

WPP GROUP PLC

Preliminary results for the year ended 31 December 2007

Unaudited preliminary consolidated income statement for the year ended 31 December 2007

	Notes	2007	2006		Constant Currency ¹
		£m	£m	+/(-)%	+/(-)%
Billings		31,665.5	30,140.7	5.1	8.6
Revenue		6,185.9	5,907.8	4.7	8.2
Direct costs		(335.5)	(296.8)	(13.0)	(15.9)
Gross profit		5,850.4	5,611.0	4.3	7.8
Operating costs	4	(5,045.7)	(4,869.4)	(3.6)	(7.4)
Operating profit		804.7	741.6	8.5	10.3
Share of results of associates	4	41.4	41.1	0.7	4.4
Profit before interest and taxation		846.1	782.7	8.1	10.0
Finance income	5	139.4	111.0	25.6	29.0
Finance costs	5	(266.1)	(211.7)	(25.7)	(27.7)
Profit before taxation		719.4	682.0	5.5	7.4
Taxation	7	(204.3)	(199.4)	(2.5)	(0.8)
Profit for the year		515.1	482.6	6.7	10.2
Attributable to:					
Equity holders of the parent		465.9	435.8	6.9	10.8
Minority interests		49.2	46.8	(5.1)	(5.6)
		515.1	482.6	6.7	10.2
Headline PBIT	6,18	928.0	859.0	8.0	10.1
Headline PBIT margin	18	15.0%	14.5%		
Headline PBT	18	817.3	766.3	6.7	8.8
Earnings per share²					
Basic earnings per ordinary share	9	39.6	36.3	9.1	13.0
Diluted earnings per ordinary share	9	38.0	35.2	8.0	12.0

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 2007

	Notes	2007	2006
		£m	£m
Net cash inflow from operating activities	10	891.3	661.4
Investing activities			
Acquisitions and disposals	10	(674.8)	(215.6)
Purchase of property, plant and equipment		(151.1)	(167.8)
Purchase of other intangible assets (incl. capitalised computer software)		(19.7)	(16.7)
Proceeds on disposal of property, plant and equipment		8.3	22.4
Net cash outflow from investing activities		(837.3)	(377.7)
Financing activities			
Issue of shares		34.8	70.9
Share repurchases and buybacks	10	(415.4)	(257.7)
Net increase in borrowings	10	498.9	382.1
Financing and share issue costs		(8.3)	(3.7)
Equity dividends paid		(138.9)	(118.9)
Dividends paid to minority shareholders in subsidiary undertakings		(38.9)	(28.8)
Net cash (outflow)/ inflow financing activities		(67.8)	43.9
Net (decrease)/increase cash and cash equivalents		(13.8)	327.6
Translation differences		119.2	(50.3)
Cash and cash equivalents at beginning of year		956.9	679.6
Cash and cash equivalents at end of year	10	1,062.3	956.9
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		(13.8)	327.6
Cash outflow from decrease in debt financing		(493.5)	(380.1)
Other movements		26.0	9.3
Translation difference		10.2	32.6
Movement of net debt in the year		(471.1)	(10.6)
Net debt at beginning of year		(814.6)	(804.0)
Net debt at end of year	11	(1,285.7)	(814.6)

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**Unaudited preliminary consolidated statement of recognised income and expense
for the year ended 31 December 2007**

	2007	2006
	£m	£m
Profit for the year	515.1	482.6
Exchange adjustments on foreign currency net investments	71.7	(367.0)
Revaluation of other investments	108.1	9.5
Actuarial gain on defined benefit pension schemes	27.0	26.0
Deferred tax on defined benefit pension schemes	(9.9)	5.3
Net income/(expense) recognised directly in equity	196.9	(326.2)
Total recognised income and expense relating to the year	712.0	156.4
Attributable to:		
Equity holders of the parent	662.8	109.6
Minority interests	49.2	46.8
	712.0	156.4

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Unaudited preliminary consolidated balance sheet as at 31 December 2007

