

WPP GROUP PLC

Preliminary results for the year ended 31 December 2005

Unaudited preliminary consolidated income statement for the year ended 31 December 2005

	Notes	2005	2004		Constant Currency ¹
		£m	£m	+/(-)%	+/(-)%
Turnover (billings)		26,673.7	19,598.0	36.1	35.9
Revenue		5,373.7	4,299.5	25.0	22.9
Direct costs		(241.0)	(225.1)	(7.1)	(4.9)
Gross profit		5,132.7	4,074.4	26.0	23.9
Operating costs	4	(4,479.9)	(3,598.9)	(24.5)	(22.6)
Operating profit		652.8	475.5	37.3	33.6
Share of results of associates	4	33.9	29.5	14.9	10.3
Profit before interest and taxation		686.7	505.0	36.0	32.3
Finance income	5	87.6	77.7	12.7	10.9
Finance costs	5	(182.3)	(148.3)	(22.9)	(22.3)
Profit before taxation		592.0	434.4	36.3	31.8
Taxation	7	(194.0)	(135.0)	(43.7)	(39.7)
Profit for the year		398.0	299.4	32.9	28.2
Attributable to:					
Equity holders of the parent		363.9	273.0	33.3	28.6
Minority interests		34.1	26.4	(29.2)	(24.3)
		398.0	299.4	32.9	28.2
Headline PBIT	6,19	754.8	560.2	34.7	31.3
Headline PBIT margin	19	14.0%	13.0%		
Headline PBT	19	669.0	489.6	36.6	32.5
Earnings per share²					
Basic earnings per ordinary share	9	30.3p	24.0p	26.3	21.6
Diluted earnings per ordinary share	9	29.7p	23.4p	26.9	22.5

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.

WPP GROUP PLC

Unaudited preliminary consolidated summary cash flow statement for the year ended 31 December 2005

	Notes	2005	2004
		£m	£m
Net cash inflow from operating activities	10	837.5	556.4
Investing activities			
Acquisitions and disposals	10	(507.7)	(208.9)
Purchase of property, plant and equipment		(160.5)	(89.7)
Purchase of other intangible assets (incl. capitalised computer software)		(10.8)	(5.9)
Proceeds on disposal of property, plant and equipment		6.7	9.3
Net cash outflow from investing activities		(672.3)	(295.2)
Financing activities			
Issue of shares		20.3	17.9
Share repurchases and buybacks	10	(152.3)	(88.7)
Net (decrease)/increase in borrowings	10	(595.2)	128.6
Financing and share issue costs		(2.2)	(5.0)
Equity dividends paid		(100.2)	(81.7)
Dividends paid to minority shareholders in subsidiary undertakings		(24.0)	(22.5)
Net cash outflow from financing activities		(853.6)	(51.4)
Net (decrease)/increase in cash and cash equivalents		(688.4)	209.8
Translation differences		85.0	(44.6)
Cash and cash equivalents at beginning of year		1,283.0	1,117.8
Cash and cash equivalents at end of year	10	679.6	1,283.0
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		(688.4)	209.8
Cash inflow/(outflow) from (increase)/decrease in debt financing		596.9	(124.2)
Net debt acquired		(140.8)	(9.6)
Other movements		(25.9)	(8.2)
Translation difference		8.9	(6.7)
Movement of net debt in the year		(249.3)	61.1
Net debt at beginning of year		(300.4)	(361.5)
IAS 39 adjustment at 1 January 2005	11	(254.3)	-
Net debt at end of year	12	(804.0)	(300.4)

Unaudited preliminary consolidated statement of recognised income and expense for the year ended 31 December 2005

	2005	2004
	£m	£m
Profit for the year	398.0	299.4
Exchange adjustments on foreign currency net investments	266.1	(102.7)
Revaluation of other investments	21.0	-
Actuarial loss on defined benefit pension schemes	(16.5)	(18.2)
Deferred tax on defined benefit pension schemes	3.6	3.3
Total recognised income and expense relating to the year	672.2	181.8
Attributable to:		
Equity holders of the parent	638.1	155.4
Minority interests	34.1	26.4
	672.2	181.8

