

INTERPUBLIC GROUP OF COMPANIES INC  
Form 10-Q/A  
December 08, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1 TO QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number: 1 -6686  
THE INTERPUBLIC GROUP OF COMPANIES, INC.  
(Exact name of Registrant as specified in its charter)

Delaware	13 -1024020
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1271 Avenue of the Americas, New York, New York	10020
-----	-----
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 399-8000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Executive Act Rule 12b-2) Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock outstanding at July 31, 2003: 391,399,332 shares.

EXPLANATORY NOTE  
(Dollars in Millions)

The Interpublic Group of Companies ("Interpublic" or the "Company") is filing this Form 10-Q/A to restate its consolidated statement of cash flows for the six months ended June 30, 2003 for the presentation of \$26.9 in debt issuance costs. The cash flow related to such costs had been presented as investing activities

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

and has now been presented as financing activities. The net result of the change was to reduce cash used in investing activities for the six months ended June 30, 2003, by \$26.9 and reduce cash provided by financing activities for the six months ended June 30, 2003, by \$26.9. The restatement of the consolidated statement of cash flows had no impact on net income (loss) or earnings (loss) per share, or any balance sheet amounts.

The accompanying Form 10-Q/A amends the Form 10-Q filed by the Company on August 14, 2003 for the six months ended June 30, 2003 to correct only the consolidated statement of cash flows for the six months ended June 30, 2003.

This Form 10-Q/A amends Item 1 of Part I of the Company's original Form 10-Q filing only, and except for this item, no other information included in the Company's original Quarterly Report on Form 10-Q is amended by this filing.

Except for the corrections described above, this Form 10-Q/A does not purport to update any disclosures contained in the quarterly report, which speaks as of the date of its original filing on August 14, 2003. For disclosures subsequent to August 14, 2003, please see the Company's reports filed with the Securities and Exchange Commission after that date.

### THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES I N D E X

#### PART I. FINANCIAL INFORMATION

	Page No.
Item 1. Financial Statements	
Consolidated Statement of Operations Three months ended June 30, 2003 and 2002 (unaudited)	4
Consolidated Statement of Operations Six months ended June 30, 2003 and 2002 (unaudited)	5
Consolidated Balance Sheet June 30, 2003 and December 31, 2002 (unaudited)	6
Consolidated Statement of Comprehensive Income Three months ended June 30, 2003 and 2002 (unaudited)	8
Consolidated Statement of Comprehensive Income Six months ended June 30, 2003 and 2002 (unaudited)	9
Consolidated Statement of Cash Flows Six months ended June 30, 2003 (restated) and 2002 (unaudited)	10
Notes to Consolidated Financial Statements (unaudited)	11
SIGNATURES	27
CERTIFICATIONS	28

## PART I - FINANCIAL INFORMATION

Item 1.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF OPERATIONS  
 THREE MONTHS ENDED JUNE 30,  
 (Amounts in Millions, Except Per Share Amounts)  
 (Unaudited)

	2003 ----	2002 ----
REVENUE	\$1,499.4 -----	\$1,490.4 -----
OPERATING EXPENSES:		
Salaries and related expenses	878.4	839.2
Office and general expenses	459.6	435.9
Amortization of intangible assets	4.1	2.6
Restructuring charges	94.4	--
Long-lived asset impairment	11.0	--
Total operating expenses	1,447.5 -----	1,277.7 -----
OPERATING INCOME	51.9 -----	212.7 -----
OTHER INCOME (EXPENSE):		
Interest expense	(46.1)	(36.9)
Interest income	10.2	8.1
Other income	0.3	6.6
Investment impairment	(9.8)	(16.2)
Total other income (expense)	(45.4) -----	(38.4) -----
Income before provision for income taxes	6.5	174.3
Provision for income taxes	22.4 -----	67.3 -----
INCOME (LOSS) OF CONSOLIDATED COMPANIES	(15.9)	107.0
Income applicable to minority interests	(8.4)	(10.9)
Equity in net income of unconsolidated affiliates	1.3 -----	2.5 -----
INCOME (LOSS) FROM CONTINUING OPERATIONS	(23.0)	98.6
INCOME FROM DISCONTINUED OPERATIONS (NET OF TAXES)	9.5 -----	10.4 -----
NET INCOME (LOSS)	\$ (13.5) =====	\$109.0 =====
Earnings (loss) per share:		
Basic:		

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Continuing operations	\$ (0.06)	\$0.26
Discontinued operations	\$0.02	\$0.03
	-----	-----
Total	\$ (0.04)	\$0.29
	=====	=====
Diluted:		
Continuing operations	\$ (0.06)	\$0.26
Discontinued operations	\$0.02	\$0.03
	-----	-----
Total	\$ (0.04)	\$0.29
	=====	=====
Weighted average shares:		
Basic	384.3	375.7
Diluted	384.3	382.4
Cash dividends per share	\$ --	\$0.095

The accompanying notes are an integral part of these consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS  
SIX MONTHS ENDED JUNE 30,  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

	2003	2002
	----	----
REVENUE	\$ 2,815.1	\$ 2,809.4
OPERATING EXPENSES:		
Salaries and related expenses	1,733.1	1,660.9
Office and general expenses	885.5	809.4
Amortization of intangible assets	7.3	4.4
Restructuring charges	94.4	--
Long-lived asset impairment	22.1	--
	-----	-----
Total operating expenses	2,742.4	2,474.7
	-----	-----
OPERATING INCOME	72.7	334.7
	-----	-----
OTHER INCOME (EXPENSE):		
Interest expense	(84.9)	(72.2)
Interest income	18.1	15.0
Other income	0.1	6.9
Investment impairment	(12.5)	(16.2)
	-----	-----
Total other income (expense)	(79.2)	(66.5)
	-----	-----
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(6.5)	268.2

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Provision for income taxes	16.8	102.6
	-----	-----
INCOME (LOSS) OF CONSOLIDATED COMPANIES	(23.3)	165.6
Income applicable to minority interests	(9.0)	(14.2)
Equity in net income (loss) of unconsolidated affiliates	(1.9)	3.3
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	(34.2)	154.7
INCOME FROM DISCONTINUED OPERATIONS (NET OF TAXES)	12.1	14.1
	-----	-----
NET INCOME (LOSS)	\$ (22.1)	\$ 168.8
	=====	=====
Earnings (loss) per share:		
Basic:		
Continuing operations	\$ (0.09)	\$ 0.41
Discontinued operations	0.03	0.04
	-----	-----
Total	\$ (0.06)	\$ 0.45
	=====	=====
Diluted:		
Continuing operations	\$ (0.09)	\$ 0.41
Discontinued operations	0.03	0.04
	-----	-----
Total	\$ (0.06)	\$ 0.44 (a)
	=====	=====
Weighted average shares:		
Basic	383.1	374.3
Diluted	383.1	381.1
Cash dividends per share	--	\$ 0.190

(a) Does not foot due to rounding.

