

WPP & Young & Rubicam to Create Leading Global Communications Services Company in \$4.7 billion Transaction
12 May 2000

- Strong strategic fit with highly complementary brands including three of the leading global communications networks
- Pro forma 1000 revenues of \$5.2bn (£3.2bn) and EBIT of \$704 million (£435 million)
- Clearly established as #1, #2 or #3 in every major geographic market
- Broader client portfolio and wider array of communications services enhance long-term revenue growth prospects
- Industry-leading focus on direct and internet businesses, and valuable combined portfolio of internet and new media investments
- Young & Rubicam ("Y&R") shareholders can elect to receive either 0.835 new WPP ADR's or 4.175 new WPP ordinary shares for each Y&R share, representing a current value for each Y&R common share of \$53.02 (based on the closing WPP ADR price on 11 May 2000 of \$63.50) and valuing Y&R on a fully-diluted basis at \$4.7 billion
- All stock transaction with fixed exchange ratio results in equity split of approximately two thirds to WPP shareholders and one third to Y&R shareholders
- Significant synergies expected to be realised through scale and compatibility of combined operations; cost synergies quantified to date in excess of \$30m per annum
- Accretive to WPP earnings per share in the first full year
- Transaction to be accounted for as a purchase; tax-free for U.S. purposes to Y&R shareholders
- After the close of the transaction, Thomas D. Bell will be Chairman of Young & Rubicam Inc. and Michael Dolan will be CEO of Young & Rubicam Inc. Effective immediately, Ed Vick is Chairman and CEO of Y&R Advertising. Senior Y&R operating heads have signed continuing employment agreements
- A group of senior Y&R executives have committed not to sell two-thirds of their Y&R shares and share equivalents for one year

WPP Group plc ("WPP") (LSE: WPP; NASDAQ: WPPGY) and Young & Rubicam Inc. ("Y&R") (NYSE: YNR) today announce that they have signed a definitive merger agreement under which Y&R will join the WPP Group of companies in a \$4.7 billion transaction, creating the world's leading communications services group. With Y&R, the WPP Group will become the industry leader, offering its expanded client base, which includes the majority of the Fortune Global 500 and the Nasdaq 100, a comprehensive array of resources in all service categories.

On a pro forma basis for the year ended 31 December 1999, the combined group had revenues of \$5.2 billion (£3.2 billion) and EBIT of \$704 million (£435 million). The current pro forma combined market capitalisation is \$14.5 billion (£9.6 billion) (based on an estimated enlarged fully diluted share capital of 1.15 billion WPP shares). This would rank the group 34th in the UK FTSE-100 and 109th in the FTSE Eurotop 300. Further financial information is contained in Appendix 1.

Under the terms of the definitive agreement, which has been unanimously approved by both companies' Boards of Directors, each outstanding share of common stock of Y&R will be converted into 0.835 of a new American Depositary Receipt ("ADR") of WPP or, at the election of the shareholder, 4.175 new WPP ordinary shares, for each Y&R common share held at closing. WPP will then be owned approximately two thirds by current WPP shareholders and one third by Y&R shareholders.

All Y&R operating companies will continue to operate from their current headquarters in the U.S. Y&R brings a third major advertising agency network to WPP, the others being J. Walter Thompson Company and Ogilvy & Mather Worldwide.

After the close of the transaction, Thomas D. Bell will be Chairman of Young & Rubicam Inc. and Michael Dolan will be Chief Executive Officer of Young & Rubicam Inc. Effective

immediately, Ed Vick is Chairman and CEO of Y&R Advertising. Five Young & Rubicam directors will join the WPP Group Board. Senior Y&R operating heads have signed employment agreements. A group of senior Y&R executives have signed no-sale agreements in which they have committed not to sell two thirds of their Y&R shares and share equivalents (and, following closing, the new WPP shares and share equivalents they will receive in exchange) for one year from the date of the merger agreement. A four person Transition Committee consisting of Mr. Bell, as Chairman, and Sir Martin Sorrell, Mr. Dolan and Paul Richardson, WPP's Group Finance Director, will oversee the transition as Y&R becomes part of the WPP Group.

Sir Martin Sorrell, Group Chief Executive of WPP, said, "This transaction creates a worldwide leader. The two organizations are highly compatible. We share a common philosophy and culture of providing clients with integrated solutions to their marketing needs, and seek to add value to our clients and our people. At the same time, the two complement one another from a client, functional and geographic point of view.

