1998 Interim Results

17 August 1998

Highlights

Profit before tax up 20% to $154.7 million (£93.8 million) against $127.9 million (£78.3 million)

Fully diluted earnings per share up over 20% to 13.5c (8.2p) from 11.1c (6.8p)

Interim ordinary dividend up 20% to 1.39c (0.84p) per share

- Revenue up over 8% to $1,485 million (£900.0 million) and up 13% in constant currencies

- Operating profit up over 19% to $171.1 million (£103.7 million) and up over 27% in constant currencies

- Profit before interest and tax up almost 18% to $179.0 million (£108.5 million) and up 26% in constant currencies

- Operating margin up 1.0% and 1.2% in constant currencies in line with objectives

- Profit before tax up almost 20% to $154.7 million (£93.8 million) and up 30% in constant currencies

- Fully diluted earnings per share up over 20% to 13.5c (8.2p) from 11.1c (6.8p) and up almost 30% in constant currencies

- Interim ordinary dividend up 20% to 1.39c (0.84p) per share
- Net new business billings of over $1.3 billion up 19% ($1.1 billion last year)

Summary of Results

The Board of WPP Group plc announces its results for the six months ended 30 June 1998, which show significant continued improvement in the reported numbers and even stronger growth in constant currencies.

Reportable revenue was up over 8% at $1,485.0 million (£900.0 million). On a constant currency basis revenue was up over 13%.

Gross profit was up almost 10% at $1,270 million (£770 million), and in constant currencies was up over 15%.

Operating profit (excluding income from associates) was up over 19% to $171.1 million (£103.7 million) from $141.8 million (£86.8 million) and up over 27% in constant currencies. Profit before interest and tax was up 18% to $179.0 million (£108.5 million) from $150.6 million (£92.2 million) and up 26% in constant currencies.

Reported operating margins rose by 1% to 12.1% from 11.1% in line with the Group's financial objectives. In constant currencies the operating margin grew by

1.2%. Total operating and direct costs rose by 7.1% in reported figures, and rose by 11.5% in constant currencies.

The Group's like-for-like staff cost to revenue ratio fell to 50.2% from 50.8%. On a similar basis, the average number of people in the Group was 25,049 in the first half of the year, compared to 24,487 in 1997, an increase of 2.3%. The total number of people in the Group at the half-year end was 25,565 against 24,735 in 1997.

Net interest payable and similar charges increased to $24.3 million (£14.7 million) from $22.7 million (£13.9 million) reflecting improved profitability and liquidity, more than offset by the impact of increased interest rates, share re-purchases and acquisitions. As a result average net debt in constant currencies increased marginally by 4% to $204 million (£122 million) from $195 million (£117 million).

Reported profit before tax rose 20% to $154.7 million (£93.8 million) from $127.9 million (£78.3 million). In constant currency pre-tax profits rose by 30%. Pre-tax margins rose to 10.4% from 9.4%.

The tax rate on profit on ordinary activities fell to 32% from 33% last year.

Fully diluted earnings per share were up over 20% at 13.5c (8.2p), and were up 30% in constant currencies.

The Board recommends an increase of 20% in the interim ordinary dividend to 1.39c (0.84p) net per share, which will be paid in the form of an ordinary dividend.

Review of Operations

Revenue by Region

The pattern of revenue growth differed regionally. The table below gives details of the proportion of revenue and revenue growth (on a constant currency basis) by region for the first six months of 1998.

Region	**Revenue as a % of total group**	**Revenue growth % 98/97**
North America	43	9.1
UK	21	19.3
Continental Europe	19	19.0
Asia Pacific, Latin America, Africa & Middle East	17	10.2
TOTAL GROUP	100	13.1

As can be seen, any impact of Asia Pacific economic difficulties has, so far, been more than compensated for by stronger than budgeted performance in North America and Europe. Like-for-like revenues in Asia Pacific excluding Australasia grew by 6%, growth in Greater China, Japan and India compensating for softness in Indonesia, Malaysia, Thailand and Singapore.

Net new business billings of more than $1.3 billion were won in the first half of the year, 19% up on $1.1 billion in the comparable period last year.