The accompanying notes are an integral part of these consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(Amounts in Millions, Except Per Share Amounts)

ASSETS  
(Unaudited)

	June 30, 2003	December 31, 2002
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 700.1	\$ 933.0
Accounts receivable (net of allowance for doubtful		

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

accounts: 2003-\$153.8; 2002-\$139.8)	4,681.4	4,517.6
Expenditures billable to clients	414.8	407.6
Deferred taxes on income	69.4	37.0
Prepaid expenses and other current assets	452.5	427.1
Assets held for sale	452.2	--
	-----	-----
Total current assets	6,770.4	6,322.3
	-----	-----
FIXED ASSETS, AT COST:		
Land and buildings	148.2	168.2
Furniture and equipment	1,063.6	1,125.1
Leasehold improvements	496.8	487.8
	-----	-----
	1,708.6	1,781.1
Less: accumulated depreciation	(968.6)	(955.4)
	-----	-----
Total fixed assets	740.0	825.7
	-----	-----
OTHER ASSETS:		
Investment in less than majority-owned affiliates	352.2	357.3
Deferred taxes on income	516.3	509.9
Other assets	274.9	319.8
Intangible assets (net of accumulated amortization: 2003-\$993.3; 2002-\$1,038.5)	3,442.9	3,458.7
	-----	-----
Total other assets	4,586.3	4,645.7
	-----	-----
TOTAL ASSETS	\$12,096.7	\$11,793.7
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(Amounts in Millions, Except Per Share Amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY  
(Unaudited)

	June 30, 2003	December 31, 2002
	-----	-----
CURRENT LIABILITIES:		
Accounts payable	\$ 5,282.7	\$5,125.5
Accrued expenses	1,019.3	1,110.8
Accrued income taxes	17.3	33.2
Loans payable	128.5	239.3
Zero-coupon convertible senior notes	1.0	581.0
Liabilities held for sale	149.0	--
	-----	-----

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Total current liabilities	6,597.8	7,089.8
	-----	-----
NON-CURRENT LIABILITIES:		
Long-term debt	1,214.1	1,253.1
Convertible subordinated notes	573.0	564.6
Convertible senior notes	800.0	--
Deferred compensation	494.1	470.5
Accrued postretirement benefits	53.3	55.6
Other non-current liabilities	75.9	189.7
Minority interests in consolidated subsidiaries	63.0	70.4
	-----	-----
Total non-current liabilities	3,273.4	2,603.9
	-----	-----
Commitments and contingencies (Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, shares authorized: 20.0, shares issued: none		
Common stock, \$0.10 par value, shares authorized: 800.0, shares issued: 2003 - 391.1; 2002 - 389.3	39.1	38.9
Additional paid-in capital	1,742.9	1,797.0
Retained earnings	835.9	858.0
Accumulated other comprehensive loss, net of tax	(297.5)	(373.6)
	-----	-----
	2,320.4	2,320.3
Less:		
Treasury stock, at cost: 2003- 0.1 shares; 2002 - 3.1 shares	(11.3)	(119.2)
Unamortized deferred compensation	(83.6)	(101.1)
	-----	-----
Total stockholders' equity	2,225.5	2,100.0
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$12,096.7	\$11,793.7
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
THREE MONTHS ENDED JUNE 30,  
(Amounts In Millions)  
(Unaudited)

	2003	2002
	----	----
Net Income (Loss)	\$ (13.5)	\$109.0
	-----	-----
Foreign Currency Translation Adjustments	47.0	107.7
	-----	-----

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Adjustment for Minimum Pension Liability		
Adjustment for minimum pension liability	(0.5)	--
Unrealized Holding Gains (Losses) on Securities		
Unrealized holding gains	5.3	--
Tax expense	(2.2)	--
Unrealized holding losses	--	(5.5)
Tax benefit	--	2.3
	-----	-----
Unrealized Holding Gains (Losses) on Securities	3.1	(3.2)
	-----	-----
Comprehensive Income	\$ 36.1	\$213.5
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
SIX MONTHS ENDED JUNE 30,  
(Amounts In Millions)  
(Unaudited)

	2003	2002
Net Income (Loss)	\$ (22.1)	\$168.8
	-----	-----
Foreign Currency Translation Adjustments	76.7	89.2
	-----	-----
Adjustment for Minimum Pension Liability		
Adjustment for minimum pension liability	(5.2)	--
Tax benefit	2.0	--
	-----	-----
Adjustment for Minimum Pension Liability	(3.2)	--
	-----	-----
Unrealized Holding Gains (Losses) on Securities		
Unrealized holding gains	5.3	0.9
Tax expense	(2.2)	(0.4)
Unrealized holding losses	(0.8)	(5.5)
Tax benefit	0.3	2.3
	-----	-----
Unrealized Holding Gains (Losses) on Securities	2.6	(2.7)
	-----	-----
Comprehensive Income	\$54.0	\$255.3
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.



Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30,  
(Amounts in Millions)  
(Unaudited)

2003  
(Restated)  
-----

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS:

Net income (loss) from continuing operations	\$ (34.2)
Adjustments to reconcile net income (loss) to cash used in operating activities:	
Depreciation and amortization of fixed assets	86.9
Amortization of intangible assets	7.3
Amortization of restricted stock awards and bond discounts	39.9
Provision for (benefit of) deferred income taxes	(24.7)
Undistributed equity earnings	1.9
Income applicable to minority interests	9.0
Restructuring charges - non cash	5.8
Long-lived asset impairment	22.1
Investment impairment	12.5
Other	4.6
Change in assets and liabilities, net of acquisitions:	
Accounts receivable	(72.2)
Expenditures billable to clients	(32.0)
Prepaid expenses and other current assets	(23.1)
Accounts payable and accrued expenses	34.9
Accrued income taxes	(38.5)
Other non-current assets and liabilities	(37.0)
	-----
Net cash used in operating activities from continuing operations	(36.8)
	-----

CASH FLOWS FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS:

Acquisitions, net of cash acquired	(141.3)
Capital expenditures	(72.1)
Proceeds from sales of businesses	2.0
Proceeds from sales of long-term investments	21.3
Purchases of long-term investments	(11.0)
Maturities of short-term marketable securities	17.2
Purchases of short-term marketable securities	(27.8)
Other investments and miscellaneous assets	(7.7)
	-----

Net cash used in investing activities from continuing operations (219.4)  
-----

CASH FLOWS FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS:

Increase (decrease) in short-term debt	(209.1)
Payments of zero-coupon convertible senior notes	(580.0)
Proceeds from long-term debt	0.9
Proceeds from 4.5% convertible senior notes	800.0
Payments of long-term debt	(1.4)
Debt issuance costs	(26.9)

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Treasury stock acquired	--
Issuance of common stock	8.0
Distributions to minority interests	(7.4)
Contributions from minority interests	0.5
	-----
Net cash used in financing activities from continuing operations	(15.4)
	-----
Effect of exchange rates on cash and cash equivalents	52.1
	-----
Net cash (used in) provided by discontinued operations	(13.4)
	-----
Decrease in cash and cash equivalents	(232.9)
Cash and cash equivalents at beginning of year	933.0
	-----
Cash and cash equivalents at end of period	\$ 700.1
	=====

The accompanying notes are an integral part of these consolidated financial statements.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

#### 1. Basis of Presentation

In the opinion of management, the financial statements included herein contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2003 and for all periods presented. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in The Interpublic Group of Companies, Inc.'s (the "Company" or "Interpublic") annual report on Form 10-K for the year ended December 31, 2002. The operating results for the first six months of the year are not necessarily indicative of the results for the year or other interim periods.