WPP GROUP PLC

Unaudited preliminary consolidated balance sheet as at 31 December 2005

	Notes	2005 £m	2004 £m
Non-current assets			
Intangible assets:			
Goodwill	13	5,675.2	4,389.7
Other	14	1,260.6	773.6
Property, plant and equipment		423.5	309.8
Interests in associates		509.9	385.5
Other investments		55.3	8.1
Deferred tax assets		130.3	100.2
Trade and other receivables	15	142.1	59.5
		8,196.9	6,026.4
Current assets			
Inventories		281.5	220.6
Trade and other receivables	15	4,795.5	2,541.5
Trade receivables within working capital: ²			
Gross debts		-	545.7
Non-returnable proceeds		-	(261.0)
		-	284.7
Cash and short-term deposits		1,115.2	1,616.0
		6,192.2	4,662.8
Current liabilities			
Trade and other payables	16	(6,828.4)	(4,515.9)
Corporate income tax payable		(56.5)	(53.1)
Bank overdrafts and loans		(457.8)	(597.8)
		(7,342.7)	(5,166.8)
Net current liabilities		(1,150.5)	(504.0)
Total assets less current liabilities		7,046.4	5,522.4
Non-current liabilities			
Bonds and bank loans		(1,461.4)	(1,318.6)
Trade and other payables	17	(703.0)	(536.6)
Deferred tax liabilities		(533.1)	(312.3)
Provisions for post employment benefits		(231.4)	(202.3)
Provisions for liabilities and charges		(131.7)	(86.9)
		(3,060.6)	(2,456.7)
Net assets		3,985.8	3,065.7
Equity			
Called up share capital		125.3	118.5
Share premium account		2.1	1,002.2
Shares to be issued		37.2	49.9
Merger reserve		(1,388.1)	2,920.6
Other reserves		167.3	(90.6)
Own shares ¹		(292.9)	(277.7)
Retained earnings		5,253.6	(711.8)
Equity share owners' funds	18	3,904.5	3,011.1
Minority interests		81.3	54.6
Total Equity		3,985.8	3,065.7

¹ Investments in own shares held by the ESOP Trusts.

² Following the adoption of IAS 32 and IAS 39 the Group has reclassified the working capital facility on 1 January 2005 as IFRS does not permit linked presentation. The 2004 figures have not been restated as permitted by IFRS 1.

WPP GROUP PLC**Notes to the unaudited preliminary consolidated financial statements (Notes 1 – 19)****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 relevant International Financial Reporting Standards (IFRS), incorporating International Accounting Standards, and with the accounting policies of the Group which are available on the Group's website, www.wpp.com.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are disclosed in Appendix III of the Group's 2005 Interim Report. A detailed summary of the key impacts of the transition from UK GAAP to IFRS was included in the Appendix to the Group's first Quarterly Trading Update issued on 22 April 2005.

Statutory Information

In October 2005, pursuant to a Scheme of Arrangement under s425 of the Companies Act 1985, a new parent company was introduced which is now called WPP Group plc ("Newco"). The previous parent company has been renamed and re-registered as WPP 2005 Limited ("Oldco").

The financial information for the years ended 31 December 2005 in respect of Newco or 2004 in respect of Oldco does not constitute either company's statutory accounts. The statutory accounts of Oldco for the year ended 31 December 2004, prepared under UK GAAP, were 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 2005 of Newco 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 2005 has yet to be signed.

Basis of preparation

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. Therefore, although the group reconstruction did not become effective until October 2005, the financial statements of WPP Group plc are presented as if Newco and Oldco had always been part of the same group. Accordingly, the results of the group for the entire year ended 31 December 2005 are shown in the consolidated income statement and the comparative figures for the year ended 31 December 2004 are also prepared on this basis.

The preliminary announcement was approved by the board of directors on 23 February 2006.

3. Currency conversion

The 2005 unaudited preliminary consolidated income statement is prepared using, among other currencies, an average exchange rate of US\$1.8189 to the pound (2004: US\$1.8326). The unaudited preliminary consolidated balance sheet as at 31 December 2005 has been prepared using the exchange rate on that day of US\$1.7187 to the pound (2004: US\$1.9158).