Revenue by Communications Services and Brand

The pattern of revenue growth varied by communications services sector and company brand. The table below gives details of the proportion of revenue and revenue growth by communications services sector (on a constant currency basis) for the first six months of 1998.

Communications Services	**Revenue as a % of total group**	**Revenue growth % 98/97**
Advertising, Media Planning, Buying and Research	51	8.6
Information & Consultancy	18	22.1
Public Relations and Public Affairs *****	7	22.4
Specialist Communications	24	14.2
TOTAL GROUP	100	13.1

***** *The revenue figures submitted to the O'Dwyer Report reflect some public relations income which is included here in advertising and specialist communications. Total public relations and public affairs revenues grew 17% to $130 million.*

Advertising, Media Planning, Buying and Research

On a constant currency basis, combined revenue at Ogilvy & Mather Worldwide (including Cole & Weber and OgilvyOne), J Walter Thompson Company, Conquest and recently launched MindShare rose by 11% whilst operating margins continued to improve. MindShare constitutes the largest media buying company in the world.

Ogilvy & Mather Worldwide, J Walter Thompson Company, Conquest and MindShare generated net new business billings of $576 million, up 25% on last year.

Information and Consultancy

The Group's information and consultancy businesses, which is the largest custom research company in the world, continued their strong growth, with revenues increasing by over 22%, gross profit by almost 21% and operating margins expanding.

Public Relations and Public Affairs

The Group's public relations and public affairs revenues showed significant continued growth, rising over 22%, with operating margins well in line to achieve the objective of at least 10% for 1998. Hill and Knowlton's revenues rose over 18% and the company continued to improve its operating margin strongly. Ogilvy Public Relations Worldwide's revenues rose by almost 22% with significant improvement in its operating margin.

Specialist Communications

The Group's specialist communications revenue grew over 14% over last year with gross margin up 13% and operating margins improved.

Cashflow and Balance Sheet

A summary of the Group's cashflow statement, balance sheet and notes as at 30 June 1998 are attached as Appendix II.

Improved profitability and cashflow have continued to have a positive effect on the Group's balance sheet and liquidity. In the first half of 1998, profit before interest and tax was $179 million (£108 million), depreciation $26 million (£16 million) and capital expenditure $28 million (£17 million). As a result of cash acquisition payments of $97 million (£59 million) and share re-purchases of $33 million (£20 million) (these totalling $224 million (£136 million) for the last twelve months), constant currency net debt increased slightly to average $204 million (£122 million) in the first half against $195 million (£117 million) in the comparative period last year.

On 30 June 1998 net bank borrowings were $42 million (£25 million) against $32 million (£19 million) on 30 June 1997 on a constant currency basis.

The Board continues to examine ways of using its substantial cashflow of over $250 million (£150 million) per annum to enhance shareowner value. The Group is now rated one to two notches above investment grade by the two major rating agencies and interest cover is seven to eight times. The Company has recently taken advantage of historically low long-term interest rates by issuing $200 million 6.625% seven year and $100 million 6.875% ten year corporate bonds and repaying $300 million of short-term debt. The Board feels that the average level of debt is at the right level in the range of $167-250 million (£100-150 million) having been reduced from a maximum of $729 million (£437 million) in 1991 and in comparison to a market capitalisation of almost $5.0 billion (£3 billion). As necessary capital expenditure normally approximates to 1-1.2x the depreciation charge, the Company has concentrated on examining possible acquisitions or returning excess capital to shareowners in the form of dividends or share buy-backs.

In the first half of 1998, acquisitions have been completed in advertising in Argentina, Colombia, Belgium, Holland, Italy, Sweden and Turkey; in information and consultancy in the United States, nine countries in Latin America, United Kingdom, Korea, South Africa, and in a 19 country multi-national based in Canada; and in specialist communications in the United States, Thailand, United Kingdom, Australia and The Philippines.

The Company has also initiated a number of start-ups and new ventures to explore interesting, faster growth areas such as Banner McBride in internal communications, Geppetto in youth and kids marketing, Savatar in technology consulting, The Intuition Group in marketing to women, The Farm in post production and at Kantar in the research and development of new brand valuation and brand health measurement techniques to complement Millward Brown's Brand Dynamics and Research International's Equity Engine. These initiatives often offer a lower cost entry point in comparison to more expensive acquisitions.