	Notes	2007 £m	2006 £m
Non-current assets			
Intangible assets:			
Goodwill	12	6,071.7	5,434.5
Other	13	1,154.6	1,115.4
Property, plant and equipment		449.6	415.3
Interests in associates		540.1	411.4
Other investments		268.6	136.5
Deferred tax assets		56.0	108.9
Trade and other receivables	14	149.3	110.3
		8,689.9	7,732.3
Current assets			
Inventory and work in progress		343.9	341.5
Corporate income tax recoverable		37.2	26.5
Trade and other receivables	14	6,140.8	4,931.9
Cash and short-term deposits		2,040.2	1,663.7
		8,562.1	6,963.6
Current liabilities			
Trade and other payables	15	(8,248.9)	(6,783.8)
Corporate income tax payable		(70.0)	(39.6)
Bank overdrafts and loans		(1,585.9)	(1,260.6)
		(9,904.8)	(8,084.0)
Net current liabilities		(1,342.7)	(1,120.4)
Total assets less current liabilities		7,347.2	6,611.9
Non-current liabilities			
Bonds and bank loans		(1,740.0)	(1,217.7)
Trade and other payables	16	(460.4)	(331.9)
Corporate income tax payable		(336.2)	(383.7)
Deferred tax liabilities		(464.0)	(467.8)
Provisions for post-employment benefits		(135.0)	(187.6)
Provisions for liabilities and charges		(116.8)	(104.8)
		(3,252.4)	(2,693.5)
Net assets		4,094.8	3,918.4
Equity			
Called-up share capital		119.2	124.1
Share premium account		103.9	74.9
Shares to be issued		5.3	7.5
Merger reserve		(1,365.9)	(1,370.0)
Other reserves		(114.9)	(170.1)
Own shares		(255.3)	(288.5)
Retained earnings		5,482.1	5,449.0
Equity share owners' funds	17	3,974.4	3,826.9
Minority interests		120.4	91.5
Total equity		4,094.8	3,918.4

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 143 to 148 of the 2006 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 2007 Annual Report and Accounts will be prepared in compliance with IFRS as endorsed by the European Union.

Statutory Information

The financial information for the years ended 31 December 2007 and 2006 does not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 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 2007 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 2007 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 28 February 2008.

3. Currency conversion

The 2007 unaudited preliminary consolidated income statement is prepared using, among other currencies, an average exchange rate of US\$2.0019 to the pound (2006: US\$1.8432). The unaudited preliminary consolidated balance sheet as at 31 December 2007 has been prepared using the exchange rate on that day of US\$1.9827 to the pound (2006: US\$1.9569).

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:

	2007	2006
	£m	£m
Amortisation and impairment of acquired intangible assets	40.3	43.3
Goodwill impairment	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.7	8.8
Gains on disposal of investments	(3.4)	(7.3)
Share-based incentive plans	62.4	70.9
Other operating costs	4,900.6	4,718.2
	5,045.7	4,869.4

The goodwill impairment charge of £44.1 million (2006: £35.5 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 £16.8 million (2006: £10.6 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2006.

Share of results of associates include:

	2007	2006
	£m	£m
Share of profit before interest and taxation	65.8	61.4
Share of exceptional gains	0.8	4.0
Share of interest and minority interest	0.5	0.9
Share of taxation	(25.7)	(25.2)
	41.4	41.1

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Notes to the unaudited preliminary consolidated financial statements (continued)

5. Finance income and finance costs

Finance income includes:

	2007	2006
	£m	£m
Expected return on pension scheme assets	28.1	25.2
Investment income	9.2	5.7
Interest income	102.1	80.1
	139.4	111.0

Finance costs include:

	2007	2006
	£m	£m
Interest on pension scheme liabilities	33.8	32.4
Interest payable and similar charges	216.3	171.3
Finance charges (excluding revaluation of financial instruments)	250.1	203.7
Revaluation of financial instruments	16.0	8.0
	266.1	211.7

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

	2007	2006
	£m	£m
Movements in fair value of treasury instruments	6.7	3.3
Revaluation of put options over minority interests	9.3	4.7
	16.0	8.0

