

2000 Interim Results
Appendix I
WPP GROUP PLC

Unaudited consolidated interim results for the six months ended 30 June, 2000

	Notes	Six months ended 30-Jun 2000 £m	Six months ended 30-Jun 1999 £m	+ / (-) %	Constant Currency + / (-) %	Year ended 31-Dec 1999 £m
					(note 3)	
Turnover (gross billings)		5,655.90	4,445.10	+27.2%	+26.2%	9,345.90
Revenue	4	1,209.10	1,017.30	+18.9%	+17.9%	2,172.60
Gross profit		1,071.10	861.2	+24.4%	+23.5%	1,855.30
Operating costs		(924.6)	(740.6)	-24.8%	-23.8%	(1,591.80)
Operating profit		146.5	120.6	+21.5%	+21.8%	263.5
Income from associates		14.2	8.3	+71.1%	+76.7%	27.3
Profit on ordinary activities before interest and taxation		160.7	128.9	+24.7%	+25.3%	290.8
Net interest payable and similar charges		(23.0)	(16.3)	-41.1%	-39.0%	(35.4)
Profit on ordinary activities before taxation		137.7	112.6	+22.3%	+23.2%	255.4
Tax on profit on ordinary activities	5	(41.3)	(34.9)	-18.30%	-19.20%	(76.6)
Profit on ordinary activities after taxation		96.4	77.7	+24.1%	+25.0%	178.8
Minority interests		(3.3)	(2.4)	-37.50%	-37.50%	(6)
Profit attributable to ordinary share owners		93.1	75.3	+23.6%	+24.6%	172.8
Ordinary dividends	6	(9.3)	(7.8)	+19.2%	+21.3%	(24)
Retained profit for the period		83.8	67.5	+24.1%	+25.0%	148.8
PBIT margin*		13.30%	12.7%	+0.6%	+0.7%	13.4%
Earnings per share						
Basic earnings per ordinary share	7	12.3p	10.0p	+23.0%	+23.8%	22.9p
Diluted earnings per ordinary share	7	12.0p	9.8p	+22.4%	+23.5%	22.5p
Ordinary dividend per share						
interim	6	1.2p	1.0p	+20.0%	+20.0%	1.0p
Final		-	-	-	-	2.1p
Earnings per ADR**						
Basic earnings per ADR		\$0.97	\$0.81	+19.8%	+19.8%	\$1.85
Diluted earnings per ADR		\$0.94	\$0.79	+19.0%	+19.0%	\$1.82
Ordinary dividend per ADR**						
Interim		9.4c	8.1c	+16.0%	+16.00%	8.1c
Final		-	-	-	-	17.0c

* PBIT: Profit on ordinary activities before interest and taxation.

** These figures have been translated for convenience purposes only, using the profit and loss exchange rate shown in note 3. The comparative figures have been restated following a change in the ratio of ordinary shares per ADR from 10 ordinary shares per ADR to 5 ordinary shares per ADR.

Unaudited summary interim consolidated cash flow statement for the six months ended 30 June, 2000