In addition to increasing the interim dividend by 20% to $10 million (£6 million) or 1.39c (0.84p) per share, the Company has continued its rolling share buy-back programme by re-purchasing 5.4 million shares at an average price of $6.14 (£3.72) per share and total cost of $33 million (£20 million). The company's objective remains to buy-back approximately $83 million (£50 million) of shares each year, equivalent to 2-3% of the ordinary share capital.

Client Developments in the First Half of 1998

At the end of the half year, the Group worked with over 330 major national or multi-national clients in three or more functions. This reflects the increasing opportunities for co-ordination between activities both nationally and internationally. The Group also works with well over 100 clients in 6 or more countries. The Group now serves more than 300 of the Fortune 500 and including associates employs over 30,000 people in 835 offices in 91 countries.

The Group estimates that more than 20% of new assignments in the first half of the year were generated through the joint development of opportunities by two or more Group companies.

Current Progress and Future Prospects

The Group's performance has continued to improve in the first half of 1998.

Geographically the UK, Continental Europe and the United States have done particularly well with significant improvements in revenue, operating profits and margins. This has more than compensated for the trouble spots in Asia Pacific, Latin America, Africa and the Middle East.

Functionally, Advertising has continued to improve its operating profits and margins, whilst Information and Consultancy, Public Relations and Public Affairs and Specialist Communications have continued to improve operating profits and margins at higher levels of revenue growth.

By brand, Ogilvy & Mather Worldwide (including OgilvyOne), J Walter Thompson Company, Conquest, Research International, Millward Brown, BMRB International, Winona Research, Hill and Knowlton, Ogilvy Public Relations Worldwide, SBG Enterprise, BDG McColl, Banner McBride, Mando Marketing, CommonHealth (especially Ferguson Communications and OZM Group), Mendoza Dillon & Asociados, Metro Group and Henley Centre have all performed particularly well.

Underlying revenue trends are sound with the Group growing slightly faster than the market and therefore increasing share. Prospects for the latter half of 1998 look similar to the first half (indications are that July revenues are up over 16% on a constant currency basis) and projections for market growth in 1999 look similar or only slightly lower than 1998 in the range of 4-5%. Despite this there still seem to be concerns over stock market valuations on both sides of the Atlantic and the possibility of further increases in interest rates to combat inflation.

In these uncertain circumstances, plans, budgets and forecasts of revenues will continue to be made on a conservative basis and considerable attention is being focused on achieving margin and staff cost to revenue targets. Continued progress is being made in these areas. For example, on a comparable basis, the combined staff cost to revenue ratio of Ogilvy & Mather Worldwide, J Walter Thompson Company and MindShare fell to 56.5% from 57.1% in the first half of 1998 compared to the same period in 1997.

Although almost all surplus property has now been sub-let or absorbed, the Group continues to explore ways of improving the utilisation and design of its real estate investments totalling 6 million square feet at a total annual cost of $235 million in ways which will improve efficiency, productivity and communication.

In addition to influencing absolute levels of cost, the initiatives taken by the parent company in the areas of human resources, property, procurement, information technology and practice development have improved the flexibility of the Group's cost base.

This will become increasingly important if and when economic activity stalls. Over the last four years fixed staff and property costs have fallen to 51.4% from 56.3% of revenue. The Group continues to improve co-operation and co-ordination between companies in order to add value to our clients businesses and our people's careers, an objective which has been specifically built into short-term incentive plans. Particular emphasis and success has been achieved in the areas of media planning, buying and research, healthcare, privatisation, new technologies, new markets, retailing and internal communications. Further initiatives are planned in the areas of hi-tech, financial services and media and entertainment.