The basis for calculating the constant currency percentage changes, shown on the face of the consolidated income statement, is described in the glossary attached to this appendix.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

4. Operating costs and share of results of associates

Operating costs include:

	2005	2004
	£m	£m
Amortisation of acquired intangible assets	25.3	-
Goodwill impairment	46.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.1	12.6
Profits on disposal of fixed asset investments	(4.3)	(3.0)
Amounts written off fixed asset investments	-	5.0
Share-based payments	68.6	58.8
Other operating costs	4,343.2	3,484.9
	4,479.9	3,598.9

Share-based payments include:

	2005	2004
	£m	£m
Stock options	25.9	29.4
Other share-based payments	42.7	29.4
	68.6	58.8

The impairment charge of £46.0 million (2004: £40.6 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.

The Group has released £10.1 million (2004: £14.0 million) to operating profit relating to excess provisions established in respect of acquisitions completed prior to 2004. At the same time, the Group includes within operating costs charges for one-off costs, severance and restructuring charges, including those resulting from integrating acquisitions. For this reason, the Group considers that the above combination of releases and charges, when taken together, does not materially impact the Group's quality of earnings.

Share of results of associates include:

	2005	2004
	£m	£m
Share of profit before interest and taxation	54.0	48.1
Share of interest and minority interest	(0.9)	(0.7)
Share of taxation	(19.2)	(17.9)
	33.9	29.5

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

5. Finance income and finance costs

Finance income includes:

	2005	2004
	£m	£m
Expected return on pension scheme assets	24.2	21.3
Investment income	5.6	-
Interest income	57.8	56.4
	87.6	77.7

Finance costs include:

	2005	2004
	£m	£m
Interest on pension scheme liabilities	32.0	30.8
Interest payable and similar charges ¹	141.4	117.5
Finance charges (excluding revaluation of financial instruments)	173.4	148.3
Revaluation of financial instruments	8.9	-
	182.3	148.3

¹ The charge of £141.4 million for the year ended 31 December 2005 includes expense of £13.8 million arising from the change in accounting for the Group's convertible bonds following the adoption of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' on 1 January 2005. Prior year comparatives have not been restated as permitted by IFRS 1. This approach also applies to the initial recognition and subsequent re-measurement of the fair value of other financial instruments shown below. UK GAAP has continued to be applied in accounting for financial instruments in previous years.

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

	2005	2004
	£m	£m
Movements in fair value of treasury instruments	3.0	-
Revaluation of put options over minority interests (note 16)	5.8	-
Other	0.1	-
	8.9	-

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2005	2004
	£m	£m
Revenue		
Advertising, Media Investment Management	2,606.4	1,985.3
Information, Insight & Consultancy	810.4	744.8
Public Relations & Public Affairs	534.4	445.2
Branding & Identity, Healthcare and Specialist Communications	1,422.5	1,124.2
	5,373.7	4,299.5
Headline PBIT¹		
Advertising, Media Investment Management	402.7	295.0
Information, Insight & Consultancy	83.4	66.1
Public Relations & Public Affairs	75.3	58.4
Branding & Identity, Healthcare and Specialist Communications	193.4	140.7
	754.8	560.2
Headline PBIT Margin	%	%
Advertising, Media Investment Management	15.5	14.9
Information, Insight & Consultancy	10.3	8.9
Public Relations & Public Affairs	14.1	13.1
Branding & Identity, Healthcare and Specialist Communications	13.6	12.5
	14.0	13.0

¹ Headline PBIT is defined in note 19.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

	2005	2004
	£m	£m
Revenue		
United Kingdom	808.1	728.5
North America	2,106.9	1,651.9
Continental Europe	1,410.3	1,134.8
Asia Pacific, Latin America, Africa & Middle East	1,048.4	784.3
	5,373.7	4,299.5
Headline PBIT¹		
United Kingdom	84.6	75.7
North America	350.1	251.2
Continental Europe	176.1	128.1
Asia Pacific, Latin America, Africa & Middle East	144.0	105.2
	754.8	560.2
Headline PBIT Margin	%	%
United Kingdom	10.5	10.4
North America	16.6	15.2
Continental Europe	12.5	11.3
Asia Pacific, Latin America, Africa & Middle East	13.7	13.4
	14.0	13.0