	Six months ended 30 June 2000	Six months ended 30 June 1999	Year ended 31-Dec 1999
	£m	£m	£m
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:			
Operating profit	146.5	120.6	263.5
Depreciation charge	24.8	19.7	42.2
Movements in working capital and provisions	(309)	(202.9)	42.8
Net cash (outflow)/inflow from operating activities	(137.7)	(62.6)	348.5
Dividends received from associates	3.2	1.8	4.3
Returns on investments and servicing of finance	(23.9)	(13.9)	(37.1)
United Kingdom and overseas tax paid	(31.5)	(31.6)	(58.4)
Purchase of tangible fixed assets	(29.9)	(22.1)	(64.6)
Purchase of own shares by ESOP Trust	(46.2)	(4.1)	(17.9)
Other movements	3.2	1.6	2
Capital expenditure and financial investment	(72.9)	(24.6)	(80.5)
Cash consideration for acquisitions	(97.8)	(57.3)	(242.2)
Less cash acquired	2	3.3	51.8
Net purchase of other investments	(20.3)	-	(11.8)
Total acquisitions	(116.1)	(54.0)	(202.2)
Equity dividends paid	-	-	-21.1
Net cash outflow before financing	(378.9)	(184.9)	(46.5)
Increase/(reduction) in drawings on bank loans	100.3	42.3	258
Proceeds from issue of shares	8.2	4	12
Net cash inflow from financing	108.5	46.3	270
(Decrease)/increase in cash and overdrafts for the period	(270.4)	(138.6)	223.5
Translation difference	8	6.8	-0.6
Balance of cash and overdrafts at beginning of period	551.4	328.5	328.5
Balance of cash and overdrafts at end of period	289.0	196.7	551.4
Reconciliation of net cash flow to movement in net (debt) / funds:			
(Decrease)/increase in cash and overdrafts for the period	(270.4)	(138.6)	(223.5)
Cash inflow from debt financing	(100.3)	(42.3)	(258.0)
Other movements	(0.8)	(0.7)	(1.7)
Translation difference	(12.4)	(5.1)	(6.2)
Movement of net funds in the period	-383.9	-186.7	-42.4
Net funds at beginning of period	91.9	134.3	134.3
Net (debt) / funds at end of period (Note 11)	(292)	(52.4)	91.9

Unaudited preliminary consolidated balance sheet as at 30 June, 2000

	Notes	30-Jun 2000 £m	30-Jun 1999 £m	31-Dec 1999 £m
Fixed assets				
Intangible assets:				
Corporate brands		350	350	350
Goodwill	8	511.0	204.1	410.3
Tangible assets				
Investments	8	448.9	290.7	356.9
		1,521.00	1,022.9	1,313.9
Current assets				
Stocks and work in progress		198.1	140.2	113.5
Debtors		1,336.3	1,058.0	1,040.40
Debtors within working capital facility:				
Gross debts		396.3	326.0	345.7
Non-returnable proceeds		<u>(228.1)</u>	<u>(219.5)</u>	<u>(214.1)</u>
		168.2	106.5	131.6
Cash at bank and in hand		395.9	302.7	607
		2,098.50	1,607.40	1,892.50
Creditors: amounts falling due within one year	9	(2,404.2)	(1,846.6)	(2,148.0)
Net current liabilities		(305.7)	(239.2)	(255.5)
Total assets less current liabilities		1,215.30	783.7	1,058.40
Creditors: amounts falling due after more than one year	10	(754.9)	(468.6)	(652.5)
Provisions for liabilities and charges		(75.7)	(80)	(79.2)
Net assets		384.7	235.1	326.7
Capital and reserves				
Share capital		77.9	77	77.5
Reserves		296.6	149.6	240.7
Share owners' funds		374.5	226.6	318.2
Minority interests		10.2	8.5	8.5
Total capital employed		384.7	235.1	326.7

Unaudited reconciliation of movements in consolidated share owners' funds for the period ended 30 June 2000

	Six months ended 30 June 2000	Six months ended 30 June 1999	Year ended 31 December 1999
	£m	£m	£m
Profit for the period	93.1	75.3	172.8
Ordinary dividends payable	(9.3)	(7.8)	(24.0)
	83.8	67.5	148.8
Exchange adjustments on foreign currency net investments	(36.1)	(33.4)	(31.2)
Other movements	8.6	4.8	12.9
Net additions to share owners' funds	56.3	38.9	130.5
Opening share owners' funds	318.2	187.7	187.7
Closing share owners' funds	374.5	226.6	318.2

Unaudited statement of consolidated recognised gains and losses for the period ended 30 June, 2000

	Six months ended 30 June 2000	Six months ended 30 June 1999	Year ended 31 December 1999
	£m	£m	£m
Profit for the period	93.1	75.3	172.8
Exchange adjustments on foreign currency net investments	(36.1)	(33.4)	(31.2)
Total recognised gains	57	41.9	141.6

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 and have been prepared using accounting policies set out on pages 56 and 57 of the Group's 1999 Annual Report and Accounts.