The Group continues to concentrate on the five objectives of improving operating profits by 15-20% per annum, improving operating margins by 1% per annum or more depending on revenue growth, improving staff cost to revenue ratios by 0.6% per annum or more depending on revenue growth, converting 20-33 1/3% of incremental revenue to profit and growing revenue faster than industry averages and encouraging co-operation between Group companies. A sixth objective has been added - that of improving the quality of the Group's creative product through recruitment, training, career development and acquisition. Recent acquisitions and investments in Howell Henry Chaldecott Lury Group Limited in the UK, Batey Holdings Pte Limited in Singapore, Singleton Group Limited in Australia and Asatsu Inc. in Japan are examples of the latter.

The investment in Asatsu Inc., Japan's third largest advertising and communications company, represents a particularly interesting strategic opportunity. Although it is rare for a successful Japanese company to sell equity to a foreign company, the Group has purchased 20% of Asatsu Inc. at a cost of JPY 29,980 million ($208 million) or JPY 2,905 per share. Asatsu Inc. will in turn reinvest the same sum in new WPP ordinary shares at $7.07 (£4.24) per share equivalent to approximately 4% of WPP's enlarged equity.

The relationship with Asatsu Inc. will be developed at two further levels. First, Asatsu Inc. and WPP will form a joint venture to explore specific opportunities in Japan, such as MindShare. Secondly, Asatsu Inc. will purchase 10% of the Japanese operations of Ogilvy & Mather Worldwide and J Walter Thompson Company.

Japan is the second largest communications services market in the world, accounting for over 13% of worldwide expenditures, almost double the size of the UK market. Asatsu Inc. is Japan's most profitable advertising and communications services company and its revenues have grown at twice the rate of the Japanese market since the company listed in 1987. In the last six months, a difficult period in Japan, Asatsu's revenues have grown by 7% whilst the industry has been flat. In addition, Asatsu Inc. will merge with Dai Ichi Kikaku Co, Japan's seventh largest and third most profitable advertising and communications company.

In addition to introducing greater flexibility into its cost structure, the Group is competitively well positioned to weather any economic uncertainty because of its stronger financial position, its geographic spread, its consistent new business record and its competitive strength in information and consultancy, public relations and public affairs and specialist communications - particularly should clients decide to spend an increasing proportion of their marketing budgets on "below-the-line" activities.

Having achieved the plan developed in 1992 which called for a 1% improvement in operating margins in each of 1993, 1994, 1995 and 1996, the Group now looks likely to achieve the new targets set in 1996 of a further 1% improvement in 1997 to 11.8% and again in 1998 to 12.8%. Progress in 1998 also augurs well for the Group being able to achieve its third margin plan of a 14% operating margin by the year 2000.

Given a stable or improving economic climate the Group should make further progress as operating margins still remain below the achievements of the very best performing competition. Since almost 80% of the Group's revenues and profits come from outside the United Kingdom, the continued strength of sterling certainly does not help in achieving the Group's objectives in reportable terms. However, the Board does anticipate significant further progress even in its reported numbers and even if sterling's strength continues.

This announcement has been filed at the Company Announcements Office of the London Stock Exchange and is being distributed to all owners of Ordinary shares and American Depository Receipts. Copies are available to the public at the Company's registered office.

The following cautionary statement is included for safe harbour purposes in connection with the Private Securities Litigation Reform Act of 1995 introduced in the United States of America. This announcement may contain forward-looking statements within the meaning of the US 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 announcement should be considered in light of these risks and uncertainties.

