

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

FORM 10-Q

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  
(State or other jurisdiction of  
incorporation or organization)

13 -1024020  
(I.R.S. Employer  
Identification No.)

1271 Avenue of the Americas, New York, New York  
(Address of principal executive offices)

10020  
(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.

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

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## 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)**

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>	<u>\$1,499.4</u>	<u>\$1,490.4</u>
<b>OPERATING EXPENSES:</b>		
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	<u>11.0</u>	<u>--</u>
Total operating expenses	<u>1,447.5</u>	<u>1,277.7</u>
<b>OPERATING INCOME</b>	<u>51.9</u>	<u>212.7</u>
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(46.1)	(36.9)
Interest income	10.2	8.1
Other income	0.3	6.6

Investment impairment	<u>(9.8)</u>	<u>(16.2)</u>
Total other income (expense)	<u>(45.4)</u>	<u>(38.4)</u>
<b>Income before provision for income taxes</b>	6.5	174.3
Provision for income taxes	<u>22.4</u>	<u>67.3</u>
<b>INCOME (LOSS) OF CONSOLIDATED COMPANIES</b>	(15.9)	107.0
Income applicable to minority interests	(8.4)	(10.9)
Equity in net income of unconsolidated affiliates	<u>1.3</u>	<u>2.5</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	(23.0)	98.6
INCOME FROM DISCONTINUED OPERATIONS (NET OF TAXES)	<u>9.5</u>	<u>10.4</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (13.5)</u>	<u>\$ 109.0</u>
Earnings (loss) per share:		
Basic:		
Continuing operations	\$ (0.06)	\$ 0.26
Discontinued operations	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Total	<u>\$ (0.04)</u>	<u>\$ 0.29</u>
Diluted:		
Continuing operations	\$ (0.06)	\$ 0.26
Discontinued operations	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Total	<u>\$ (0.04)</u>	<u>\$ 0.29</u>
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)**

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>	<u>\$2,815.1</u>	<u>\$2,809.4</u>
<b>OPERATING EXPENSES:</b>		
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	<u>22.1</u>	<u>--</u>
Total operating expenses	<u>2,742.4</u>	<u>2,474.7</u>
<b>OPERATING INCOME</b>	<u>72.7</u>	<u>334.7</u>
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(84.9)	(72.2)
Interest income	18.1	15.0
Other income	0.1	6.0

Other income	0.1	0.7
Investment impairment	<u>_(12.5)</u>	<u>_(16.2)</u>
Total other income (expense)	<u>_(79.2)</u>	<u>_(66.5)</u>
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	(6.5)	268.2
Provision for income taxes	<u>16.8</u>	<u>102.6</u>
<b>INCOME (LOSS) OF CONSOLIDATED COMPANIES</b>	(23.3)	165.6
Income applicable to minority interests	(9.0)	(14.2)
Equity in net income (loss) of unconsolidated affiliates	<u>_(1.9)</u>	<u>3.3</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	(34.2)	154.7
INCOME FROM DISCONTINUED OPERATIONS (NET OF TAXES)	<u>12.1</u>	<u>14.1</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (22.1)</u>	<u>\$ 168.8</u>
Earnings (loss) per share:		
Basic:		
Continuing operations	\$ (0.09)	\$ 0.41
Discontinued operations	<u>0.03</u>	<u>0.04</u>
Total	<u>\$ (0.06)</u>	<u>\$ 0.45</u>
Diluted:		
Continuing operations	\$ (0.09)	\$ 0.41
Discontinued operations	<u>0.03</u>	<u>0.04</u>
Total	<u>\$ (0.06)</u>	<u>\$ 0.44(a)</u>
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)**

	<b>June 30,</b>	<b>December 31,</b>
	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 700.1	\$ 933.0
Accounts receivable (net of allowance for doubtful 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	<u>452.2</u>	<u>--</u>
Total current assets	<u>6,770.4</u>	<u>6,322.3</u>
<b>FIXED ASSETS, AT COST:</b>		
Land and buildings	148.0	168.0