As discussed in Note 10, on July 10, 2003, the Company completed the sale of its NFO WorldGroup ("NFO") research unit to Taylor Nelson Sofres PLC ("TNS"). The results of NFO are classified as discontinued operations in accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" and, accordingly, the results of operations and cash flows of NFO have been removed from the Company's results of continuing operations and cash flows for all periods presented in this document. Additionally, the assets and liabilities of NFO have been presented as held for sale in the accompanying balance sheet as of June 30, 2003.

#### Restatement

The Company identified a change to the presentation of debt issuance costs in its consolidated statement of cash flows. The change has been reported through a restatement of previously recorded amounts in the consolidated statement of cash flows in this Form 10-Q/A.

The net result of the change was to reduce cash used in investing activities for

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

the six months ended June 30, 2003, by \$26.9 and reduce cash provided by financing activities for the six months ended June 30, 2003, by \$26.9. The restatement of the consolidated statement of cash flows had no impact on net income (loss) or earnings (loss) per share, or any balance sheet amounts.

### 2. Earnings (Loss) Per Share

The following sets forth the computation of earnings per share for the three and six month periods ended June 30, 2003 and 2002:

	Three Months E
	2003
	----
Basic	
Income (loss) from continuing operations	\$(23.0)
Income from discontinued operations	9.5
	-----
Net Income (loss)	\$(13.5)
	=====
Weighted average number of common shares outstanding	384.3
Earnings (loss) per share from continuing operations	\$(0.06)
Earnings per share from discontinued operations	0.02
	-----
Earnings (loss) per share - basic	\$(0.04)
	=====
Diluted (a)	
Income (loss) from continuing operations - diluted	\$(23.0)
Income from discontinued operations	9.5
	-----
Net Income (loss) - diluted	\$(13.5)
	=====
Weighted average number of common shares outstanding	384.3
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	--
	-----
Weighted average number of common shares outstanding - diluted	384.3
Earnings (loss) per share from continuing operations	\$(0.06)
Earnings per share from discontinued operations	0.02
	-----
Earnings (loss) per share - diluted	\$(0.04)
	=====

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

	Six Months En ----- 2003 ----
Basic	
Income (loss) from continuing operations	\$(34.2)
Income from discontinued operations	12.1
	-----
Net Income (loss)	\$(22.1) =====
Weighted average number of common shares outstanding	383.1
Earnings (loss) per share from continuing operations	\$(0.09)
Earnings per share from discontinued operations	0.03
	-----
Earnings (loss) per share - basic	\$(0.06) =====
Diluted (a)	
Income (loss) from continuing operations - diluted	\$(34.2)
Income from discontinued operations	12.1
	-----
Net Income (loss) - diluted	\$(22.1) =====
Weighted average number of common shares outstanding	383.1
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	-- -----
Weighted average number of common shares outstanding - diluted	383.1
Earnings (loss) per share from continuing operations	\$(0.09)
Earnings per share from discontinued operations	0.03
	-----
Earnings (loss) per share - diluted	\$(0.06) =====

(a) The computation of diluted EPS for 2003 excludes the assumed conversion of the 1.80% and 1.87% Convertible Subordinated Notes, the conversion of restricted stock and assumed exercise of stock options because they were antidilutive. The computation of diluted EPS for 2002 excludes the assumed conversion of the 1.80% and 1.87% Convertible Subordinated Notes because they were anti-dilutive.

The 1.80% and 1.87% Convertible Subordinated Notes would have added 6.7 and 6.4 shares, respectively, to the diluted shares outstanding had they been dilutive.

(b) Does not total due to rounding.

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

### 3. Stock Option Plans

The Company has various stock-based compensation plans. The stock-based compensation plans are accounted for under the intrinsic value recognition and measurement principles of APB Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations. Generally, all employee stock options are issued with the exercise price equal to the market price of the underlying shares at the grant date and therefore, no compensation expense is recorded. The intrinsic value of restricted stock grants and certain other stock-based compensation issued to employees as of the date of grant is amortized to compensation expense over the vesting period.

If compensation cost for the Company's stock option plans and its Employee Stock Purchase Plan ("ESPP") had been determined based on the fair value at the grant dates as defined by SFAS 123, the Company's pro forma net income (loss) and earnings (loss) per share for the three months ended and six months ended June 30 would have been as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

	Three Months Ended
	2003
	----
Income (Loss) from Continuing Operations	
As reported, income (loss) from continuing operations	\$(23.0)
Add back:	
Stock-based employee compensation expense included in reported net income, net of tax	5.5
Deduct:	
Total fair value of stock based employee compensation expense, net of tax	(16.4)
	-----
Pro forma income (loss) from continuing operations	\$(33.9) =====
Earnings (Loss) Per Share From Continuing Operations	
Basic earnings (loss) per share	
As reported	\$(0.06)
Pro forma	\$(0.09)
Diluted earnings (loss) per share	
As reported	\$(0.06)
Pro forma	\$(0.09)

For purposes of this pro forma information, the fair value of shares under the ESPP was based on the 15% discount received by employees. The weighted-average fair value (discount) on the date of purchase for stock purchased under this plan was \$1.90 and \$4.32 in 2003 and 2002, respectively.

The weighted-average fair value of options granted during the three months ended June 30, 2003 and 2002 was \$6.13 and \$10.87, respectively. The fair value of each option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

	Three Months Ended
	-----
	2003
	----
Expected option lives	6 years
Risk free interest rate	2.79%
Expected volatility	45.75%
Dividend yield	--
	Six Months Ended
	-----
	2003
	----
Income (Loss) from Continuing Operations	
As reported, income (loss) from continuing operations	\$ (34.2)
Add back:	
Stock-based employee compensation expense included in reported net income, net of tax	11.3
Deduct:	
Total fair value of stock based employee compensation expense, net of tax	(30.3)
	-----
Pro forma income (loss) from continuing operations	\$ (53.2)
	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

Earnings (Loss) Per Share From Continuing Operations	
Basic earnings (loss) per share	
As reported	\$ (0.09)
Pro forma	\$ (0.14)
Diluted earnings (loss) per share	
As reported	\$ (0.09)
Pro forma	\$ (0.14)

For purposes of this pro forma information, the fair value of shares under the ESPP was based on the 15% discount received by employees. The weighted-average fair value (discount) on the date of purchase for stock purchased under this plan was \$1.70 and \$4.38 in 2003 and 2002, respectively.