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Appendix I
WPP GROUP PLC

Unaudited consolidated interim results for the six months ended 30 June, 1998

	Notes	Six months ended 30 June 1998 £m	Six months ended 30 June 1997* £m	+/(-) %	Constant Currency +/(-) % (note 3)	Year ended 31 December 1997* £m
Turnover (gross billings)		3,842.1	3,442.0	+11.6%	+16.1%	7,287.3
Revenue		900.0	830.6	+8.4%	+13.1%	1,746.7
Gross profit		770.0	701.8	+9.7%	+15.2%	1,468.7
Operating costs		(666.3)	(615.0)	-8.3%	-13.5%	(1,273.8)
Operating profit		103.7	86.8	+19.5%	+27.4%	194.9
Income from associates		4.8	5.4	-11.1%	+1.2%	10.6
Profit on ordinary activities before interest and taxation		108.5	92.2	+17.7%	+25.9%	205.5
Net interest payable and similar charges		(14.7)	(13.9)	-5.8%	-5.4%	(28.1)
Profit on ordinary activities before taxation		93.8	78.3	+19.8%	+29.9%	177.4
Tax on profit on ordinary activities	4	(30.0)	(25.8)	-16.3%	-26.0%	(56.7)
Profit on ordinary activities after taxation		63.8	52.5	+21.5%	+31.8%	120.7
Minority interests		(2.2)	(0.8)	-175.0%	-175.0%	(4.7)
Profit attributable to ordinary share owners		61.6	51.7	+19.1%	+29.4%	116.0
Ordinary dividends	5	(6.2)	(5.1)	+21.6%	+21.6%	(15.7)
Retained profit for the period		55.4	46.6	+18.9%	+30.4%	100.3
Earnings per share (net basis)						
Basic earnings per ordinary share	6	8.4p	7.0p	+20.0%	+29.0%	15.7p
Fully diluted earnings per ordinary share	6	8.2p	6.8p	+20.6%	+29.8%	15.4p
Ordinary dividend per share (net)						
Interim	5	0.84p	0.7p	+20.0%	+20.0%	0.7p
Final		-	-	-	-	1.43p
Earnings per ADR (net basis)						
Basic earnings per ADR		$1.39	$1.14	+21.9%	+29.0%	$2.57
Fully diluted earnings per ADR		$1.35	$1.11	+21.6%	+29.8%	$2.52
Ordinary dividend per ADR (net)						
Interim		13.9c	11.4c	+21.9%	+20.0%	11.4c
Final		-	-	-	-	23.5c

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

Appendix II
WPP GROUP PLC

Unaudited summary interim consolidated cash flow statement for the period ended 30 June, 1998

	Six months ended 30 June 1998 £m	Six months ended 30 June 1997 £m*	Year ended 31-Dec 1997 £m*
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:			
Operating profit	103.7	86.8	194.9
Depreciation charge	16.1	14	29.1
Movements in working capital and provisions	(204.3)	(168)	59
Dividends received from associates	0.8	2.4	2.8
Net cash (outflow)/inflow from operating activities	(83.7)	(64.8)	285.8
Returns on investments and servicing of finance	(14.8)	(18.6)	(30.5)
United Kingdom and oveseas tax paid	(28.9)	(26)	(54)
Purchase of tangible fixed assets	(17.4)	(13.3)	(36.3)
Other movements	(2.5)	(9.5)	(9.5)
Capital expenditure and financial investment	(19.9)	(22.8)	(45.8)
Acquisitions	(58.8)	(20.9)	(68.5)
Equity dividends paid	-	-	(13.5)
Net cash (outflow)/inflow before financing	(206.1)	(153.1)	73.5
Net repayment of bank loans	-	(18.5)	(18.5)
Increase/(reduction) in drawings on bank loans	103	6.2	(106.4)
Share buybacks	(17.1)	(12.4)	(18.5)
Other movements	3	-	1.1
Net cash inflow/(outflow) from financing	88.9	-24.7	-142.3
Decrease in cash and overdrafts for the period	-117.2	-177.8	-68.8
Translation difference	-1	-7.5	-13.8
Balance of cash and overdrafts at beginning of period	292	374.6	374.6
Balance of cash and overdrafts at end of period	173.8	189.3	292
Reconciliation of net cash flow to movement in net (debt)/funds:			
Decrease in cash and overdrafts for the period	-117.2	-177.8	-68.8
Cash (inflow)/outflow from (increase)/decrease in debt financing	-103	12.3	126.1
Other movements	-0.6	-0.5	-1
Translation difference	0.9	-10.7	-20.8
Movement of net funds in the period	-219.9	-176.7	35.5
Net funds at beginning of period	194.7	159.2	159.2
Net (debt)/funds at end of period (Note 10)	-25.2	-17.5	194.7