"As a part of our focused strategy to provide clients with a full spectrum of services to meet every communications need, we look forward to developing the strengths of the services provided, and the geographic reach that Y&R will bring to WPP. Together, we have the people and assets to create significant growth and value for our clients, our people and our shareowners," concluded Sir Martin.

Mr. Bell added, "Young & Rubicam's success over the past few years is a reflection of the differentiating power of our integrated communications model. Going forward, we want to take this competitive advantage to the next level. To build the first web-based marketing communications company that can create, assess and refine marketing programs in real-time with the speed required of our clients by our new economy.

"By joining forces with WPP Group, we can accelerate that vision. The fit between our companies is terrific, with leading brands in every marketing discipline. Y&R clients will benefit from access to new capabilities, as well as the additional reach and clout that we'll enjoy in the marketplace. What is more, Y&R will be well-positioned to participate in and shape the future of commercial communications, particularly in the area of interactive marketing and e-commerce.

"I know a bright future lies ahead for the Y&R companies under the leadership of my talented colleague Mike Dolan, who has played such a significant role in our recent success. And I look forward to working with Martin to bring together our companies."

According to Michael Dolan, Vice Chairman and Chief Financial Officer of Young & Rubicam Inc., "This is a terrific strategic fit for both companies and a logical outgrowth of Y&R's recent entry into the public market. As consolidation continues to transform both the client and agency landscape, being a part of WPP will ensure that our clients benefit from the best services and that we continue to attract top talent in every field."

The transaction will bring together the finest brands from the major marketing disciplines. These include global advertising giants Ogilvy & Mather Worldwide, J. Walter Thompson Company and Y&R Advertising; four of the world's largest public relations firms, Hill and Knowlton, Burson-Marsteller, Ogilvy Public Relations Worldwide and Cohn and Wolfe, as well as impiric (formerly known as Wunderman Cato Johnson) and OgilvyOne, the industry leaders in direct and interactive marketing. The transaction also creates a company that will have the top international media investment management operations (MindShare and Media Edge), the industry's most extensive offerings in healthcare communications (CommonHealth and Sudler & Hennessey), as well as a range of firms in every persuasive communications discipline, including market research (Millward Brown, Research International and Kantar Media Research), corporate identity (Enterprise IG and Landor Associates) and strategic marketing consulting. Both WPP and Y&R have also built leading-edge capabilities to assist their clients in e-business and interactive marketing. The combined group will have the broadest Internet portfolio in the industry, capturing dotcom spending and providing the industry's leading digital services.

The transaction clearly demonstrates WPP's intention to set industry standards in global communications services. Together with Y&R, WPP will offer the broadest and deepest range of products and services in the industry, creating the pre-eminent combination of agencies in advertising, media investment management, information and consultancy, public relations and public affairs and identity and branding, healthcare and specialist communications services.

Estimated pre-tax annual cost savings resulting from the transaction quantified to date amount to in excess of \$30m (£20m) per annum by the year ending 31 December 2001. Moreover, WPP and Y&R believe that the combination has the potential to generate stronger revenue growth in a number of areas. The transaction provides an outstanding base for continued expansion, both with clients in the consumer goods and services sectors, as well as those in the fast-growing areas of information technology, telecommunications, financial services, and entertainment and media.

The transaction is expected to be accretive to WPP earnings in the first full year following closing. The transaction will be accounted for using purchase accounting and is expected to be tax-free for U.S. purposes to Y&R shareholders.

WPP and Y&R intend to publish detailed information on the merger for their shareholders in approximately two to three months. Subject to WPP and Y&R shareholder approval and regulatory consents, closing of the merger is targeted for fall (autumn) 2000.

A summary of the principal terms of the Merger is set out in Part II of this release. Information on WPP and Y&R is contained in Part III. Illustrative pro forma combined financial information is set out in Appendix 1.

For ease of reference, unless otherwise stated, all currency conversions between pounds sterling and US dollars have been calculated at a rate of \$1.503 : £1. Please note that WPP's financials are shown under UK GAAP and Y&R's under US GAAP, with a preliminary restatement to UK GAAP.

WPP is being advised by Goldman Sachs and Merrill Lynch. Y&R is being advised by Morgan Stanley Dean Witter and Bear, Stearns & Co.

An analysts' conference call for European-based analysts will be held at 11am London time (6am EST) today and a call for US-based analysts will be held at 8:30am EST today.