WPP Preliminary Results for the Year Ended 31st December 2003
27 February 2004

Revenue up over 5% to $6.7 billion (£4.1 billion)
Operating margin up 0.7 of a margin point to 13.0%
Headline profits before tax up over 18% to $774 million (£473 million)
Diluted headline earnings per share up over 16% at 47.4¢ (29.0p)
Final dividend up 20% to 7.20¢ (4.40p) per share

- Revenue up over 5% to $6.716 billion (£4.106 billion).
- Operating margin up 0.7 of a margin point from 12.3% to 13.0%.
- Headline operating profits before tax up over 11% to $872.6 million (£533.5 million).
- Headline profit before tax up over 18% to $774.3 million (£473.4 million).
- Profit before tax up over 70% to $572.3 million (£349.9 million).
- Diluted headline earnings per share up over 16% to 47.4¢ (29.0p) from 40.7¢ (24.9p).
- Reported diluted earnings per share up over 136% to 29.8¢ (18.2p) from 12.6¢ (7.7p).
- Final dividend up 20% to 7.20¢ (4.40p) per share making a total for the year of 10.60¢ (6.48p) up 20% over 2002.
- Strong estimated net new billings of over $3.572 billion (£2.232 billion).

In this press release not all of the figures and ratios used are readily available from the unaudited preliminary results included in Appendix I. Where required, details of how these have been arrived at are shown in Appendix IV.

Summary of results

The Board of WPP Group plc ("WPP") announces the unaudited preliminary results for the year ended 31 December 2003, the Group's eighteenth year. These results show improved performance, as the Group capitalised on better economic conditions both in the United States, Asia Pacific, Latin America, Africa and the Middle East and in advertising, media investment management, information, insight and consultancy, branding and identity, healthcare and specialist communications.

Turnover was up 3.3% at $30.45 billion (£18.62 billion).

Reportable revenue was up over 5% to $6.716 billion (£4.106 billion). Revenue including associates is estimated to total $8.3 billion (£5.1 billion). On a constant currency basis, revenue was up over 7% and gross profit up over 7%. Like-for-like revenues, excluding the impact of acquisitions and on a constant currency basis, were up 0.7%. Excluding the acquisition of Cordiant Communications Group plc ("Cordiant"), like-for-like revenues were up 1.5%. Like-for-like revenues were flat in the first half of 2003 and up over 1% in the second half. In the four sequential quarters of 2003, like-for-like revenues were flat, flat, up over 1% and up over 1%. Excluding Cordiant, the last two quarters were over 2% and over 3%, respectively.

Reported operating costs including direct costs (but excluding goodwill amortisation and impairment), rose by over 4% and by almost 7% in constant currency. Like-for-like total operating and direct costs rose 0.5%. Staff costs excluding incentives were up 0.2%, with salaries and freelance costs down 0.9%. Incentive payments totalled $213.3 million (£130.4 million) ($147.4 million (£90.1 million) in 2002) or almost 21% (over 16% in 2002) of operating profit before bonuses, taxes and income from associates. Before these incentive payments, operating margins increased by 1.4 margin points to 15.2% from 13.8%. On a reported basis the Group's staff cost to gross margin ratio rose to 61.1% from 60.4%. Excluding incentives, this ratio fell 0.3 margin points to 57.7% from 58.0%.

Variable staff costs as a proportion of total staff costs increased during the 1990s, reaching 12.1% in 2000. The impact of the recession in 2001 and 2002 was to reduce this ratio to 9.2% and variable staff costs as a proportion of revenue to 5.3%. In 2003, variable staff costs as a proportion of staff costs rose again to 11.0% and variable staff costs as a proportion of revenues also rose again to 6.3%. Non-staff costs fell as a proportion of revenues, from 25.7% to 24.6%, primarily reflecting a reduction in the Group's property costs following actions taken in 2002.

The actual number of people in the Group averaged 51,604 against 50,417 in 2002, an increase of 2.4%. On a like-for-like basis, average headcount was down to 51,604 from 53,940, a decrease of over 4%. At the end of 2003, staff numbers were 54,324 compared with 56,074 at the end of 2002 on a pro-forma basis, a reduction of over 3%.

Net interest payable and similar charges (including a charge for the early adoption of FRS17) fell to $117.1 million (£71.6 million) from $141.3 million (£86.4 million), principally reflecting higher cash generated from operations, lower interest rates, the impact of reduced levels of acquisition activity in 2002 and lower share repurchases and cancellations last year. Headline interest cover remains at a level of seven times and at over eight times, excluding the FRS17 charge.

Headline operating profit or profit pre-goodwill and impairment, interest, tax, investment gains and write-downs was up 11.1% to $872.6 million (£533.5 million) from $785.4 million (£480.2 million) and up almost 12% in constant currencies. Headline profit before tax or profit pre-goodwill, impairment and tax was up over 18% to $774.3 million (£473.4 million) from $655.2 million (£400.6 million). Reported headline operating margin (including income from associates) increased to 13.0% from 12.3%. Reported profit before interest, tax, investment gains and write-downs was up over 39% to $689.4 million (£421.5 million) from $494.8 million (£302.5 million) and on a constant currency basis, was up almost 42% reflecting the weakness of sterling against the Euro, more than counterbalanced by the strengthening of sterling against the dollar. However, moving down the income statement, this adverse currency impact is partly hedged by the effect of dollar denominated operating expenses and interest costs, particularly at the profit before tax level.

The Group's tax rate on headline profits was 25.8%, the same level as in the previous year, reflecting the continuing strength of the Group's tax planning initiatives.

Diluted headline earnings per share were up over 16% at 47.4¢ (29.0p). In constant currency, earnings per share on the same basis were up over 17%.

In 2002, $238.3 million (£145.7 million) was taken as an impairment charge primarily reflecting accelerated amortisation of goodwill on first generation businesses which suffered in the recession. Although 2003 was better than 2002, some first generation businesses, which had been acquired, continued to suffer and an impairment charge reflecting accelerated amortisation of goodwill of $129 million (£79 million) has been taken.

As a result, profit before tax rose over 70% to $572.3 million (£349.9 million) and diluted earnings per share rose by over 136% to 29.8¢ (18.2p). The Board recommends an increase of 20% in the final dividend to 7.20¢ (4.40p) per share, making a total of 10.60¢ (6.48p) per share for 2003, a 20% increase over 2002. The record date for this dividend is 4 June 2004, payable on 5 July 2004. The dividend for 2003 is 4.3 times covered by headline earnings.

Further details of WPP's financial performance are provided in Appendix I (in sterling) and Appendix II (in euros).

As indicated in 2002, WPP intends to expense the cost of executive options in its income statement. Only one of the company's major competitors has indicated that they will follow this

approach and none has indicated the likely cost of doing so. Appendix III shows a pro forma unaudited income statement for 2003. This details the impact of expensing executive options using a Black Scholes valuation model and applying United States transitional guidelines under the prospective adoption method contained within FAS 148 as of 1 January 2002. On this basis, only executive options issued since 1 January 2002 would be expensed. The resulting reduction in headline earnings per share would have been 3.7%. Fully expensing all executive options granted over the last three years on a consistent basis would reduce headline earnings per share by 6.4%.