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

Unaudited consolidated balance sheet as at 30 June, 1998

	Notes	30-Jun 1998 £m	30-Jun 1997 £m	31-Dec 1997 £m
Fixed assets				
Intangible assets				
Corporate brands		350	350	350
Goodwill	2, 7,	79.4	-	-
Tangible assets		145.6	138.8	143.5
Investments		73.3	69.2	70.5
		648.3	558	564
Current assets				
Stocks and work in progress		124.8	116.1	99.7
Debtors		917.9	805.5	827.6
Debtors within working capital facility:				
Gross debts		300.8	254.9	335.2
Non-returnable proceeds		(208.8)	(179.5)	(211.7)
		92	75.4	123.5
Cash at bank and in hand		221.9	240	364.5
		1,356.60	1,237.00	1,415.30
Creditors: amounts falling due within one year	8	(1,570.80)	(1,406.80)	(1,701.60)
Net current liabilities		(214.2)	(169.8)	(286.3)
Total assets less current liabilities		434.1	388.2	277.7
Creditors: amounts falling due after more than one year	9	(345.7)	(272.9)	(221.5)
Provisions for liabilities and charges		(68.3)	(81.2)	(74.5)
Net assets		20.1	34.1	(18.3)
Capital and reserves				
Share capital		73.5	73.7	73.6
Reserves		(61.5)	(43.3)	(98.8)
Share owners' funds	2	12	30.4	(25.2)
Minority interests		8.1	3.7	6.9
Total capital employed		20.1	34.1	(18.3)

Unaudited reconciliation of movements in consolidated share owners' funds for the period ended 30 June, 1998

	Six months ended 30 June 1998	Six months ended 30 June 1997	Year ended 31 December 1997
	£m	£m	£m
Profit for the period	61.6	51.7	116
Ordinary dividends payable	(6.2)	(5.1)	(15.7)
	55.4	46.6	100.3
Exchange adjustments on foreign currency net investments	(4.1)	(21.9)	(40.1)
Share buybacks	(17.1)	(12.4)	(18.5)
Net movement on goodwill write-off reserve	-	(4.4)	(91.6)
Other movements	3	0.2	2.4
Net additions to share owners' funds	37.2	8.1	(47.5)
Opening share owners' funds	(25.2)	22.3	22.3
Closing share owners' funds	12	30.4	(25.2)

Unaudited statement of consolidated recognised gains and losses for the period ended 30 June, 1998

	Six months ended 30 June 1998	Six months ended 30 June 1997	Year ended 31 December 1997
	£m	£m	£m
Profit for the period	61.6	51.7	116
Exchange adjustments on foreign currency net investments	(4.1)	(21.9)	(40.1)
Total recognised gains	57.5	29.8	75.9

Notes to the unaudited consolidated interim financial statements

1. Basis of accounting

The consolidated interim financial statements are prepared under the historical cost convention.

2. Accounting policies

The consolidated interim 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) and FRS11 (Impairment of Fixed Assets and Goodwill).

The impact of FRS9 is to change the presentation of income from associate interests 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.

In the first half of 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 million has been transferred to the profit and loss account reserve.

3. Currency conversion

The 1998 unaudited interim consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US$1.65 to the pound (period ended 30 June, 1997: US$1.6335; year ended 31 December, 1997: US$1.6381). The balance sheet as at 30 June, 1998 has been prepared using the exchange rate on that day of US$1.6685 to the pound (30 June, 1997: US$1.6643; 31 December, 1997: US$1.6454).

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.

4. Taxation

The Group tax rate on profit on ordinary activities before taxation is 32% (30 June, 1997: 33%; year ended 31 December, 1997: 32%). The tax charge relates mainly to overseas operations, except for £6.0 million in respect of UK corporation tax and £1.8 million in respect of associated companies.

5. Interim dividend

An interim dividend of 0.84p net (1997: 0.70p) per ordinary share has been declared by the Board. This is expected to be paid on 23 November 1998 to share owners on the register at 23 October 1998.

6. Earnings per share

(a) Basic earnings per share have been calculated using earnings of £61.6 million (30 June, 1997: £51.7 million; year ended 31 December, 1997: £116.0 million) and weighted average shares in issue during the six months to 30 June, 1998 of 736,341,178 shares (30 June, 1997: 733,506,063 shares; year ended 31 December, 1997:738,573,147 shares).