Land and buildings	148.2	168.2
Furniture and equipment	1,063.6	1,125.1
Leasehold improvements	<u>496.8</u>	<u>487.8</u>
	1,708.6	1,781.1
Less: accumulated depreciation	<u>(968.6)</u>	<u>(955.4)</u>
Total fixed assets	<u>740.0</u>	<u>825.7</u>
<b>OTHER ASSETS:</b>		
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)	<u>3,442.9</u>	<u>3,458.7</u>
Total other assets	<u>4,586.3</u>	<u>4,645.7</u>
<b>TOTAL ASSETS</b>	<u>\$12,096.7</u>	<u>\$11,793.7</u>

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)**

	<b>June 30,</b>	<b>December 31,</b>
	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>CURRENT LIABILITIES:</b>		
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	<u>149.0</u>	<u>--</u>
Total current liabilities	<u>6,597.8</u>	<u>7,089.8</u>
<b>NON-CURRENT LIABILITIES:</b>		
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	<u>63.0</u>	<u>70.4</u>
Total non-current liabilities	<u>3,273.4</u>	<u>2,603.9</u>

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	<u>(297.5)</u>	<u>(373.6)</u>
	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	<u>(83.6)</u>	<u>(101.1)</u>
Total stockholders' equity	<u>2,225.5</u>	<u>2,100.0</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$12,096.7</u></b>	<b><u>\$11,793.7</u></b>

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)**

	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Net Income (Loss)</b>	<b><u>\$(13.5)</u></b>	<b><u>\$109.0</u></b>
<b>Foreign Currency Translation Adjustments</b>	<b><u>47.0</u></b>	<b><u>107.7</u></b>
<b>Adjustment for Minimum Pension Liability</b>		
Adjustment for minimum pension liability	(0.5)	--
<b>Unrealized Holding Gains (Losses) on Securities</b>		
Unrealized holding gains	5.3	--
Tax expense	(2.2)	--
Unrealized holding losses	--	(5.5)
Tax benefit	<u>--</u>	<u>2.3</u>
Unrealized Holding Gains (Losses) on Securities	<u>3.1</u>	<u>(3.2)</u>
<b>Comprehensive Income</b>	<b><u>\$ 36.1</u></b>	<b><u>\$213.5</u></b>

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)**

	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Net Income (Loss)</b>	<b><u>\$(22.1)</u></b>	<b><u>\$168.8</u></b>
<b>Foreign Currency Translation Adjustments</b>	<b><u>76.7</u></b>	<b><u>89.2</u></b>
<b>Adjustment for Minimum Pension Liability</b>		
Adjustment for minimum pension liability	(5.2)	--
Tax benefit	<u>2.0</u>	<u>--</u>

Adjustment for Minimum Pension Liability	<u>(3.2)</u>	<u>--</u>
<b>Unrealized Holding Gains (Losses) on Securities</b>		
Unrealized holding gains	5.3	0.9
Tax expense	(2.2)	(0.4)
Unrealized holding losses	(0.8)	(5.5)
Tax benefit	<u>0.3</u>	<u>2.3</u>
Unrealized Holding Gains (Losses) on Securities	<u>2.6</u>	<u>(2.7)</u>
<b>Comprehensive Income</b>	<u>\$54.0</u>	<u>\$255.3</u>