¹ Headline PBIT is defined in note 19.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

7. Taxation

The Group tax rate on Headline PBT¹ is 29.0% (2004: 27.6%). The tax charge comprises:

	2005	2004
	£m	£m
Current tax		
UK Corporation tax at 30%		
Current year	19.9	22.5
Prior years	(11.4)	-
	8.5	22.5
Foreign tax		
Current year	177.3	108.6
Prior years	9.9	9.6
	187.2	118.2
Total Current Tax	195.7	140.7
Deferred tax		
Current year	(1.7)	(5.7)
Total tax on profits	194.0	135.0

¹ Headline PBT is defined in note 19.

8. Ordinary dividends

The Board has recommended a final dividend of 6.34p (2004: 5.28p) per ordinary share in addition to the interim dividend paid of 3.00p (2004: 2.50p) per ordinary share. This makes a total for the year of 9.34p (2004: 7.78p) per ordinary share, an increase of 20%. The final dividend is expected to be paid on 3 July 2006 to share owners on the register at 2 June 2006.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

9. Earnings per share

Basic EPS

The reconciliation between Reported and Headline EPS, and between earnings figures used in calculating them, is as follows:

	2005	2004	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£m)	363.9	273.0		
Headline earnings (£m) (note 19)	440.9	328.2		
Average shares used in Basic EPS calculation (m)	1,200.1	1,136.1		
Reported EPS	30.3p	24.0p	26.3	21.6
Headline EPS	36.7p	28.9p	27.0	23.4

¹ Reported earnings is equivalent to profit for the period attributable to equity holders of the parent.

Diluted EPS

The diluted Reported and Headline EPS are set out below:

	2005	2004	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	363.9	285.2		
Diluted Headline earnings (£m)	440.9	340.4		
Average shares used in diluted EPS calculation (m)	1,224.8	1,219.6		
Diluted Reported EPS	29.7p	23.4p	26.9	22.5
Diluted Headline EPS	36.0p	27.9p	29.0	25.4

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. For the year ended 31 December 2004, both the \$287.5 million convertible bonds and the £450 million convertible bonds were dilutive and earnings for the purposes of this calculation consequently included an additional £12.2 million.

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

	2005	2004
	m	m
Average shares used in Basic EPS calculation	1,200.1	1,136.1
Dilutive share options outstanding	18.6	20.6
Other potentially issuable shares	6.1	4.6
\$287.5 million convertible bonds	-	16.4
£450 million convertible bonds	-	41.9
Shares used in Diluted EPS calculation	1,224.8	1,219.6

At 31 December 2005 there were 1,252,899,372 ordinary shares in issue.

WPP GROUP PLC

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 13:

Net cash inflow from operating activities:

	2005	2004
	£m	£m
Operating profit	652.8	475.5
Adjustments for:		
Non cash share-based incentive plans (including stock options)	68.6	58.8
Depreciation of property, plant and equipment	111.4	96.7
Impairment of goodwill	46.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.1	12.6
Amortisation of acquired intangible assets	25.3	-
Amortisation of other intangible assets	10.7	6.7
Profits on disposal of fixed asset investments	(4.3)	(3.0)
Loss on sale of property, plant and equipment	1.1	1.9
Amounts written off fixed asset investments	-	5.0
Operating cash flow before movements in working capital	912.7	694.8
Movements in working capital and provisions	107.6	(4.8)
Cash generated by operations	1,020.3	690.0
Corporation and overseas tax paid	(136.0)	(101.3)
Interest and similar charges	(128.2)	(99.7)
Interest received	62.4	48.9
Investment income	5.6	-
Dividends from associates	13.4	18.5
	837.5	556.4

Acquisitions and disposals:

	2005	2004
	£m	£m
Initial cash consideration	(561.2)	(97.3)
Cash and cash equivalents acquired	173.9	6.3
Earnout payments	(96.7)	(78.6)
Loan note redemptions	(33.0)	(26.6)
Purchase of other investments (including associates)	(29.0)	(22.0)
Proceeds on disposal of investments	38.3	9.3
	(507.7)	(208.9)

