner value as liquidity improves, your Board has continued to give consideration to the relative merits of increasing the dividend payout ratio and share buy-backs. As noted above, your Board has decided to increase the final dividend by 20% to 1.72p per share, taking the full year dividend to 2.56p per share which is approximately seven times covered. In addition, as current opportunities for acquisitions at sensible prices are limited, the Company increased the amount available for share buy-backs in the open market to £50 million, when market conditions were appropriate. Such annual share repurchases now

represent 2% of the Company's share capital which seems to have a more significant impact in improving share owner value. If the United Kingdom stock market continues to value your company at a significant discount to its United States based competitors, your Board will continue to take advantage of this valuation discrepancy through the buy-back programme. If necessary by increasing net debt to the range of £150-200 million in comparison with the historical target range of £100-£150 million. This level of debt would still represent only 4-6% of the Company's market value.

In the first five weeks of 1999 up until 5th February, the last date for which information is available prior to this announcement, net debt averaged £16 million versus net cash of £4 million for the same period last year at 1999 exchange rates.

In light of the historically low level of long term interest rates and the consequent low cost of debt capital, during the year the Company tapped longer term sources of debt capital by issuing $300 million of seven and ten year notes at a weighted pre-tax interest cost of 6.7%.

Developments in 1998

Including associates, the Group had over 33,000 full-time people in 950 offices in 92 countries at the year end. It services over 300 of the Fortune Global 500 companies and approximately 330 national or multi-national clients in three or more disciplines. More than 60 clients are serviced in all four disciplines. The Group also works with over 100 clients in six or more countries.

These statistics reflect the increasing opportunities for developing client relationships between activities nationally, internationally and by function. The Group estimates that 25% of new assignments in the year were generated through the joint development of opportunities by two or more Group companies.

Future prospects

Considerable progress was again made in 1998, despite the continued relative strength of sterling and economic volatility in Asia Pacific and Latin America. Continued progress has been made over the last six years during which pre-tax profits have increased almost four times from £54 million in 1993 to £85 million in 1994, £114 million in 1995, £153 million in 1996, £177 million in 1997 and £213 million in 1998. Over the same period operating margins (including income from associates) have almost doubled from 7.0% to 12.8%, and average net debt has fallen by two-thirds from £361 million in 1993 to £268 million in 1994, £214 million in 1995, £145 million in 1996, £115 million in 1997, rising to £143 million in 1998.

However, there is still a significant profit opportunity in matching the operating margins of the best-performing competition. The best-performing competitive listed holding companies, The Interpublic Group of Companies Inc. ("IPG") and Omnicom Group Inc. ("Omnicom") achieve 15%-16% operating margins, whilst their best-performing individual agencies such as McCann-Erickson Worldwide and BBDO Worldwide are estimated to achieve operating margins of 17%-18%. This compares to a WPP parent company margin of 12.8% and combined agency margins at Ogilvy & Mather Worldwide and J. Walter Thompson Company of 15.4%. Competitive listed public relations companies such as Shandwick plc, which has now been acquired,

showed operating margins of over 10% which have now been matched by our own operations. As mentioned before operating management has indicated that margin performance can be improved further.

The results of our research into comparative benchmarking data on our information and consultancy and specialist communications operations confirm that our businesses in these areas are competitive, although there are still opportunities to improve performance to the best-performing competitors.

The task of eliminating surplus property costs has been achieved over the last seven years. Over 650,000 sq ft with a cash cost of approximately £14 million ($22 million) per annum has been sublet or absorbed. Whilst WPP's rental costs to revenue ratio is competitive to its best performing competition your Board believes the Group is still capable of achieving a further _% improvement equivalent to approximately £9 million of operating profit, which would, of course, form part of any general operating profit improvement.

Achievement of "best practice" competitive operating margins and our targets in just our advertising and public relations and public affairs businesses at current revenue levels, would generate a further £12-20 million of annual operating profits.