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Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2007	2006
	£m	£m
Revenue		
Advertising and Media Investment Management	2,871.3	2,806.9
Information, Insight & Consultancy	905.4	892.9
Public Relations & Public Affairs	641.4	595.7
Branding & Identity, Healthcare and Specialist Communications	1,767.8	1,612.3
	6,185.9	5,907.8
Headline PBIT¹		
Advertising and Media Investment Management	466.9	443.7
Information, Insight & Consultancy	104.3	98.7
Public Relations & Public Affairs	106.5	89.5
Branding & Identity, Healthcare and Specialist Communications	250.3	227.1
	928.0	859.0
Headline PBIT Margin	%	%
Advertising and Media Investment Management	16.3	15.8
Information, Insight & Consultancy	11.5	11.1
Public Relations & Public Affairs	16.6	15.0
Branding & Identity, Healthcare and Specialist Communications	14.2	14.1
	15.0	14.5

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:

	2007	2006
	£m	£m
Revenue		
United Kingdom	890.3	856.3
North America	2,266.7	2,291.1
Continental Europe	1,657.4	1,532.9
Asia Pacific, Latin America, Africa & Middle East	1,371.5	1,227.5
	6,185.9	5,907.8
Headline PBIT¹		
United Kingdom	107.1	97.9
North America	391.5	389.0
Continental Europe	223.0	194.3
Asia Pacific, Latin America, Africa & Middle East	206.4	177.8
	928.0	859.0
Headline PBIT Margin	%	%
United Kingdom	12.0	11.4
North America	17.3	17.0
Continental Europe	13.5	12.7
Asia Pacific, Latin America, Africa & Middle East	15.0	14.5
	15.0	14.5

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 25.0% (2006: 26.0%). The Group tax rate on Reported PBT is 28.4% (2006: 29.2%). The tax charge comprises:

	2007	2006
	£m	£m
Current tax		
UK Corporation tax at 30%		
Current year	27.5	36.6
Prior years	(57.9)	(44.9)
	(30.4)	(8.3)
Foreign tax		
Current year	212.9	216.9
Prior years	5.7	(7.6)
	218.6	209.3
Total Current tax	188.2	201.0
Deferred tax	16.1	(1.6)
Tax expense	204.3	199.4

¹ Headline PBT is defined in note 18.

8. Ordinary dividends

The Board has recommended a final dividend of 9.13p (2006: 7.61p) per ordinary share in addition to the interim dividend paid of 4.32p (2006: 3.60p) per ordinary share. This makes a total for the year of 13.45p (2006: 11.21p) per ordinary share, an increase of 20%. The final dividend is expected to be paid on 7 July 2008 to share owners on the register at 6 June 2008.

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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:

	2007	2006	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£m)	465.9	435.8	6.9	10.8
Headline earnings (£m) (note 18)	563.8	520.1	8.4	12.3
Average shares used in Basic EPS calculation (m)	1,176.9	1,201.0		
Reported EPS	39.6p	36.3p	9.1	13.0
Headline EPS	47.9p	43.3p	10.6	14.6

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:

	2007	2006	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	466.8	436.9	6.8	10.7
Diluted Headline earnings (£m)	564.7	521.2	8.3	12.2
Shares used in diluted EPS calculation (m)	1,227.1	1,242.2		
Diluted Reported EPS	38.0p	35.2p	8.0	12.0
Diluted Headline EPS	46.0p	42.0p	9.5	13.6

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. For the year ended 31 December 2007 and the year ended 31 December 2006 the \$150 million Grey convertible bonds were dilutive and earnings were consequently increased by £0.9 million and £1.1 million respectively for the purpose of this calculation. For the year ended 31 December 2007 and the year ended 31 December 2006, the £450 million convertible bonds were accretive to earnings and therefore excluded from the calculation of dilutive earnings; these bonds were redeemed on their due date of 11 April 2007.