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2005	2004
	£m	£m
Share cancellations (including brokerage fees)	(123.3)	(73.7)
Purchase of own shares by ESOP trusts	(29.0)	(15.0)
	(152.3)	(88.7)

Net (decrease)/increase in borrowings:

	2005	2004
	£m	£m
Increase in drawings on bank loans	17.1	0.9
Repayment of \$287.5 million convertible bonds	(154.5)	-
Repayment of \$125 million Grey debt	(65.3)	-
Repayment of working capital facility	(277.2)	-
Repayment of \$200 million bonds	(115.3)	-
Proceeds from issue of \$650 million 10 year bonds	-	358.2
Repayment of €350 million bonds	-	(230.5)
	(595.2)	128.6

Cash and cash equivalents:

	2005	2004
	£m	£m
Cash at bank and in hand	1,029.0	1,372.0
Short-term bank deposits	86.2	244.0
Overdrafts ¹	(435.6)	(333.0)
	679.6	1,283.0

¹ Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

11. Financial instruments

The IAS 32 and IAS 39 adjustments to net debt at 1 January 2005 are made up of the following:

	£m
Reclassification of components of convertible debt	32.4
Reclassification of the deferred gain recognised under UK GAAP	(18.6)
Recognition of financial instruments at fair value	(7.1)
Reclassification of the working capital facility ¹	(261.0)
	(254.3)

¹ The Group had a working capital facility (the advance of cash financing against which certain trade debts have been assigned) that IAS 32 and IAS 39 require to be presented as a bank borrowing. As the Group has elected to apply IAS 32 and IAS 39 from 1 January 2005, net debt at 31 December 2004 has been presented to comply with 2004 UK GAAP as a deduction from debtors, in accordance with the 'linked presentation' required by FRS 5 (Reporting the substance of transactions). The drawdown on the facility was transferred to debt at 1 January 2005. The facility was repaid and cancelled on 31 August 2005.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

12. Net debt

	31 December 2005	31 December 2004
	£m	£m
Cash and short-term deposits	1,115.2	1,616.0
Bank loans and overdrafts due within one year	(457.8)	(597.8)
Corporate bond and loans due after one year	(1,461.4)	(1,318.6)
Net debt (per balance sheet)	(804.0)	(300.4)
Working capital facility (Note 11)	-	(261.0)
Net debt including working capital facility	(804.0)	(561.4)

Elsewhere in this release net debt at 31 December 2004 is shown as £554.7 million to provide a comparable basis with net debt at 31 December 2005. This includes the entire IAS 39 adjustment of £254.3 million at 1 January 2005 described in Note 11.

13. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £1,285.5 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. Goodwill in relation to associate undertakings increased by £82.5 million in the period.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £220.0 million (2004: £298.6 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.

On 7 March 2005 the Group completed the acquisition of Grey Global Group, Inc. (Grey) in consideration for 78 million new WPP ordinary shares and £376 million in cash. Grey has been consolidated in the results of the Group from the date of completion.

In aggregate, for the year ended 31 December 2005, acquisitions made in the year contributed £757.4 million to revenue, £74.6 million to operating profit and £100.0 million to Headline PBIT.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

14. Other intangible assets

The following are included in other intangibles:

	2005	2004
	£m	£m
Brands with an indefinite life	897.0	742.6
Acquired intangibles	330.3	7.0
Other (including capitalised computer software)	33.3	24.0
	1,260.6	773.6

Acquired intangible assets increased by £323.3 million during the year, primarily due to the recognition at fair value of corporate brands and customer relationships resulting from the acquisition of Grey. These assets are being amortised over their respective useful lives, which vary from 2 to 20 years, depending on the nature of the asset concerned. In accordance with IAS 12, the Group has a deferred tax liability of £504.4 million at 31 December 2005, being the difference between the book and tax carrying values of these intangibles. The Group does not consider that any deferred tax liability in respect of these items will ever crystallise.