As usual, our budgets for 1999 have been prepared on a conservative basis. They predict like-for-like year-on-year revenue increases of over 4% in comparison to 1998 and reflect the recessionary uncertainties in Asia Pacific and Latin America. This compares with budgeted growth of 6% in 1997 against an actual outcome of over 8% and budgeted growth of 6% and actual growth of almost 8% in 1998. We only have data for one month so far in 1999, for January, and this shows a like-for-like increase of over 6%.

There is little doubt that the problems in Asia Pacific and Latin America will have an impact on worldwide growth of gross domestic product. Most commentators predict that this will slow worldwide growth in 1999 to 2-3% as opposed to 3-4% in 1998. There are some signs that the problems in Asia Pacific are ameliorating particularly in Thailand, The Philippines and South Korea. However, the problems facing Latin America have become more worrying following the Brazilian currency crisis and devaluation. Our budgets for 1999 indicate a like-for-like growth rate of over 3% for Asia Pacific and Latin America.

In the slower growth, lower inflation 1990s there are still economic uncertainties in the United States, United Kingdom and Continental Europe, as a result of recently experiencing historically high levels of unemployment and the consequent lack of confidence and fear of further unemployment amongst both consumers and managers. In the medium-term, therefore, like-for-like revenue gains are likely to be in the mid-single digit range and in these circumstances the Company will continue to concentrate on improving the balance of its resources and the flexibility of its costs particularly in staff and property areas. To achieve this, short-term and long-term incentive plan objectives have been based on improving absolute levels of profit, operating margins, staff cost to revenue ratios, incremental revenue conversion, revenue growth and Group co-operation. As our margins improve and come even closer to matching the very best performing competition, increasing emphasis is being placed on revenue generation through these incentive objectives.

Consequently, the Group has increasingly focused on improving its competitive position in the faster growing segments of the communications services industry. Despite the events of 1998, your Board continues to believe that Asia Pacific will offer superior opportunities for growth in the medium to long-term along with Latin America, Africa and the Middle East and Central and Eastern Europe. These markets now account for over 17% of the Group's revenue as opposed to 13% in 1992 despite the recent slowdown in growth. These markets are still forecast to continue to grow at significantly faster rates than those of North America and Western Europe in the long-term. WPP, according to the Advertising Age Agency Report, ranks in the top three in all of the ten fastest growing markets of the world.

During 1998 the Group increased its equity interests, at a combined initial cost of £115 million in cash and £105 million in shares, in advertising agencies in Argentina, Belgium, Central America, Colombia, India, Italy, Japan, the Middle East, New Zealand, the Netherlands, Norway, the Philippines, Sweden and Turkey; in information and consultancy in Canada, Korea, Italy, South Africa, Spain, the United Kingdom and the United States; in public relations and public affairs in the United States; and in specialist communications in Argentina, Australia, Belgium, Brazil, France, Germany, Poland, Thailand, the United Kingdom and the United States. Functionally, the Group is well positioned in areas such as direct and database marketing and interactive communications, healthcare, hi-tech, retail and information and consultancy where growth is stronger relative to the industry as a whole. In line with this objective the Group has made acquisitions and investments in custom research, media research, direct marketing, data mining and media buying. Together with corporate partners such as GE the Group has invested in two venture capital funds, Media Technology Ventures and Media Technology Equity Partners. These funds provide seed and second round financing in a number of interactive areas including e-commerce, web television and telephone, digital animation, on-line healthcare education and sports entertainment.

In these circumstances there is no reason to believe that the Group cannot achieve the objective set in 1997 of further improving margins by another 0.6% in 1999. Your Board does not believe that there is any functional, geographic, account concentration or structural reason that should prevent the Group achieving operating margins of 14% by 2000. After all the two best listed performers in the industry are at 15-16% and that is where we would want to be. Neither is there any reason why operating margins could not be improved beyond this level by continued focus on revenue growth and careful husbandry of costs.