The weighted-average fair value of options granted during the six months ended June 30, 2003 and 2002 was \$4.62 and \$11.01, respectively. The fair value of each option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Six Months Ended Jun  
-----  
2003

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

	----
Expected option lives	6 years
Risk free interest rate	3.34%
Expected volatility	43.65%
Dividend yield	--

#### 4. Restructuring Charges

##### 2003 Program

During the second quarter of 2003, the Company announced that it would undertake restructuring initiatives in response to softness in demand for advertising and marketing services. The restructuring initiatives include severance and lease terminations. The total amount of pre-tax charges the Company expects to incur, over several periods, is up to approximately \$200.0.

In the second quarter of 2003, the Company recorded a pre-tax restructuring charge of \$94.4 (\$61.6 after tax). The pre-tax restructuring charge was composed of severance costs of \$66.0 and lease terminations costs of \$28.4. Included in the \$28.4 of lease termination costs was \$4.8 related to the write-off of leasehold improvements and \$12.4 related to additional losses on properties vacated as part of the 2001 restructuring program. The charges related to leases terminated as part of the 2003 program are recorded at net present value and are net of estimated sublease income amounts.

The Company expects that the second quarter restructuring charge will result in cash payments of \$88.6 to be paid in 2003 (\$64.0), 2004 (\$14.6) and 2005 and thereafter (\$10.0). Further actions in this restructuring program will be undertaken in the third and fourth quarters of 2003.

The severance and termination costs relate to a reduction in workforce of approximately 1,450 employees worldwide. The employee groups affected include all levels and functions across the Company: executive, regional and account management and administrative, creative and media production personnel. Approximately 35% of the charge relates to severance in the US, 15% to severance in the UK, 10% to severance in France with the remainder largely relating to the rest of Europe, Asia and Latin America.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

Lease termination costs, net of estimated sublease income, relate to the offices that have been or will be vacated as part of the restructuring. Approximately 30 locations are to be vacated with substantially all actions to be completed by December 31, 2003; however, the cash portion of the charge will be paid out over a period of several years. The majority of the offices to be vacated are located in the US with approximately one third in overseas markets principally in Europe.

##### 2001 Program

Following the completion of the True North acquisition in June 2001, the Company executed a wide-ranging restructuring plan that included severance, lease terminations and other actions. The total amount of the charges

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

incurred in 2001 in connection with the plan was \$634.5.

A summary of the remaining liability for restructuring charges related to the 2003 restructuring program, together with the remaining liability related to the 2001 program, is as follows:

	Liability at December 31, 2002 -----	Total Restructuring Charges -----	2003 Non-cash charges -----	2003 o Paymen -----
TOTAL BY TYPE				
Severance and termination costs	\$ 15.9	\$66.0	\$1.0	\$21.
Lease terminations and other exit costs	\$ 94.6	28.4	4.8	19.
	-----	-----	----	----
Total	\$110.5	\$94.4	\$5.8	\$41.
	=====	=====	=====	=====

5. Long-Lived Asset Impairment

During the three and six months ended June 30, 2003, the Company recorded charges of \$11.0 and \$22.1, respectively, related to the impairment of long-lived assets at its Motorsports business. These amounts include \$8.7 and \$12.7, respectively, of current capital expenditure outlays that the Company is contractually required to spend to upgrade and maintain certain of its existing racing facilities, as well as an impairment of assets at other Motorsports entities.

6. Investment Impairment

During the three and six months ended June 30, 2003, the Company recorded investment impairment charges of \$9.8 and \$12.5, respectively, relating to certain investments in Brazil, India, Canada and Japan that had been determined to have incurred an "other than temporary" impairment.

During the second quarter of 2002, the Company recorded investment impairment charges of \$16.2, primarily relating to certain investments of Octagon that had been determined to have incurred an "other than temporary" impairment.

7. New Accounting Standards

During 2003, FIN 46, "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51" ("FIN 46") was issued. FIN 46 addresses the consolidation by business enterprises of variable interest entities, as defined in FIN 46 and is based on the concept that companies that control another entity through interests other than voting interests should consolidate the controlled entity. The consolidation requirements apply immediately to FIN 46 interests held in variable interest entities created after January 31, 2003 and to interests held in variable interest entities that existed prior to February 1, 2003 and remain in existence as of July 1, 2003. The application of FIN 46 did not have an impact on, or result in additional disclosure in, the Company's June 30, 2003 consolidated results of operations or financial position.

During 2003, SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued. SFAS 150 establishes standards for classification and measurement of certain



## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain cases). The standard is to be adopted effective the third quarter of 2003. The Company does not believe that the adoption of the standard will have a material impact on its consolidated results of operations or financial position.

#### 8. Derivative and Hedging Instruments Hedges of Net Investments

On December 12, 2002, the Company designated the Yen borrowings under its \$375.0 Revolving Credit Facility in the amount of \$36.5 as a hedge of its net investment in Japan.

#### Forward Contracts

As of June 30, 2003, the Company had short-term contracts covering approximately \$7.2 of notional amount of currency. As of June 30, 2003, the fair value of the forward contracts was a loss of \$0.2.

#### Other

The Company has two embedded derivative instruments under the 4.5% Notes issued in March 2003. At June 30, 2003, the fair value of these derivatives was negligible.

#### 9. Segment Information

The Company is organized into four global operating groups together with several stand-alone agencies. The four global operating groups are: a) McCann-Erickson WorldGroup ("McCann"), b) the FCB Group ("FCB"), c) The Partnership and d) Interpublic Sports and Entertainment Group ("SEG"). Each of the four groups and the stand-alone agencies has its own management structure and reports to senior management of the Company on the basis of this structure. McCann, FCB, The Partnership and the stand-alone agencies provide a full complement of global marketing services including advertising and media management, marketing communications including direct marketing, public relations, sales promotion, event marketing, on-line marketing and healthcare marketing in addition to specialized marketing services. SEG includes Octagon (for sports marketing), Motorsports (for its Motorsports business), and Jack Morton Worldwide (for specialized marketing services including corporate events, meetings and training/learning).

Prior to the second quarter of 2003, the Company had maintained a fifth global operating group, Advanced Marketing Services ("AMS"). In connection with the disposal of NFO (see Note 10), AMS was disbanded and its remaining components became stand-alone agencies.

Each of McCann, FCB, The Partnership, SEG and the various stand-alone agencies operates with the same business objective, which is to provide clients with a wide variety of services that contribute to the delivery of a message and to the maintenance or creation of a brand. However, the Partnership and the entities included in the former AMS historically have had lower gross margins than the Company average. The four global operating groups share numerous clients, have similar cost structures, provide services in a similar fashion and draw their employee base from the same sources. The annual margins of each of the four groups may vary due to global economic conditions, client spending and specific circumstances such as the Company's restructuring activities. However, based on the respective future prospects of McCann, FCB, The Partnership and the entities included

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

in the former AMS, the Company believes that the long-term average gross margin of each of these agencies will converge over time and, given the similarity of their operations, these entities have been aggregated. SEG has different margins than the remaining groups and, given current projections, the Company believes that the margins for this operating segment will not converge with the remaining groups.