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

	2005	2004
	£m	£m
Trade receivables	3,999.3	2,058.5
VAT and sales taxes recoverable	43.0	29.1
Corporate income taxes recoverable	21.0	24.2
Other debtors	350.8	238.1
Prepayments and accrued income	381.4	191.6
	4,795.5	2,541.5

Amounts falling due after more than one year:

	2005	2004
	£m	£m
Other debtors	115.8	54.2
Prepayments and accrued income	26.3	5.3
	142.1	59.5

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

16. Trade and other payables: amounts falling due within one year

The following are included in trade and other payables falling due within one year:

	2005	2004
	£m	£m
Trade creditors	4,659.3	2,885.3
Deferred income	604.2	405.8
Payments due to vendors	81.3	146.6
Loan notes due to vendors	13.6	7.2
Liabilities in respect of put option agreements with vendors ¹	50.4	-
Other creditors and accruals	1,419.6	1,071.0
	6,828.4	4,515.9

¹ The recognition of liabilities in respect of put options arises from the adoption of IAS 32 and IAS 39. Prior years have not been restated as permitted by IFRS 1.

17. 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:

	2005	2004
	£m	£m
Corporate income tax payable	372.8	290.6
Payments due to vendors	138.7	152.0
Liabilities in respect of put option agreements with vendors	39.6	-
Other creditors and accruals	151.9	94.0
	703.0	536.6

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

	2005	2004
	£m	£m
Within one year	81.3	146.6
Between 1 and 2 years	71.9	65.0
Between 2 and 3 years	14.7	61.0
Between 3 and 4 years	20.3	3.4
Between 4 and 5 years	31.8	21.4
Over 5 years	-	1.2
	220.0	298.6

The Group does not consider there to be any material contingent liabilities as at 31 December 2005.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

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

	2005	2004
	£m	£m
Profit for the period	363.9	273.0
Ordinary dividends	(100.2)	(81.6)
	263.7	191.4
Non cash share-based incentive plans (including stock options)	68.6	58.8
Exchange adjustments on foreign currency net investments	266.1	(102.7)
Ordinary shares issued in respect of acquisitions	506.4	-
Share issue/cancellation costs	(3.6)	(0.8)
Other share issues	18.3	32.8
Share cancellations	(123.3)	(73.6)
Actuarial loss on defined benefit schemes	(16.5)	(18.2)
Deferred tax on defined benefit pension schemes	3.6	3.3
Net additions of own shares by ESOP Trusts	(29.0)	(14.9)
Transfer to goodwill	(5.1)	(67.3)
Tax benefit of share-based payments	12.9	8.7
Revaluation of other investments	21.0	-
Recognition of financial instruments during the year	(27.6)	-
Other movements	-	3.4
Net additions to equity share owners' funds	955.5	20.9
Opening equity share owners' funds	3,011.1	2,990.2
Impact of adoption of IAS 32 and IAS 39 on 1 January 2005	(62.1)	-
Closing equity share owners' funds	3,904.5	3,011.1

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance

Reconciliation of Headline PBIT and Headline PBT under IFRS to 2004 UK GAAP

	Margin (%)	2005 £m	Margin (%)	2004 £m
Revenue		5,373.7		4,299.5
Headline PBIT (IFRS)	14.0%	754.8	13.0%	560.2
Share-based payments (IFRS 2)	0.6%	32.4	0.7%	28.9
Accounting for associates (IAS 28)	0.4%	20.1	0.4%	18.6
		52.5		47.5
Headline PBIT (2004 UK GAAP)	15.0%	807.3	14.1%	607.7
Headline PBT (IFRS)		669.0		489.6
Adjustments to Headline PBIT (as above)		52.5		47.5
Additional interest on convertible debt (IAS 32)		13.8		-
Interest on associates (IAS 28)		(0.1)		(0.1)
Headline PBT (2004 UK GAAP)		735.2		537.0

Reconciliation of profit before interest and taxation to
Headline PBIT for the year ended 31 December 2005

	2005 £m	2004 £m
Profit before interest and taxation	686.7	505.0
Profits on disposal of fixed asset investments	(4.3)	(3.0)
Amounts written off fixed asset investments	-	5.0
Goodwill impairment	46.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.1	12.6
Amortisation of acquired intangible assets	25.3	-
Headline PBIT	754.8	560.2
Finance income	87.6	77.7
Finance charges (excluding revaluation of financial instruments)	(173.4)	(148.3)
	(85.8)	(70.6)
Interest cover on Headline PBIT¹	8.8 times	7.9 times

¹ The finance charges for the year ended 31 December 2005 of £173.4 million shown above include £13.8 million arising from the change in accounting for the Group's convertible bonds under IFRS. Interest cover on a comparable basis with prior years would be 10.5 times.