Recent research indicates that the parent company is perceived externally and, more importantly, internally to be heavily focused on the pursuit of financial objectives. Increasingly, WPP is concentrating on its mission of the "management of the imagination", and ensuring it is a big company with the heart and mind of a small one.

To aid the achievement of these objectives and to develop the benefits of membership of the Group for both clients and our people, the parent company continues to develop its activities in the areas of human resources, property, procurement, information technology and practice development. Ten practice areas which span all our brands have been developed initially in media planning, buying and research, healthcare, privatisation, new technologies, new faster growing markets,

internal communications, retailing, entertainment and media, financial services and hi-tech and telecommunications.

1998 saw the continued development of MindShare, the combined media planning, buying and research unit of our two major agencies - Ogilvy & Mather Worldwide and J. Walter Thompson Company - in North America, Europe, Asia Pacific and Latin America. In addition our investment in Tempus plc an independent media buyer has been increased. New ventures initiated in the youth and teen markets with Geppetto Group; in marketing to women with The Intuition Group; in business technology consulting with Savatar and internal communications with Banner McBride have been further developed. Innovative graduate recruitment schemes, awards and training programmes have all continued to be implemented and developed in 1998. In 1998 the parent company continued a worldwide share ownership programme for all our people with over two years service, a partnership programme rewarding outstanding examples of collaboration across operating companies with the objective of adding value to our clients' businesses and training programmes on the new media and enhancing and stimulating creativity.

1999, WPP's fourteenth year, should be another good year despite recessionary concerns. Whilst growth will be dampened by recent economic events in Asia Pacific and Latin America, early indications are that the worldwide growth rate of communications services will only be slightly lower than 1998 at approximately 4-5%. This may be no bad thing as there were signs that some western mature economies and faster growing eastern markets were over heating. As long as governments do not overdo deflationary correction, the worldwide economic environment should be good for growth in communications services expenditure. Especially given the quadrennial boost towards the end of 1999 by the 2000 United States Presidential election, by the 2000 Sydney Olympics and by the millennium celebrations themselves perhaps tempered by Y2000 concerns.

Further information

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This press release may contain forward-looking statements within the meaning of the federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially including adjustments arising from the annual audit by management and the company's independent auditors. For further information on factors which could impact the company and the statements contained herein, please refer to public filings by the company with the Securities and Exchange Commission. The statements in this press release should be considered in light of these risks and uncertainties.

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

	Notes	1998 £m	1997* £m	+/(-) %	Constant Currency (note 3) +/(-) %
Turnover (gross billings)		8,000.1	7,287.3	+9.8%	+13.2%
Revenue		1,918.4	1,746.7	+9.8%	+13.2%
Gross profit		1,632.5	1,468.7	+11.2%	+14.9%
Operating costs		(1,403.4)	(1,273.8)	-10.2%	-13.8%
Operating profit		229.1	194.9	+17.5%	+22.7%
Income from associates		16.1	10.6	+51.9%	+65.4%
Profit on ordinary activities before interest and taxation		245.2	205.5	+19.3%	+24.8%
Net interest payable and similar charges		(32.4)	(28.1)	-15.3%	-16.1%
Profit on ordinary activities before taxation		212.8	177.4	+20.0%	+26.2%
Tax on profit on ordinary activities	4	(67)	(56.7)	-18.2%	-24.2%
Profit on ordinary activities after taxation		145.8	120.7	+20.8%	-+27.1%
Minority interests		(5.5)	(4.7)	-17.00%	-17.00%
Profit attributable to ordinary share owners		140.3	116	20.90%	+27.60%
Ordinary dividends	5	(19.6)	(15.7)	+24.80%	+24.80%
Retained profit for the year		120.7	100.3	+20.3%	+28.0%
Earnings per share (net basis)					
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%
Ordinary dividend per share					
Interim (net)	5	0.84p	0.7p	+20.0%	+20.0%
Final	5	1.72p	1.43p	+20.3%	+20.3%
Earnings per ADR (net basis)					
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%
Ordinary dividend per ADR					
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 *
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	229.1	194.9
Depreciation charge	33.7	29.1
Movements in working capital and provisions	(6.8)	59.0
Net cash inflow from operating activities	256.0	283.0
Dividends received from associates	3.4	2.8
Return on investments and servicing of finance	(28.7)	(30.5)
United Kingdom and overseas tax paid	(59.0)	(54.0)
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
Capital expenditure and financial investment	(82.1)	(45.8)
Acquisitions payments	(105.7)	(51.2)
Net purchases of other investments	(9.8)	(17.3)
Total acquisitions	(115.5)	(68.5)
Equity dividends paid	(16.6)	(13.5)
Net cash (outflow)/inflow before financing	(42.5)	73.5
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
Net cash inflow/(outflow) from financing	78.1	(142.3)
Increase/(decrease) in cash and overdrafts for the year	35.6	(68.8)
Translation difference	0.9	(13.8)
Balance of cash and overdrafts at beginning of year	292.0	374.6
Balance of cash and overdrafts at end of year	328.5	292.0
Reconciliation of net cash flow to movement in net funds:		
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)
Movement in net funds in the year	(60.4)	35.5
Net funds at beginning of year	194.7	159.2
Net funds at end of year (Note 11)	134.3	194.7