SEG revenue is not material to the Company as a whole. However, due to the recording of long-lived asset impairment charges, the operating difficulties and resulting higher costs from its Motorsports business, SEG has incurred significant operating losses. Based on the fact that the book value of long-lived assets relating to Motorsports and other substantial contractual obligations may not be fully recoverable, the Company no longer expects that margins of SEG will converge with those of the rest of the

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

Company and accordingly reports SEG as a separate reportable segment. Other than the impairment charges which are discussed below, the operating results of SEG are not material to those of the Company, and therefore are not discussed in detail below.

In accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information", the Company has two reportable segments. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Management evaluates performance based upon operating earnings before interest and income taxes.

At June 30, 2003 the assets of the reportable segments have not changed materially from those levels reported at December 31, 2002. Summary financial information concerning the Company's reportable segments for the three months ended and six months ended June 30 is shown in the following table:

	IPG (Excl. SEG) ----	SEG ---
Three Months Ended June 30, 2003		
Revenue	\$1,395.9	\$103.5
Operating income (loss)	76.1	(24.2)
Depreciation and amortization of fixed assets	40.4	3.0
Capital expenditures	\$ 33.2	\$ 9.3
Three Months Ended June 30, 2002		
Revenue	\$1,383.2	\$107.2
Operating income (loss)	216.5	(3.8)
Depreciation and amortization of fixed assets	42.6	4.0
Capital expenditures	\$ 29.2	\$ 15.4

A reconciliation of information between reportable segments and the Company's consolidated pre-tax earnings is shown in the following table:

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Three Months Ended June 30,	2003	2002
	----	----
Total operating income for reportable segments	\$ 51.9	\$212.7
Interest expense	(46.1)	(36.9)
Interest income	10.2	8.1
Other income	0.3	6.6
Investment impairment	(9.8)	(16.2)
	-----	-----
Income before provision for income taxes	\$ 6.5	\$174.3
	=====	=====

	IPG (Excl. SEG) ----	SEG ---
Six Months Ended June 30, 2003		
Revenue	\$2,626.0	\$189.1
Operating income (loss)	118.0	(45.3)
Depreciation and amortization of fixed assets	80.5	6.4
Capital expenditures	\$ 54.9	\$ 17.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

Six Months Ended June 30, 2002		
Revenue	\$2,618.6	\$190.8
Operating income	332.5	2.2
Depreciation and amortization of fixed assets	83.9	8.2
Capital expenditures	\$ 58.0	\$ 19.8

A reconciliation of information between reportable segments and the Company's consolidated pre-tax earnings is shown in the following table:

Six Months Ended June 30,	2003	2002
Total operating income for reportable segments	\$ 72.7	\$334.7
Interest expense	(84.9)	(72.2)
Interest income	18.1	15.0
Other income	0.1	6.9
Investment impairment	(12.5)	(16.2)
	-----	-----
Income (loss) before provision for income taxes	\$ (6.5)	\$268.2
	=====	=====

10. Acquisitions, Dispositions and Deferred Payments  
Acquisitions

During the first six months of 2003, the Company completed two acquisitions for \$4.0 in cash. Additionally, the Company paid \$24.3 in cash and \$3.2 in stock for additional ownership interests in companies in which a previous

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

investment had been made.

During the first six months of 2002, the Company completed seven acquisitions for \$39.8 in cash and \$1.1 in stock. Additionally, the Company paid \$2.0 in cash and \$0.8 in stock for additional ownership interests in companies in which a previous investment had been made.

### Deferred Payments

During the first six months of 2003, the Company paid \$113.9 in cash and \$37.7 in stock as deferred payments on acquisitions that had closed in prior years. During the first six months of 2002, the Company paid \$162.2 in cash and \$42.5 in stock as deferred payments on acquisitions that had closed in prior years.

Deferred payments (or "earn-outs") generally tie the aggregate price ultimately paid for an acquisition to its performance and are recorded as an increase to goodwill and other intangibles.

As of June 30, 2003, the Company's estimated liability for earn-outs is as follows:

	2003 ----	2004 ----	2005 ----	2006 and thereafter -----	Total -----
Cash	\$ 48.8	\$83.9	\$50.4	\$24.4	\$207.5
Stock	9.5	13.7	18.1	11.4	52.7
	-----	-----	-----	-----	-----
TOTAL	\$ 58.3 =====	\$97.6 =====	\$68.5 =====	\$35.8 =====	\$260.2 =====

The amounts above are estimates based on the current projections as to the amount that will be paid and are subject to revisions as the earn-out periods progress.

### Put and Call Options

In addition to the estimated liability for earn-outs, the Company has entered into agreements that require the Company to purchase additional equity interests in certain companies (put options). In many cases, the Company also has the option to purchase the additional equity interests (call options) in certain circumstances.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

The total estimated amount of potential payments under put options is \$153.6, of which \$7.7 is payable in stock. Exercise of the put options would require cash payments to be made as follows:

2003	\$35.8
2004	\$31.9
2005	\$33.0
2006 and thereafter	\$45.2

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

The actual amount to be paid is contingent upon the achievement of projected operating performance targets and the satisfaction of other conditions as specified in the relevant agreement.

The Company also has call options to acquire additional equity interests in companies in which it already has an ownership interest. The total estimated amount of potential payments under call options is \$105.8, of which \$3.6 is payable in stock. Exercise of the call options would require cash payments to be made as follows:

2003	\$15.7
2004	\$ 7.1
2005	\$15.3
2006 and thereafter	\$64.1

The actual amount to be paid is contingent upon the achievement of projected operating performance targets and the satisfaction of other conditions as specified in the relevant agreement.

### Dispositions

On July 10, 2003, the Company completed the sale of NFO to TNS. The consideration for the sale was \$415.6 in cash and approximately 11.7 million ordinary shares of TNS (which had an approximate market value of \$35.4 as of July 10, 2003). The Company has agreed, subject to specified conditions, to hold half of the TNS shares until at least December 2003 and the remainder until at least March 2004. TNS will pay the Company an additional \$10 in cash approximately one year following the closing of this divestiture contingent on the market price per TNS ordinary share continuing to exceed 146 pence (equivalent to approximately \$2.50 at current exchange rates) during a specified averaging period one year from closing. The portion of the consideration consisting of ordinary shares of TNS will be admitted for trading on the London Stock Exchange. As a result of this sale, the Company will realize a pre-tax gain of approximately \$110 (\$100 net of tax) in the third quarter.

The results of NFO are classified as discontinued operations in accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" and, accordingly, the results of operations and cash flows of NFO have been removed from the Company's results of continuing operations and cash flows for all periods presented in this document.

Included in assets held for sale are accounts receivable of \$94.9, prepaid expenses and other current assets of \$57.4, net fixed assets of \$52.0, intangible assets of \$215.2 and other assets of \$32.7. Included in liabilities held for sale are accounts payable of \$22.8, accrued expenses of \$81.8 and other liabilities of \$44.4.