The policies set out in the 1999 Annual Report and Accounts are in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP).

3. Currency conversion

The 2000 unaudited interim consolidated profit and loss account is prepared using, among other currencies, an average exchange rate of US\$ 1.5700 to the pound (period ended 30 June, 1999: US\$1.6197; year ended 31 December, 1999 US\$1.6178). The balance sheet as at 30 June, 2000 has been prepared using the exchange rate on that day of US\$ 1.5166 to the pound (30 June, 1999: US\$1.5763; 31 December, 1999: US\$1.6182).

The constant currency percentage changes shown on the face of the profit and loss account have been calculated by applying 2000 exchange rates to the results for 1999 and 2000. The unaudited preliminary consolidated profit and loss account and balance sheet are presented in Euros in Appendix II for illustrative purposes.

The unaudited interim consolidated profit and loss account is prepared using an average exchange rate of EUR 1.6347 to the pound (period ended 30 June, 1999: EUR 1.5372; year ended 31 December 1999: EUR 1.5202). The balance sheet as at 30 June, 2000 has been prepared using the exchange rate on the day of EUR 1.5870 to the pound (30 June, 1999: EUR 1.5285; 31 December, 1999: EUR 1.6056).

4. Segmental Analysis

Reported contributions by geographical area were as follows:

	30-Jun-00	30-Jun-99	31-Dec-99
	£m	£m	£m
Revenue			
United Kingdom	234.9	212	434.7
United States	531.6	432.4	915.2
Continental Europe	218.7	199.1	426.2
Canada, Asia Pacific, Latin America, Africa & Middle East	223.9	173.8	396.5
	1,209.1	1,017.3	2,172.6
PBIT ¹			
United Kingdom	28.1	25.2	51.5
United States	86.3	68	139
Continental Europe	28.1	25	55.8
Canada, Asia Pacific, Latin America, Africa & Middle East	18.2	10.7	44.5
	160.7	128.9	290.8

Reported contributions by operating sector were as follows:

	30-Jun-00	30-Jun-99	31-Dec-99
	£m	£m	£m
Revenue			
Advertising, media investment management	556.6	477.2	1,013.10
Information and consultancy	239.5	191.9	419.7
Public relations and public affairs	121.7	82.8	178.9
Branding and identity, healthcare and specialist communications	291.3	265.4	560.9
	1,209.1	1,017.3	2,172.6
PBIT¹			
Advertising, media investment management	84.5	69.2	155.9
Information and consultancy	22.5	18	42.1
Public relations and public affairs	18.7	11.6	23.9
Branding and identity, healthcare and specialist communications	35	30.1	68.9
	160.7	128.9	290.8

¹ PBIT: Profit on ordinary activities before interest and taxation

5. Taxation

The Group tax rate on profit on ordinary activities before taxation is 30% (30 June, 1999: 31%; year ended 31 December, 1999: 30%). The tax charge relates mainly to overseas operations, except for £5.8 million in respect of UK corporation tax and £3.1 million in respect of associated companies.

6. Interim dividend

An interim dividend of 1.2p (1999: 1.0p) per ordinary share has been declared by the Board. This is expected to be paid on 20 November 2000 to share owners on the register at 15 September 2000.

7. 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 accordingly.

(a) Basic earnings per share have been calculated using earnings of £93.1 million (30 June, 1999: £75.3 million; year ended 31 December, 1999: £172.8 million) and weighted average shares in issue during the six months to 30 June, 2000 of 757,499,254 shares (30 June, 1999: 752,798,633 shares; year ended 31 December, 1999: 753,324,054 shares).