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

Unaudited preliminary consolidated balance sheet as at 31 December, 1998

	Notes	1998 £m	1997 £m
Fixed assets			
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
Current assets			
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
Creditors: amounts falling due within one year	9	(1,777.3)	(1,701.6)
Net current liabilities		(267.7)	(286.3)
Total assets less current liabilities		675.2	277.7
Creditors: amounts falling due after more than one year	10	(401.5)	(221.5)
Provisions for liabilities and charges		(77.9)	(74.5)
Net assets/(liabilities)		195.8	(18.3)
Capital and reserves			
Share capital		76.6	73.6
Reserves	2	111.1	(98.8)
Share owners' funds		187.7	(25.2)
Minority interests		8.1	6.9
Total capital employed		195.8	(18.3)

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

	Notes	1998 £m	1997 £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
Net additions to share owners' funds		212.9	(47.5)
Opening share owners' funds		(25.2)	22.3
Closing share owners' funds		187.7	(25.2)

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

	1998 £m	1997 £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)
	67.0	**56.7**

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
	893.1	**827.6**

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
	1,777.3	1,701.6

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
	401.5	221.5

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)
Net funds	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

	1998	1997	+/(-)
	EUR / m	EUR / m	%
Turnover (gross billings)	11,817.0	10,567.7	+11.9%
Revenue	2,833.7	2,533.0	+11.9%
Gross profit	2,411.4	2,129.8	+13.2%
Operating costs	(2,073.0)	(1,847.2)	-12.2%
Operating profit	338.4	282.6	+19.7%
Income from associates	23.8	15.4	+54.5%
Profit on ordinary activities before interest and taxation	362.2	298.0	+21.5%
Net interest payable and similar charges	(47.9)	(40.7)	-17.7%
Profit on ordinary activities before taxation	314.3	257.3	+22.2%
Tax on profit on ordinary activities	(98.9)	(82.2)	-20.3%
Profit on ordinary activities after taxation	215.4	175.1	+23.0%
Minority interests	(8.1)	(6.8)	-19.1%
Profit attributable to ordinary share owners	207.3	168.3	+23.2%
Ordinary dividends	(29.0)	(22.8)	+27.2%
Retained profit for the year	178.3	145.5	+22.5%
Earnings per share (net basis)			
Basic earnings per ordinary share	28.2c	22.9c	+23.1%
Fully diluted earnings per ordinary share	27.8c	22.8c	+21.9%
Ordinary dividend per share - interim (net)	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

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