(b) Fully diluted earnings per share have been calculated on a weighted average of 774,435,596 shares (30 June, 1997: 773,288,750 shares; year ended 31 December, 1997: 772,071,440 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.

(c) At 30 June, 1998, there were 734,988,112 ordinary shares in issue.

7. Net movement on goodwill

The net movement of £79.4 million on goodwill in the period includes £58.8 million of cash paid during 1998 in respect of acquisitions and £18.3 million of additional future anticipated payments to vendors. In respect of all existing earnout arrangements, the future anticipated payments totalled £52.7 million at 30 June, 1998 (30 June, 1997: £5.0 million; 31 December, 1997: £34.4 million), based on the directors' best estimates of future obligations, which are dependent on future performance of the interests acquired. These acquisitions do not have a significant impact on the Group's results for the six months to 30 June 1998.

8. Creditors: amounts falling due within one year

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

	30 June 1998	30 June 1997	31 December 1997
	£m	£m	£m
Bank loans and overdrafts	57.2	101.7	81.8
Trade creditors	1,033.5	917.9	1,113.0
Corporate income tax payable	38.8	32.4	49.2
Deferred income	86.3	77.6	97.3
Payments due to vendors (note 7)	6.6	-	9.1
Other creditors and accruals	348.4	277.2	351.2
	1,570.8	1,406.8	1,701.6

Overdraft balances included within bank loans and overdrafts amount to £48.1 million (30 June 1997: £50.7 million, 31 December 1997 £72.5 million).

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

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

	30 June 1998	30 June 1997	31 December 1997
	£m	£m	£m
Bank loans	189.9	155.8	88.0
Corporate income taxes payable	78.5	64.5	75.3
Payments due to vendors (note 7)	46.1	5.0	25.3
Other creditors and accruals	31.2	47.6	32.9
	345.7	272.9	221.5

10. Net (debt) / funds

	30 June 1998	30 June 1997	31 December 1997
	£m	£m	£m
Cash at bank and in hand	221.9	240.0	364.5
Bank loans and overdrafts due within one year (note 8)	(57.2)	(101.7)	(81.8)
Bank loans due after one year (note 9)	(189.8)	(155.8)	(88.0)
Net (debt)/funds	(25.2)	(17.5)	194.7

11. Statutory information and audit review

The results for the six months to 30 June, 1998 and 1997 do not constitute statutory accounts. The statutory accounts for the year ended 31 December, 1997 received an unqualified auditors' report and have been filed with the Registrar of Companies. The interim financial statements are unaudited but have been reviewed by the auditors and their report to the directors is set out below.

12. Subsequent events

The Group completed on 20 July, 1998 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 are to be used for repayment of existing facilities and general corporate purposes.

The Group agreed on 3 August, 1998 to form a strategic alliance with Asatsu Inc ("Asatsu"), Japan's third largest advertising and communications company. This includes WPP taking a 20% equity interest in new Ordinary shares of Asatsu at a cost of JPY 29,980m (US$208 million) and Asatsu taking an interest of equivalent value in new Ordinary shares of WPP which will represent approximately 4% of WPP's enlarged equity.

REVIEW REPORT BY THE AUDITORS TO WPP GROUP PLC

To the board of Directors of WPP Group plc

We have reviewed the consolidated interim financial statements for the half year ended 30 June, 1998 set out in Appendices I and II. The consolidated interim financial statements are the responsibility of, and have been approved by, the company's directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin "Review of Interim Financial Information" issued by the Auditing Practices Board. This review consisted principally of obtaining an understanding of the process involved in the preparation of the information, applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of group management responsible for financial and accounting matters. The review was substantially less in scope and provides less assurance, than an audit performed in accordance with Auditing Standards. Accordingly, we do not express an audit opinion on the interim financial statements.

On the basis of our review:

- in our opinion, the consolidated interim financial statements have been prepared using accounting policies consistent with those adopted by WPP Group plc in its financial statements for the year ended 31 December, 1997; except for the changes in accounting policy referred to in note 2; and

- we are not aware of any material modifications that should be made to the interim financial statements as presented.

Arthur Andersen
Chartered Accountants
London

17 August 1998