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

	2007	2006
	m	m
Average shares used in Basic EPS calculation	1,176.9	1,201.0
Dilutive share options outstanding	16.6	14.9
Other potentially issuable shares	24.7	17.4
\$150 million Grey convertible bonds	8.9	8.9
Shares used in Diluted EPS calculation	1,227.1	1,242.2

At 31 December 2007 there were 1,191,491,263 (2006: 1,240,605,187) 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 14:

Net cash inflow from operating activities:

	2007	2006
	£m	£m
Profit for the year	515.1	482.6
Taxation	204.3	199.4
Finance costs	266.1	211.7
Finance income	(139.4)	(111.0)
Share of results of associates	(41.4)	(41.1)
Operating profit	804.7	741.6
Adjustments for:		
Non cash share-based incentive plans (including share options)	62.4	70.9
Depreciation of property, plant and equipment	126.3	129.1
Goodwill impairment	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.7	8.8
Amortisation and impairment of acquired intangible assets	40.3	43.3
Amortisation of other intangible assets	18.1	13.5
Gains on disposal of investments	(3.4)	(7.3)
Losses/(gains) on sale of property, plant and equipment	1.0	(3.7)
Operating cash flow before movements in working capital and provisions	1,095.2	1,031.7
Movements in working capital and provisions	25.4	(171.1)
Cash generated by operations	1,120.6	860.6
Corporation and overseas tax paid	(151.0)	(162.0)
Interest and similar charges paid	(212.0)	(135.1)
Interest received	102.6	75.2
Investment income	3.1	2.4
Dividends received from associates	28.0	20.3
	891.3	661.4

Acquisitions and disposals:

	2007	2006
	£m	£m
Initial cash consideration	(520.4)	(120.5)
Cash and cash equivalents acquired (net)	60.5	21.4
Earnout payments	(93.9)	(91.6)
Loan note redemptions	(2.1)	(11.7)
Purchase of other investments (including associates)	(128.0)	(28.7)
Proceeds on disposal of investments	9.1	15.5
	(674.8)	(215.6)

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Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2007	2006
	£m	£m
Share cancellations (excluding brokerage fees)	(402.7)	(218.8)
Purchase of own shares by ESOP trusts	-	(38.9)
Shares purchased into treasury	(12.7)	-
	(415.4)	(257.7)

Net increase in borrowings:

	2007	2006
	£m	£m
Decrease in drawings on bank loans	-	(21.8)
Repayment of £450 million 2.0% convertible bonds	(450.0)	-
Proceeds from issue of £400 million 6.0% bonds due April 2017	400.0	-
Proceeds from issue of £200 million 6.375% bonds due November 2020	200.0	-
Proceeds from issue of €500 million 5.25% bonds due January 2015	348.9	-
Proceeds from issue of €600 million 4.375% Eurobonds due December 2013	-	403.9
	498.9	382.1

Cash and cash equivalents:

	2007	2006
	£m	£m
Cash at bank and in hand	1,957.4	1,476.8
Short-term bank deposits	82.8	186.9
Overdrafts ¹	(977.9)	(706.8)
	1,062.3	956.9

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

	2007	2006
	£m	£m
Cash and short-term deposits	2,040.2	1,663.7
Bank loans and overdrafts due within one year	(1,585.9)	(1,260.6)
Corporate bond and loans due after one year	(1,740.0)	(1,217.7)
Net debt	(1,285.7)	(814.6)

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Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £637.2 million (2006: decreased by £240.7 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 increased by £79.0 million (2006: decreased by £76.0 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £319.0 million (2006: £235.5 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.

In aggregate, for the year ended 31 December 2007, acquisitions completed in the year contributed £132.2 million to revenue, £14.7 million to operating profit and £24.7 million to Headline PBIT.

13. Other intangible assets

The following are included in other intangibles:

	2007	2006
	£m	£m
Brands with an indefinite useful life	798.0	811.4
Acquired intangibles	316.8	271.9
Other (including capitalised computer software)	39.8	32.1
	1,154.6	1,115.4

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

	2007	2006
	£m	£m
Trade receivables	4,691.0	4,021.4
VAT and sales taxes recoverable	86.5	50.0
Other debtors	609.8	438.4
Prepayments and accrued income	753.5	422.1
	6,140.8	4,931.9

Amounts falling due after more than one year:

	2007	2006
	£m	£m
Other debtors	129.2	106.6
Prepayments and accrued income	20.1	3.7
	149.3	110.3

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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:

	2007	2006
	£m	£m
Trade payables	5,843.6	4,743.6
Deferred income	600.5	510.8
Payments due to vendors	57.3	87.9
Loan notes due to vendors	2.7	1.8
Liabilities in respect of put option agreements with vendors	45.0	51.1
Share repurchases – close period commitments (note 17)	64.8	-
Other creditors and accruals	1,635.0	1,388.6
	8,248.9	6,783.8

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:

	2007	2006
	£m	£m
Payments due to vendors	261.7	147.6
Liabilities in respect of put option agreements with vendors	37.0	28.8
Other creditors and accruals	161.7	155.5
	460.4	331.9

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

	2007	2006
	£m	£m
Within one year	57.3	87.9
Between 1 and 2 years	62.8	36.1
Between 2 and 3 years	85.4	34.6
Between 3 and 4 years	65.0	49.1
Between 4 and 5 years	48.5	27.8
Over 5 years	-	-
	319.0	235.5

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Notes to the unaudited preliminary consolidated financial statements (continued)

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

	2007	2006
	£m	£m
Profit for the year attributable to equity share owners	465.9	435.8
Ordinary dividends	(138.9)	(118.9)
	327.0	316.9
Ordinary shares issued in respect of acquisitions	8.0	-
Other ordinary shares issued	28.2	73.0
Share cancellations	(402.7)	(218.8)
Share issue/cancellation costs	(2.8)	(1.7)
Net additions of own shares by ESOP Trusts	-	(38.9)
Shares purchased into treasury	(12.7)	-
Non cash share-based incentive plans (including stock options)	62.4	70.9
Tax benefit of share-based payments	0.9	32.3
Actuarial gain on defined benefit pension schemes	27.0	26.0
Deferred tax on defined benefit pension schemes	(9.9)	5.3
Exchange adjustments on foreign currency net investments	71.7	(367.0)
Revaluation of other investments	108.1	9.5
Share repurchases – close period commitments ¹	(64.8)	-
Financial instruments – movements during the year	7.3	14.9
Other movements	(0.2)	-
Net additions/(deductions) to equity share owners' funds	147.5	(77.6)
Opening equity share owners' funds	3,826.9	3,904.5
Closing equity share owners' funds	3,974.4	3,826.9

¹ During the year, the Company entered into an arrangement with its broker to conduct share buybacks on the Company's behalf in the close period commencing on 2 January 2008 and ending on 28 February 2008, in accordance with UK listing rules. Under IAS 32 and IAS 39, the commitment resulting from this agreement constitutes a financial liability at 31 December 2007 which must be recognised at fair value at that date. This liability is included in Trade and other payables: amounts falling due within one year and has been recognised as a movement in equity.

Issued share capital – movement in the year

	2007	2006
	m	m
Number of equity ordinary shares		
At the beginning of the year	1,240.6	1,252.9
Exercise of share options	7.8	21.0
Acquisitions	0.3	-
Share cancellations	(57.2)	(33.2)
Other	-	(0.1)
At the end of the year	1,191.5	1,240.6

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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 2007

	2007	2006
	£m	£m
Profit before interest and taxation	846.1	782.7
Amortisation and impairment of acquired intangible assets	40.3	43.3
Goodwill impairment	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.7	8.8
Gains on disposal of investments	(3.4)	(7.3)
Share of exceptional gains of associates	(0.8)	(4.0)
Headline PBIT	928.0	859.0
Finance income	139.4	111.0
Finance charges (excluding revaluation of financial instruments)	(250.1)	(203.7)
	(110.7)	(92.7)
Interest cover on Headline PBIT	8.4 times	9.3 times

Calculation of Headline EBITDA

	2007	2006
	£m	£m
Headline PBIT (as above)	928.0	859.0
Depreciation of property, plant and equipment	126.3	129.1
Amortisation of other intangible assets	18.1	13.5
Headline EBITDA	1,072.4	1,001.6