Income from discontinued operations consists of the following:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

Three Months Ended June 30,	
-----	
2003	2002
----	----

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Pre-tax income from discontinued operations	\$16.0	\$17.1
Tax expense	6.5	6.7
	-----	-----
Income from discontinued operations	\$ 9.5	\$10.4
	=====	=====

Six Months Ended June 30,

	2003	2002
	-----	-----
Pre-tax income from discontinued operations	\$20.4	\$23.5
Tax expense	8.3	9.4
	-----	-----
Income from discontinued operations	\$12.1	\$14.1
	=====	=====

### 11. Debt and Certain Liquidity Matters Revolving Credit Agreements

On June 27, 2000, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of five years and for borrowings of up to \$375.0 (the "Five-Year Revolving Credit Facility"). On May 16, 2002, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of 364 days and for borrowings of up to \$500.0 (the "Old 364-Day Revolving Credit Facility"). The Company replaced the Old 364-Day Revolving Credit Facility with a new 364-day revolving credit facility, which it entered into with a syndicate of banks on May 15, 2003 (the "New 364-Day Revolving Credit Facility" and, together with the Five-Year Revolving Credit Facility, the "Revolving Credit Facilities"). The New 364-Day Revolving Credit Facility provides for borrowings of up to \$500.0, \$200.0 of which are available to the Company for the issuance of letters of credit. The New 364-Day Revolving Credit Facility expires on May 13, 2004. However, the Company has the option to extend the maturity of amounts outstanding on the termination date under the New 364-Day Revolving Credit Facility for a period of one year, if EBITDA for the four fiscal quarters most recently ended was at least \$831.0 (for purposes of this EBITDA calculation, only \$125.0 of non-recurring restructuring charges may be added back to EBITDA). The Revolving Credit Facilities are used for general corporate purposes. As of June 30, 2003, \$166.4 was utilized under the New 364-Day Revolving Credit Facility for the issuance of letters of credit and \$57.6 was utilized under the Five-Year Revolving Credit Facility.

The Revolving Credit Facilities bear interest at variable rates based on either LIBOR or a bank's base rate, at the Company's option. The interest rates on base rate loans and LIBOR loans under the Revolving Credit Facilities are affected by the facilities' utilization levels and the Company's credit ratings. In connection with the New 364-Day Revolving Credit Facility, the Company agreed to new pricing under the Revolving Credit Facilities that increased the interest spread payable on loans by 25 basis points. Based on the Company's current credit ratings, interest rates on loans under the New 364-Day Revolving Credit Facility are currently calculated by adding 1.75% to either the applicable bank base rate (in the case of base rate loans) or LIBOR (in the case of LIBOR loans), and interest rates on loans under the Five-Year Revolving Credit Facility are currently calculated by adding 1.7% to these rates.

The Company's Revolving Credit Facilities include financial covenants that set (i) maximum levels of debt as a function of EBITDA, (ii) minimum levels of EBITDA as a function of interest expense and (iii) minimum levels of EBITDA (in each case, as defined in those agreements). In connection with

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

entering into the New 364-Day Revolving Credit Facility, the definition of EBITDA in the Revolving Credit Facilities was amended to include (i) up to \$161.4 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002; (ii) up to \$200.0 of non-recurring restructuring charges (up to \$175.0 of which may be cash charges) taken in the fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; (iii) up to \$70.0 of non-cash, non-recurring charges taken with respect to the impairment of the remaining book value of the Company's Motorsports business; and (iv) all impairment charges taken with respect to capital

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

expenditures made on or after January 1, 2003 with respect to the Company's Motorsports business, and to exclude the gain realized by the Company upon the sale of NFO. The corresponding financial covenant ratio levels in the Revolving Credit Facilities were also amended. As of June 30, 2003, the Company has recorded (i) \$94.4 of restructuring charges (\$88.6 of which were cash charges) and (ii) \$22.1 of non-cash charges with respect to the impairment of the remaining book value of its Motorsports business. These charges counted toward the \$200.0 restructuring charges and \$70.0 of non-cash charges relating to Motorsports that, under the loan agreements, are allowed to be added back to the definition of EBITDA and do not adversely affect the ability of the Company to comply with its financial covenants. As explained in Note 4, it is the Company's current expectation that any charges incurred as a result of its restructuring program during periods after September 30, 2003 will be taken into account, rather than added back in the definition of EBITDA in these loan agreements, when determining whether the Company is in compliance with these financial covenants during these periods after September 30, 2003. Nonetheless, despite the incurrence of these restructuring charges after September 30, 2003 the Company expects to be in compliance with both its applicable financial and other covenants without having to obtain any waivers or amendments. As of June 30, 2003, the Company was in compliance with all of the covenants (including the financial covenants, as amended) contained in the Five-Year Revolving Credit Facility and the New 364-Day Revolving Credit Facility.

The terms of the Revolving Credit Facilities restrict the Company's ability to declare or pay dividends, repurchase shares of common stock, make cash acquisitions or investments and make capital expenditures, as well as the ability of the Company's domestic subsidiaries to incur additional debt. Certain of these limitations were modified upon the Company's issuance on March 13, 2003 of 4.5% Convertible Senior Notes due 2023 (the "4.5% Notes") in an aggregate principal amount of \$800.0, from which the Company received net cash proceeds equal to approximately \$778.0. In addition, pursuant to a tender offer that expired on April 4, 2003, the Company purchased \$700.5 in aggregate principal amount at maturity of its Zero-Coupon Convertible Senior Notes due 2021 (the "Zero-Coupon Notes"). As a result of these transactions, the Company's permitted level of annual cash acquisition spending has increased to \$100.0 and the permitted level of annual share buybacks and dividend payments has increased to \$25.0. All limitations on dividend payments and share buybacks expire when earnings before interest, taxes, depreciation and amortization are at least \$1,300.0 for four consecutive quarters. The Company's permitted level of annual capital expenditures is \$175.0.

As a result of the issuance of the 4.5% Notes in the first quarter of 2003 and the settlement of the tender offer for the Zero-Coupon Notes in the

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

second quarter of 2003, both the 4.5% Notes and the Zero-Coupon Notes were outstanding at March 31, 2003. Therefore, the Company amended the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility, as of March 13, 2003, to exclude the Zero-Coupon Notes in calculating the ratio of debt for borrowed money to consolidated EBITDA for the period ended March 31, 2003 (this exclusion is also contained in the New 364-Day Revolving Credit Facility).

### Other Committed and Uncommitted Facilities

In addition to the Revolving Credit Facilities, at June 30, 2003, the Company had \$50.8 of committed lines of credit, a majority of which was provided by overseas banks. At June 30, 2003, \$0.04 was outstanding under these lines of credit.

At June 30, 2003 the Company also had \$795.4 of uncommitted lines of credit, 70.5% of which were provided by banks that participate in the Revolving Credit Agreements. At June 30, 2003, approximately \$81.5 was outstanding under these uncommitted lines of credit. The Company's uncommitted borrowings are repayable upon demand.