(b) Diluted earnings per share have been calculated using earnings of £93.1 million (30 June, 1999: £75.3 million; year ended 31 December, 1999: £172.8 million) on a weighted average of 775,155,818 shares (30 June, 1999: 768,181,423 shares; year ended 31 December, 1999: 768,691,993 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.

(c) At 30 June, 2000 there were 778,921,600 ordinary shares in issue.

8. Goodwill

Total goodwill of £117.4 million arising during the period includes £100.7 million in respect of acquisitions of subsidiary undertakings. In addition, investments include £16.7 million of goodwill in respect of associate undertakings acquired during the period.

Cash paid in respect of these acquisitions was £97.8 million (30 June 1999: £57.3 million and 31 December, 1999: £242.2 million). Future anticipated payments to vendors totalled £179.5 million (30 June, 1999: £97.2 million; 31 December, 1999: £172.4 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 2000.

9. Creditors: amounts falling due within one year

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

	30-Jun-00	30-Jun-99	31-Dec-99
	£m	£m	£m
Bank loans and overdrafts	230.8	105.9	148.3
Trade creditors	1,416.7	1,160.5	1,315.0
Corporate income tax payable	37.8	58.7	34.6
Deferred income	137.5	103.6	125.8
Payments due to vendors (note 8)	52.6	6.1	41.2
Other creditors and accruals	528.8	411.8	483.1
	<u>2,404.2</u>	<u>1,846.6</u>	<u>2,148.0</u>

Overdraft balances included within bank loans and overdrafts amount to £106.9 million (30 June, 1999: £105.9 million; 31 December, 1999: £55.6 million).

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

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

	30-Jun-00	30-Jun-99	31-Dec-99
£m	£m	£m	
Corporate bond and bank loans	457.1	249.2	366.8
Corporate income taxes payable	125.9	99.2	122.9
Payments due to vendors (note 8)	126.9	91.1	131.2
Other creditors and accruals	45	29.1	31.6
	<u>754.9</u>	<u>468.6</u>	<u>652.5</u>

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

	30-Jun-00	30-Jun-99	31-Dec-99
	£m	£m	£m
Within one year	230.8	105.9	148.3
Between 1 and 2 years	-	-	-
Between 2 and 5 years	261	60.8	183.1
Over 5 years	196.1	188.4	183.7
	<u>687.9</u>	<u>355.1</u>	<u>515.1</u>

11. Net (debt) / funds

	30-Jun-00	30-Jun-99	31-Dec-99
	£m	£m	£m
Cash at bank and in hand	395.9	302.7	607
Bank loans and overdrafts due within one year (note 9)	(230.8)	(105.9)	(148.3)
Corporate bond and loans due after one year (note 10)	<u>(457.1)</u>	<u>(249.2)</u>	<u>(366.8)</u>
Net (debt)/funds	<u>(292.0)</u>	<u>(52.4)</u>	<u>(91.9)</u>

12. Post balance sheet event

Since 30 June 2000, the Group has entered into a further Revolving Credit Facility for US\$700 million. This facility has a 364 day maturity. Under this agreement the Group has the ability to draw funds for a period of up to 3 years from the date of the agreement. This facility is subject to share owners' approval.

Borrowings under the Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of the Group.

13. Statutory information and audit review

The results for the six months to 30 June, 2000 and 1999 do not constitute statutory accounts. The statutory accounts for the year ended 31 December, 1999 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.