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to Headline PBT
and Headline earnings for the year ended 31 December 2005

	2005	2004
	£m	£m
Profit before taxation	592.0	434.4
Profits on disposal of fixed assets	(4.3)	(3.0)
Amounts written off fixed asset investments	-	5.0
Goodwill impairment	46.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.1	12.6
Amortisation of acquired intangibles	25.3	-
Revaluation of financial instruments	8.9	-
Headline PBT	669.0	489.6
Taxation	(194.0)	(135.0)
Minority interests	(34.1)	(26.4)
Headline earnings	440.9	328.2
Ordinary dividends	100.3	81.6
Dividend cover on Headline earnings	4.4 times	4.0 times

Reported margins before and after share of results of associates

	Margin (%)	2005	Margin (%)	2004
		£m		£m
Revenue		5,373.7		4,299.5
Headline PBIT	14.0%	754.8	13.0%	560.2
Share of results of associates		33.9		29.5
Headline PBIT excluding share of results of associates	13.4%	720.9	12.3%	530.7

WPP GROUP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the year ended 31 December 2005

	2005	2004
	£m	£m
Cash generated by operations	1,020.3	690.0
Plus:		
Interest received	62.4	48.9
Investment income	5.6	-
Dividends received from associates	13.4	18.5
Issue of shares	20.3	17.9
Proceeds on disposal of property, plant and equipment	6.7	9.3
Profits on disposal of fixed asset investments	4.3	3.0
Less:		
Movements in working capital and provisions	(107.6)	4.8
Loss on sale of property, plant and equipment	(1.1)	(1.9)
Amounts written off fixed asset investments	-	(5.0)
Interest and similar charges	(128.2)	(99.7)
Purchase of property, plant and equipment	(160.5)	(89.7)
Purchase of other intangible assets (including capitalised computer software)	(10.8)	(5.9)
Corporation and overseas tax paid	(136.0)	(101.3)
Dividends paid to minority shareholders in subsidiary undertakings	(24.0)	(22.5)
Free Cash Flow¹	564.8	466.4

¹ Elsewhere in this release free cash flow in 2005 has been rounded to £565 million.

WPP GROUP PLC**GLOSSARY AND BASIS OF PREPARATION****2004 UK GAAP**

UK Generally Accepted Accounting Principles ('UK GAAP') extant in respect of 2004 – the basis of preparation of the Group's consolidated financial statements for the year ended 31 December 2004, as previously reported, prior to the implementation of International Financial Reporting Standards ('IFRS').

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.

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying constant 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.

Estimated net new billings

Net new billings represent the estimated annualised impact on billings (turnover) 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 budget, which may not necessarily result in actual billings of the same amount.

Free cash flow

Free cash flow is calculated as Headline PBIT before equity income and depreciation (including dividends received from associates, proceeds from the issue of shares, and the proceeds from disposal of tangible fixed assets and investments), less tax paid, returns on investments and servicing of finance and the purchase of tangible fixed assets.

Headline PBIT ('Headline operating profit')

Profit on ordinary activities before finance income, finance costs, taxation, goodwill impairment, goodwill write-down relating to utilisation of pre-acquisition tax losses, amortisation of acquired intangible assets and fixed assets gains and write-downs.

Headline PBT

Profit on ordinary activities before taxation, goodwill impairment, goodwill write-down relating to the utilisation of previously unrecognised pre-acquisition tax losses, amortisation of acquired intangible assets, fixed assets gains and write-downs and the revaluation of financial instruments.

Headline earnings

Headline PBT less taxation and minority interests.

Operating margin

Headline PBIT as a percentage of revenue.

Pro forma ('like for like')

Pro forma comparisons are calculated as follows: current year actual results (which include acquisitions from the relevant date of completion) are compared with prior year 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.