WPP GROUP PLC

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 2007

	2007	2006
	£m	£m
Profit before taxation	719.4	682.0
Amortisation and impairment of acquired intangible assets	40.3	43.3
Goodwill impairment	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.7	8.8
Gains on disposal of investments	(3.4)	(7.3)
Share of exceptional gains of associates	(0.8)	(4.0)
Revaluation of financial instruments	16.0	8.0
Headline PBT	817.3	766.3
Taxation	(204.3)	(199.4)
Minority interests	(49.2)	(46.8)
Headline earnings	563.8	520.1
Ordinary dividends	138.9	118.9
Dividend cover on Headline earnings	4.1 times	4.4 times

Headline PBIT margins before and after share of results of associates

	Margin (%)	2007	Margin (%)	2006
		£m		£m
Revenue		6,185.9		5,907.8
Headline PBIT	15.0%	928.0	14.5%	859.0
Share of results of associates (excluding exceptional gains)		40.6		37.1
Headline PBIT excluding share of results of associates	14.3%	887.4	13.9%	821.9

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 2007

	2007	2006
	£m	£m
Cash generated by operations	1,120.6	860.6
Plus:		
Interest received	102.6	75.2
Investment income	3.1	2.4
Dividends received from associates	28.0	20.3
Issue of shares	34.8	70.9
Proceeds on disposal of property, plant and equipment	8.3	22.4
Less:		
(Losses)/gains on sale of property, plant and equipment	(1.0)	3.7
Movements in working capital and provisions	(25.4)	171.1
Interest and similar charges paid	(212.0)	(135.1)
Purchase of property, plant and equipment	(151.1)	(167.8)
Purchase of other intangible assets (including capitalised computer software)	(19.7)	(16.7)
Corporation and overseas tax paid	(151.0)	(162.0)
Dividends paid to minority shareholders in subsidiary undertakings	(38.9)	(28.8)
Free Cash Flow	698.3	716.2

WPP GROUP PLC

**Preliminary results for the year ended 31 December 2007
in reportable US Dollars¹**

**Unaudited illustrative preliminary consolidated income statement
for the year ended 31 December 2007**

	Year ended 31 December 2007	Year ended 31 December 2006	
	\$m	\$m	+/(-)%
Billings	63,536.8	55,435.0	14.6
Revenue	12,395.4	10,910.9	13.6
Direct costs	(672.7)	(547.2)	(22.9)
Gross profit	11,722.7	10,363.7	13.1
Operating costs	(10,104.2)	(8,982.8)	(12.4)
Operating profit	1,618.5	1,380.9	17.2
Share of results of associates	82.9	76.3	8.7
Profit before interest and taxation	1,701.4	1,457.2	16.8
Finance income	280.3	200.9	39.5
Finance costs	(535.0)	(386.9)	(38.3)
Profit before taxation	1,446.7	1,271.2	13.8
Taxation	(409.5)	(371.6)	(10.2)
Profit for the year	1,037.2	899.6	15.3
Attributable to:			
Equity holders of the parent	938.2	812.4	15.5
Minority interests	99.0	87.2	13.5
	1,037.2	899.6	15.3
Headline PBIT	1,865.0	1,600.9	16.5
Headline PBIT margin	15.0%	14.7%	
Headline PBT	1,642.7	1,430.5	14.8
Reported earnings per share²			
Basic earnings per ordinary share	79.7¢	67.6¢	17.9
Diluted earnings per ordinary share	76.6¢	65.6¢	16.8
Headline earnings per share²			
Basic earnings per ordinary share	96.4¢	80.9¢	19.2
Diluted earnings per ordinary share	92.6¢	78.4¢	18.1

¹ The unaudited consolidated income statement above is presented in reportable US Dollars for information purposes only and has been prepared assuming the US Dollar is the reporting currency of the Group, whereby local currency results are translated into US Dollars at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of US\$2.0019 to the pound for the year ended 31 December 2007 (2006: US\$1.8432).

² The basis of the calculations of the Group's earnings per share and Headline earnings per share are set out in note 9 of Appendix 1.

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 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 comprise 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 2007 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 non cash charges for share-based incentive plans, 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.