INDEPENDENT REVIEW REPORT TO WPP GROUP PLC

Introduction

We have been instructed by the company to review the financial information set out on pages 11 to 20 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and applicable United Kingdom accounting standards. The Listing Rules require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued in the United Kingdom by the Auditing Practices Board and with our profession's ethical guidance. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

Arthur Andersen
Chartered Accountants
London

14 August 2000

Appendix II

Preliminary results for the six months ended 30 June, 2000

Unaudited preliminary consolidated profit & loss account for the six months ended 30 June, 2000

Presented in Euros for illustrative purposes only

	Six months ended	Six months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2000	1999	1999
	EURm	EURm	EURm
Turnover (gross billings)	9,245.70	6,833.00	14,207.60
Revenue	1,976.50	1,563.80	3,302.80
Gross profit	1,750.90	1,323.80	2,820.40
Operating costs	(1,511.40)	(1,138.40)	(2,419.80)
Operating profit	239.5	185.4	400.6
Income from associates	23.2	12.7	41.5
Profit on ordinary activities before interest and taxation	262.7	198.1	442.1
Net interest payable and similar charges	(37.6)	(25.0)	(53.8)
Profit on ordinary activities before taxation	225.1	173.1	388.3
Tax on profit on ordinary activities	(67.5)	(53.6)	(116.5)
Profit on ordinary activities after taxation	157.6	119.5	271.8
Minority interests	(5.4)	(3.7)	(9.1)
Profit attributable to ordinary share owners	152.2	115.8	262.7
Ordinary dividends	(15.2)	(12.0)	(36.5)
Retained profit for the period	137	103.8	226.2
Earnings per share			
Basic earnings per ordinary share	20.1c	15.4c	34.8c
Ordinary dividend per share			
interim	1.96c	1.54c	1.52c
final	-	-	3.19c

Unaudited consolidated balance sheet as at 30 June, 2000

Presented in Euros for illustrative purposes only

	30-Jun 2000 EURm	30-Jun 1999 EURm	31-Dec 1999 EURm
Fixed assets			
Intangible assets:			
Corporate brands	555.5	535	561.9
Goodwill	811	312	658.8
Tangible assets	335	272.2	315.8
Investments	712.3	444.3	573
	2,413.8	1,563.5	2,109.5
Current assets			
Stocks and work in progress	314.4	214.3	182.2
Debtors	2,120.7	1,617.2	1,670.5
Debtors within working capital facility:			
Gross debts	628.9	498.3	555.1
Non-returnable proceeds	<u>(362)</u>	<u>(335.5)</u>	<u>(343.8)</u>
	266.9	162.8	211.3
Cash at bank and in hand	628.3	462.7	974.6
	3,330.3	2,457.0	3,038.6
Creditors: amounts falling due within one year	(3,815.5)	(2,822.5)	(3,448.8)
Net current liabilities	(485.2)	(365.5)	(410.2)
Total assets less current liabilities	1,928.6	1,198.0	1,699.3
Creditors: amounts falling due after more than one year	(1,198.00)	(716.3)	(1,047.7)
Provisions for liabilities and charges	(120.1)	(122.3)	(127.2)
Net assets	610.5	359.4	524.4
Capital and reserves			
Share capital	123.6	117.7	124.4
Reserves	470.7	228.7	386.4
Share owners' funds	594.3	346.4	510.8
Minority interests	16.2	13	13.6
Total capital employed	610.5	359.4	524.4