### Prudential Agreements

On May 26, 1994, April 28, 1995, October 31, 1996, August 19, 1997 and January 21, 1999, the Company entered into five note purchase agreements, respectively, with The Prudential Insurance Company of America (the "Prudential Agreements"). The notes issued pursuant to the Prudential Agreements are repayable on May 2004, April 2005, October 2006, August 2007 and January 2009, respectively. The interest rates on these notes are 10.01%, 9.95%, 9.41%, 9.09% and 8.05%, respectively. As of June 30, 2003, \$142.5 was outstanding under the notes.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

The Prudential Agreements contained financial covenants that set (i) minimum levels for net worth and for cash flow as a function of borrowed funds, (ii) maximum levels of borrowed funds as a function of net worth and (iii) minimum levels of EBITDA. The most restrictive of these covenants was that of cash flow to borrowed funds. This ratio was required to exceed an amount that varied from 0.16 to 0.25 for each quarter in the applicable consecutive four-quarter period. The definitions of cash flow and consolidated net worth in the Prudential Agreements were amended as of December 31, 2002 to include up to \$500.0 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002 and the quarter ended March 31, 2003.

The Prudential Agreements contained the same restrictions on the Company's ability to declare or pay dividends, repurchase shares of common stock, make cash acquisitions or investments and make capital expenditures, as well as the ability of the Company's domestic subsidiaries to incur additional debt, as the new terms of the Revolving Credit Agreements described above.

The Company amended the Prudential Agreements, as of March 28, 2003, to exclude the Zero-Coupon Notes in calculating the ratio of total borrowed funds to cash flow for the period ended March 31, 2003. Separately, in May 2003, the ratio level for the financial covenant relating to cash flow as a function of borrowed funds was amended from 0.20 to 0.18 effective for the period ended March 31, 2003.



## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

Due to the high interest rates on the notes issued under the Prudential Agreements and the restrictive financial covenants contained in these agreements, the Company repaid the total principal amount and interest outstanding under the Prudential Agreements on August 8, 2003, including a prepayment penalty that will result in a net charge of approximately \$24.5.

### Other Debt Instruments-- Convertible Senior Notes - 4.5%

In March 2003, the Company completed the issuance and sale of \$800 aggregate principal amount of the 4.5% Notes. In April 2003, the Company used \$581.3 of the net proceeds of this offering to repurchase the Zero-Coupon Notes tendered in its concurrent tender offer and will use the remaining proceeds for the repayment of other indebtedness, general corporate purposes and working capital. The 4.5% Notes are unsecured, senior securities that may be converted into common shares if the price of the Company's common stock reaches a specified threshold, at an initial conversion rate of 80.5153 shares per one thousand dollars principal amount, equal to a conversion price of \$12.42 per share, subject to adjustment. This threshold will initially be 120% of the conversion price and will decline 1/2% each year until it reaches 110% at maturity in 2023.

The 4.5% Notes may also be converted, regardless of the price of the Company's common stock, if: (i) the credit ratings assigned to the 4.5% Notes by any two of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings are lower than Ba2, BB and BB, respectively, or the 4.5% Notes are no longer rated by at least two of these ratings services, (ii) the Company calls the 4.5% Notes for redemption, (iii) the Company makes specified distributions to shareholders or (iv) the Company becomes a party to a consolidation, merger or binding share exchange pursuant to which its common stock would be converted into cash or property (other than securities).

The Company, at the investor's option, may be required to redeem the 4.5% Notes for cash on March 15, 2008. The Company may also be required to redeem the 4.5% Notes at the investor's option on March 15, 2013 and March 15, 2018, for cash or common stock or a combination of both, at the Company's election. Additionally, investors may require the Company to redeem the 4.5% Notes in the event of certain change of control events that occur prior to May 15, 2008, for cash or common stock or a combination of both, at the Company's election. The Company at its option may redeem the 4.5% Notes on or after May 15, 2008 for cash. The redemption price in each of these instances will be 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

If at any time on or after March 13, 2003 the Company pays cash dividends on its common stock, the Company will pay contingent interest per 4.5% Note in an amount equal to 100% of the per share cash dividend paid on the common stock multiplied by the number of shares of common stock issuable upon conversion of a 4.5% Note.

### Other

On March 7, 2003, Standard & Poor's Ratings Services downgraded the Company's senior secured credit rating to BB+ with negative outlook from BBB-. On May 14, 2003, Fitch Ratings downgraded the Company's senior unsecured credit rating to BB+ with negative outlook from BBB-. The

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

remaining senior unsecured credit rating is Baa3 with stable outlook; however, as reported by Moody's Investors Services, Inc., on May 8, 2003, this rating was placed on review for possible downgrade.

Since July 2001, the Company has not repurchased its common stock in the open market.

Through December 2002, the Company had paid cash dividends quarterly with the most recent quarterly dividend paid in December 2002 at a rate of \$0.095 per share. The determination of dividend payments is made by the Company's Board of Directors on a quarterly basis. However, as previously discussed, the Company's ability to declare or pay dividends is currently restricted by new terms of its Revolving Credit Facilities, and the Company has not declared or paid a dividend in the second quarter of 2003.

The Company believes that cash flow from operations, proceeds from the sale of NFO, together with its availability under existing lines of credit and expected refinancings thereof and cash on hand, will be sufficient to fund the Company's working capital needs (including disbursements related to its ongoing restructuring program) and other obligations for the next twelve months. In the event additional funds are required, the Company believes it will have sufficient resources, including borrowing capacity and access to capital markets, to meet such requirements. Unanticipated decreases in cash flow from operations as a result of decreased demand for our services and other developments may require the Company to seek other sources of liquidity (including the disposition of certain assets) and modify its operating strategies.

### 12. Commitments and Contingencies

#### Legal Matters

#### Federal Securities Class Action

Thirteen federal securities purported class actions were filed against The Interpublic Group of Companies, Inc. (referred to hereinafter as "Interpublic" or the "Company") and certain of its present and former directors and officers by a purported class of purchasers of Interpublic stock shortly after the Company's August 13, 2002 announcement regarding the restatement of its previously reported earnings for the periods January 1, 1997 through March 31, 2002. These actions, which were all filed in the United States District Court for the Southern District of New York, were consolidated by the Court and lead counsel appointed for all plaintiffs, on November 8, 2002. A consolidated amended complaint was filed thereafter on January 10, 2003. The purported classes consists of Interpublic shareholders who purchased Interpublic stock in the period from October 1997 to October 2002. Specifically, the consolidated amended complaint alleges that Interpublic and certain of its present and former directors and officers allegedly made misleading statements to its shareholders between October 1997 and October 2002, including the alleged failure to disclose the existence of additional charges that would need to be expensed and the lack of adequate internal financial controls, which allegedly resulted in an overstatement of Interpublic's financial results during those periods. The consolidated amended complaint alleges that such false and misleading statements constitute violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The consolidated amended complaint also alleges violations of Sections 11 and 15 of the Securities Act of 1933 in connection with Interpublic's acquisition of True North Communications, Inc. ("True North") on behalf of a purported class of True North shareholders who acquired Interpublic stock. No amount of damages is specified in the consolidated amended complaint. On February 6, 2003, defendants filed a motion to dismiss the consolidated amended complaint in its entirety. On February 28, 2003, plaintiffs filed their