Appendix III
WPP GROUP PLC

Illustrative unaudited Pro Forma WPP/Y&R consolidated Financial Information

	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Combined UK GAAP	WPP	Y&R	Combined UK GAAP
	£m	UK GAAP £m	£m	£m	UK GAAP £m	£m
Revenue	1,209.10	600.8	1,809.90	1,017.30	492.8	1,510.10
Gross profit	1,071.10	600.8	1,671.90	861.2	492.8	1,354.00
Operating costs	(924.6)	(524.1)	(1,448.7)	(740.6)	(436.1)	(1,176.7)
Operating profit pre exceptional charge	146.5	76.7	223.2	120.6	56.7	177.3
Exceptional operating charge	-	(36.7)	(36.7)	-	-	-
Operating profit	146.5	40	186.5	120.6	56.7	177.3
Income from associates	14.2	2.4	16.6	8.3	2.3	10.6
Profit on ordinary activities before interest and taxation	160.7	42.4	203.1	128.9	59	187.9
Profit on ordinary activities before interest, tax and exceptional charge	160.7	79.1	239.8	128.9	59	187.9
Net interest payable and similar charges	(23.0)	(5.2)	(28.2)	(16.3)	(2.7)	(19.0)
Profit on ordinary activities before taxation	137.7	37.2	174.9	112.6	56.3	168.9
Tax on profit on ordinary activities	(41.3)	(28.9)	(70.2)	(34.9)	(21.1)	(56.0)
Exceptional tax credit arising on exercised stock options	-	18.1	18.1	-	12.8	12.8
Profit on ordinary activities after taxation	96.4	26.4	122.8	77.7	48	125.7
Minority interests	(3.3)	(0.9)	(4.2)	(2.4)	(0.2)	(2.6)
Profit attributable to ordinary share owners	93.1	25.5	118.6	75.3	47.8	123.1
Ordinary dividends	(9.3)	(2.3)	(11.6)	(7.8)	(1.1)	(8.9)
Retained profit for the period	83.8	23.2	107	67.5	46.7	114.2
PBIT* margin	13.3%	13.2%	13.2%	12.7%	12.0%	12.4%
Earnings per share						
Diluted earnings per ordinary share	12.0p	n/a	10.6p	9.8p	n/a	11.1p
Diluted earnings per ordinary share pre exceptional items	12.0p	n/a	12.2p	9.8p	n/a	9.9p

- PBIT: Profit on ordinary activities before interest and taxation, excluding exceptional operating charge.

Notes to the Unaudited Pro Forma Financial Information

1.Unaudited pro forma Financial Information of the enlarged WPP Group plc

The following unaudited pro forma profit and loss account for the six months 30 June 1999 and 2000 (the "Unaudited pro forma Financial Information") for WPP Group plc have been prepared for illustrative purposes only to show the effects of the combination with Y&R as if it had occurred at 1 January 1999 for the six months ended 30 June 1999 and 1 January 2000 for the six months ended 30 June 2000. Because of its nature, the Unaudited pro forma Financial Information may not give a true picture of the financial position of WPP Group plc. It has been prepared in accordance with the Listing Rules.

The financial information for Y&R for the six months ended 30 June 1999 and 2000 is based on the unaudited results extracted from Y&R's form 10-Q filed with the SEC on 3 August 2000, prepared in accordance with US GAAP adjusted to reflect WPP's accounting policies under UK GAAP.

2.Reclassification

Reclassifications have been made to Y&R's historical financial information presented under US GAAP to conform to WPP's presentation and disclosed accounting policies under UK GAAP. None of these reclassifications impact net profit.

The reclassification that impacts the profit and loss account is:

Equity accounting

In accordance with UK GAAP, the investor's share of operating profit or loss of associated undertakings and joint ventures is shown separately on the face of the profit and loss account and the investor's share of the taxation charge of associated undertakings and joint ventures is included within the taxation charge shown in the profit and loss account. Under US GAAP, net after-tax profits or losses are included in the income statement as a single line item.

3.US to UK GAAP adjustments

Accounting principles generally accepted in the UK differ in certain material respects from those generally accepted in the US. The differences which are material to restating the historical consolidated financial information of Y&R to conform to WPP's disclosed accounting policies under UK GAAP are set out below.

(a)Goodwill

In accordance with UK GAAP and FRS 10 "Goodwill and Intangible Assets," goodwill resulting from acquisitions made by Y&R on or after 1 January 1998 has been capitalised as an intangible asset. Under WPP's disclosed accounting policy this goodwill has an indefinite life and as a result no amortisation has been provided. Under UK GAAP, goodwill assumed to have an indefinite life is subject to an annual impairment review in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill".

Under US GAAP, goodwill resulting from a business combination accounted for as a purchase is amortised over its estimated useful life, not to exceed 40 years. Additionally, Y&R's management evaluates the carrying value of Y&R's tangible and intangible assets each year, or whenever events or circumstances indicate that these assets may be impaired. Intangible assets are determined to be impaired if the future anticipated undiscounted cash flows arising from the use of the intangible assets are less than their carrying value. If an impairment is deemed to have occurred, the asset is written down to its fair value. The impact of this adjustment is to increase operating profit by \$10.9m (£6.9m).

(b) Non-operating items

For the six months to 30 June 2000 in accordance with US GAAP, Y&R recognised gains largely relating to the sale of certain assets and rights known as Y&R TeamSpace in exchange for an ownership interest in eMotion Inc. and other net gains on investing activities largely relating to additional consideration received from Luminant. Under UK GAAP, these gains would be included in the statement of total recognised gains and losses which has not been separately presented. The impact of this adjustment is to reduce profit on ordinary activities by \$12.2m (£7.8m).

(c) Deferred taxes

Under UK GAAP, deferred tax assets are accounted for only to the extent that it is considered probable that a liability or asset will crystallise in the foreseeable future. Under US GAAP, deferred taxes are accounted for on all timing differences and a valuation allowance is established in respect of those deferred tax assets where it is more likely than not that some portion will remain unrealised. This reduces the tax charge in the profit and loss account by \$28.4m (£18.1m) under UK GAAP.

(d) Treasury Stock

Under UK GAAP, if repurchased Treasury stock is used for the purpose of satisfying the Company's obligation upon exercise of stock options issued to employees, the Company should record as an operating cost, the excess of the cost of repurchasing the treasury stock over the proceeds received from employees on exercising stock options. Under US GAAP, this is recorded as a reduction in equity. For the six months ended 30 June 2000, under UK GAAP, this results in a charge of \$57.6 million (£36.7m) which has been reflected as an operating exceptional item within this restatement. For prior years, the difference between the proceeds on exercise of employee share options less the cost of satisfying these options is not material.

4. Segmental Information

The tables below present unaudited pro forma segment information, including Y&R segments presented to conform with the segments as reported by WPP and to UK GAAP. "PBIT" means profit on ordinary activities before interest and taxation, excluding exceptional operating charge.

Information by Discipline

£m	Revenue by Discipline - Pound Sterling Information					
	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R UK GAAP	Combined UK GAAP	WPP	Y&R UK GAAP	Combined UK GAAP
Advertising & Media Investment Management	556.6	274.3	830.9	477.2	232.7	709.9
Information & Consultancy	239.5	-	239.5	191.9	-	191.9
Public Relations & Public Affairs	121.7	125.4	247.1	82.8	95.3	178.1
Branding & Identity, Healthcare & Specialist-Communications	291.3	201.1	492.4	265.4	164.8	430.2
	1,209.1	600.8	1,809.9	1,017.3	492.8	1,510.1

£m	PBIT* by Discipline - Pound Sterling Information					
	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R UK GAAP	Combined UK GAAP	WPP	Y&R UK GAAP	Combined UK GAAP
Advertising & Media Investment Management	84.5	43.7	128.2	69.2	30	99.2
Information & Consultancy	22.5	-	22.5	18	-	18
Public Relations & Public Affairs	18.7	17.4	36.1	11.6	8.6	20.2
Branding & Identity, Healthcare & Specialist-Communications	35	18	53	30.1	20.4	50.5
	160.7	79.1	239.8	128.9	59	187.9

* PBIT: Profit on ordinary activities before interest and taxation, excluding exceptional operating charge.