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

opposition to defendants' motion and, on March 14, 2003, defendants filed their reply to plaintiff's opposition to defendants' motion. On May 29, 2003, the United States District Court for the Southern District of New York denied the motion to dismiss as to the Company and granted the motion as to the present and former directors and officers named in the consolidated amended complaint. On June 30, 2003, defendants filed an answer to the consolidated amended complaint.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

#### State Securities Class Actions

Two state securities purported class actions were filed against the Company and certain of its present and former directors and officers by a purported class of purchasers of Interpublic stock shortly after the Company's November 13, 2002 announcement regarding the restatement of its previously reported earnings for the periods January 1, 1997 through March 31, 2002. The purported classes consist of Interpublic shareholders who acquired Interpublic stock on or about June 25, 2001 in connection with Interpublic's acquisition of True North. These lawsuits allege that Interpublic and certain of its present and former directors and officers allegedly made misleading statements in connection with the filing of a registration statement on May 9, 2001 in which Interpublic issued 67,644,272 shares of its common stock for the purpose of acquiring True North, including the alleged failure to disclose the existence of additional charges that would need to be expensed and the lack of adequate internal financial controls, which allegedly resulted in an overstatement of Interpublic's financial results at that time. The suits allege that such misleading statements constitute violations of Sections 11 and 15 of the Securities Act of 1933. No amount of damages is specified in the complaints. These actions were filed in the Circuit Court of Cook County, Illinois. On December 18, 2002, defendants removed these actions from Illinois state court to the United States District Court for the Northern District of Illinois. Thereafter, on January 10, 2003, defendants moved to transfer these two actions to the Southern District of New York. Plaintiffs moved to remand these actions. On April 15, 2003, the United States District Court for the Northern District of Illinois granted plaintiffs' motions to remand these actions to Illinois state court and denied defendants' motion to transfer. On June 18, 2003, the Company moved to dismiss and/or stay these actions. The motions are currently pending.

#### Derivative Actions

In addition to the lawsuits above, several shareholder derivative suits have been filed. On October 24, 2002, a shareholder derivative suit was filed in Delaware Court of Chancery, New Castle County, by a single shareholder acting on behalf of the Company against the Board of Directors. The suit alleges a breach of fiduciary duties to Interpublic's shareholders. On November 15, 2002, another suit was filed in Delaware Court of Chancery, New Castle County, by a single shareholder acting on behalf of the Company against the Board of Directors. On December 18, 2002, defendants moved to dismiss these actions. In lieu of a response, plaintiffs consolidated the actions and filed an Amended Consolidated Complaint on January 10, 2003, again alleging breach of fiduciary duties to Interpublic's shareholders. The Amended Consolidated Complaint does not state a specific amount of damages. On January 27, 2003, defendants filed motions to dismiss the Consolidated Amended Complaint, and those motions are currently pending. On June 30, 2003, after the plaintiffs informed the court that they had decided to dismiss the Delaware litigation, the court entered an order dismissing the Delaware action with prejudice to

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

plaintiffs only.

On September 4, 2002, a shareholder derivative suit was filed in New York Supreme Court, New York County, by a single shareholder acting on behalf of the Company against the Board of Directors and against the Company's auditors. This suit alleged a breach of fiduciary duties to Interpublic's shareholders. On November 26, 2002, another shareholder derivative suit, alleging the same breaches of fiduciary duties, was filed in New York Supreme Court, New York County. The plaintiffs from these two shareholder derivative suits filed an Amended Derivative Complaint on January 31, 2003. On March 18, 2003, plaintiffs filed a motion to dismiss the Amended Derivative Complaint without prejudice. On April 16, 2003, the Amended Derivative Complaint was dismissed without prejudice. On February 24, 2003, plaintiffs also filed a Shareholders' Derivative Complaint in the United States District Court for the Southern District of New York. On May 2, 2003, plaintiffs filed an Amended Derivative Complaint. This action alleges the same breach of fiduciary duties claim as the state court actions, and adds a claim for contribution and forfeiture against two of the individual defendants pursuant to Section 21D of the Exchange Act and Section 304 of the Sarbanes-Oxley Act. The complaint does not state a specific amount of damages. On August 12, 2003, defendants moved to dismiss this action.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions, Except Per Share Amounts) (Unaudited)

The Company intends to vigorously defend the actions discussed above. However, as with all litigation, these proceedings contain elements of uncertainty, and the final resolution of these actions could have a material impact on the Company's financial position, cash flows or results of operations.

#### Tax Matters

On April 21, 2003, the Company received a notice from the Internal Revenue Service ("IRS") proposing adjustments to the Company's taxable income that would result in additional taxes, including conforming adjustments to state and local returns, of \$41.5 (plus interest) for the taxable years 1994 to 1996. The Company believes that the tax positions that the IRS has challenged comply with applicable law, and it intends to defend those positions vigorously. Although the ultimate resolution of these matters will likely require the Company to pay additional taxes, any such payments will not have a material effect on the Company's financial position, cash flows or results of operations.

#### SEC Investigation

The Company was informed in January 2003 by the Securities and Exchange Commission staff that the SEC has issued a formal order of investigation related to the Company's restatements of earnings for periods dating back to 1997. The matters had previously been the subject of an informal inquiry. The Company is cooperating fully with the investigation.

#### Other

The Company is involved in other legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, the Company has no reason to believe that the outcome of such other proceedings or claims will have a material effect on the financial condition of the Company.

13. Subsequent Events  
Sale of NFO

## Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

As discussed in Note 10, on July 10, 2003, the Company completed the sale of NFO to TNS.

### Repayment of Debt

As discussed in Note 11, on August 8, 2003, the Company repaid all of its outstanding borrowings under the Prudential Agreements. This transaction required repaying \$142.5 principal amount of its outstanding debt. In connection with this transaction a prepayment penalty was incurred that will result in a net charge of approximately \$24.5.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE INTERPUBLIC GROUP OF COMPANIES, INC.  
(Registrant)

Date: December 8, 2003

BY /S/ DAVID A. BELL

-----  
DAVID A. BELL  
Chairman of the Board, President  
and Chief Executive Officer

Date: December 8, 2003

BY /S/ CHRISTOPHER J. COUGHLIN

-----  
CHRISTOPHER J. COUGHLIN  
Executive Vice President,  
Chief Operating Officer and  
Chief Financial Officer

### CERTIFICATION

I, David A. Bell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the Period Ended June 30, 2003 of The Interpublic Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation and;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date December 8, 2003

/s/ David A. Bell

-----

David A. Bell  
Chief Executive Officer

CERTIFICATION

I, Christopher J. Coughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the Period Ended June 30, 2003 of The Interpublic Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation and;

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date December 8, 2003

/s/ Christopher J. Coughlin

-----  
Christopher J. Coughlin  
Chief Financial Officer

Quarterly Certification  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The Interpublic Group of Companies, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q/A for the quarter ended June 30,

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES INC - Form 10-Q/A

2003 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 8, 2003

/s/ David A. Bell

-----  
David A. Bell  
Chief Executive Officer

Dated: December 8, 2003

/s/ Christopher J. Coughlin

-----  
Christopher J. Coughlin  
Chief Financial Officer