Revenue by Discipline - U.S. Dollar Information

\$m	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Combined	WPP	Y&R	Combined
		UK GAAP	UK GAAP		UK GAAP	UK GAAP
Advertising & Media Investment Management	873.8	430.7	1,304.5	773	377	1,150.0
Information & Consultancy	376	-	376	310.8	-	310.8
Public Relations & Public Affairs	191.1	196.9	388	134.1	154.3	288.4
Branding & Identity, Healthcare & Specialist-Communications	457.3	315.7	773	429.8	266.9	696.7
	1,898.2	943.3	2,841.5	1,647.7	798.2	2,445.9

PBIT* by Discipline U.S. dollar Information

\$m	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Combined	WPP	Y&R	Combined
		UK GAAP	UK GAAP		UK GAAP	UK GAAP
Advertising & Media Investment Management	132.8	68.7	201.5	112.1	48.6	160.7
Information & Consultancy	35.3	-	35.3	29.1	-	29.1
Public Relations & Public Affairs	29.3	27.4	56.7	18.7	14	32.7
Branding & Identity, Healthcare & Specialist-Communications	54.9	28.2	83.1	48.9	33	81.9
	252.3	124.3	376.6	208.8	95.6	304.4

Information by Geography

Revenue by Geography - U.S. Dollar Information

\$m	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Combined	WPP	Y&R	Combined
		UK GAAP	UK GAAP		UK GAAP	UK GAAP
North America	869.2	520.1	1,389.3	732.2	447.8	1,180.0
UK	368.7	86.5	455.2	343.4	73.4	416.8
Continental Europe	343.3	211.8	555.1	322.5	202.9	525.4
Asia Pacific, Latin America, Africa & Middle East	317	124.9	441.9	249.6	74.1	323.7
	1,898.2	943.3	2,841.5	1,647.7	798.2	2,445.9

PBIT* by Geography - U.S. Dollar Information

\$m	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Combined	WPP	Y&R	Combined
		UK GAAP	UK GAAP		UK GAAP	UK GAAP
North America	138.3	87.4	225.7	113.9	76.4	190.3
UK	44.2	-0.3	43.9	40.8	1.7	42.5
Continental Europe	44.1	26.2	70.3	40.5	15.4	55.9
Asia Pacific, Latin America, Africa & Middle East	25.7	11	36.7	13.6	2.1	15.7
	252.3	124.3	376.6	208.8	95.6	304.4

* PBIT: Profit on ordinary activities before interest and taxation, excluding exceptional operating charge.

5. Translation of unaudited pro forma financial information

Solely for convenience, the unaudited pro forma information is shown in both pounds sterling and US dollars using the approximate average rate for the periods for the profit and loss account (2000: \$1.57 = £1, 1999: \$1.6197 = £1).

6. Diluted earnings

The number of shares used in the calculation of unaudited pro forma earnings per share are based on the average weighted number of WPP shares during the respective periods aggregated with the weighted average number of Y&R shares during the respective period, multiplied by 4.175 to reflect the exchange ratio.

Diluted earnings per share takes into account the exercise of WPP employee share options where these are expected to be diluted, aggregated with the number of Y&R options expected to dilute, multiplied by 4.175 to reflect the exchange rate into WPP new shares. The 30 June 2000 calculation also includes the dilutive impact of the Y&R convertible loan stock.

	Diluted number of shares (million)					
	Six months ended 30 June 2000			Six months ended 30 June 1999		
	WPP	Y&R	Pro forma	WPP	Y&R	Pro forma
Weighted average	775.2	86.4	n/a	768.2	82	n/a
Multiplication factor	n/a	4.175	n/a	n/a	4.175	n/a
Weighted average, new WPP shares	775.2	360.7	1,135.9	768.2	342.4	1,110.6

Unaudited pro forma diluted earnings per share has been calculated using unaudited pro forma earnings of £120.1m (1999: £123.1m) which includes £1.5m in respect of the Y&R convertible loan stock in 2000 (1999: nil).

Unaudited pro forma diluted earnings per share pre exceptional items has been calculated using earnings of £138.7m (1999: £110.3m) which reflects the removal of the Y&R exceptional operating charge in respect of Treasury Stock and the Y&R exceptional tax credits arising on the exercise of stock options.