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

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

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS:</b>		
Net income (loss) from continuing operations	\$(34.2)	\$ 154.7
<b>Adjustments to reconcile net income (loss) to cash used in operating activities:</b>		
Depreciation and amortization of fixed assets	86.9	92.1
Amortization of intangible assets	7.3	4.4
Amortization of restricted stock awards and bond discounts	39.9	39.4
Provision for (benefit of) deferred income taxes	(24.7)	60.0
Undistributed equity earnings	1.9	(3.3)
Income applicable to minority interests	9.0	14.2
Restructuring charges - non cash	5.8	--
Long-lived asset impairment	22.1	--
Investment impairment	12.5	16.2
Other	4.6	(9.9)
<b>Change in assets and liabilities, net of acquisitions:</b>		
Accounts receivable	(72.2)	(39.9)
Expenditures billable to clients	(32.0)	(102.1)
Prepaid expenses and other current assets	(23.1)	(28.6)
Accounts payable and accrued expenses	34.9	(185.8)
Accrued income taxes	(38.5)	(45.1)
Other non-current assets and liabilities	<u>(37.0)</u>	<u>32.4</u>
Net cash used in operating activities from continuing operations	<u>(36.8)</u>	<u>(1.3)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS:</b>		
Acquisitions, net of cash acquired	(141.3)	(199.6)
Capital expenditures	(72.1)	(77.8)
Proceeds from sales of businesses	2.0	0.2
Proceeds from sales of long-term investments	21.3	39.3
Purchases of long-term investments	(11.0)	(38.5)
Maturities of short-term marketable securities	17.2	23.5
Purchases of short-term marketable securities	(27.8)	(9.3)
Other investments and miscellaneous assets	<u>(34.6)</u>	<u>(56.4)</u>
Net cash used in investing activities from continuing operations	<u>(246.3)</u>	<u>(318.6)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS:</b>		
Increase (decrease) in short-term debt	(709.1)	90.3

Payments of zero-coupon convertible senior notes	(580.0)	--
Proceeds from long-term debt	22.9	1.5
Proceeds from 4.5% convertible senior notes	778.0	--
Payments of long-term debt	(1.4)	(132.1)
Treasury stock acquired	--	(7.7)
Issuance of common stock	8.0	44.2
Distributions to minority interests	(7.4)	(72.5)
Contributions from minority interests	<u>0.5</u>	<u>--</u>
Net cash provided by (used in) financing activities from continuing operations	<u>11.5</u>	<u>(76.3)</u>
Effect of exchange rates on cash and cash equivalents	<u>52.1</u>	<u>(9.6)</u>
Net cash (used in) provided by discontinued operations	<u>(13.4)</u>	<u>7.9</u>
Decrease in cash and cash equivalents	(232.9)	(397.9)
Cash and cash equivalents at beginning of year	<u>933.0</u>	<u>935.2</u>
Cash and cash equivalents at end of period	<u>\$ 700.1</u>	<u>\$ 537.3</u>

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.

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:

	<b><u>Three Months Ended June 30,</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Basic</b>		
Income (loss) from continuing operations	\$(23.0)	\$ 98.6
Income from discontinued operations	<u>9.5</u>	<u>10.4</u>
<b>Net Income (loss)</b>	<u>\$(13.5)</u>	<u>\$109.0</u>
Weighted average number of common shares outstanding	384.3	375.7
Earnings (loss) per share from continuing operations	\$(0.06)	\$ 0.26
Earnings per share from discontinued operations	<u>0.02</u>	<u>0.03</u>
<b>Earnings (loss) per share - basic</b>	<u>\$(0.04)</u>	<u>\$ 0.29</u>
<b>Diluted (a)</b>		
Income (loss) from continuing operations - diluted	\$(23.0)	\$ 98.6



Income from discontinued operations	<u>9.5</u>	<u>10.4</u>
<b>Net Income (loss) - diluted</b>	<u><b>\$(13.5)</b></u>	<u><b>\$109.0</b></u>
Weighted average number of common shares outstanding	384.3	375.7
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	<u>--</u>	<u>6.7</u>
Weighted average number of common shares outstanding - diluted	384.3	382.4
Earnings (loss) per share from continuing operations	\$(0.06)	\$ 0.26
Earnings per share from discontinued operations	<u>0.02</u>	<u>0.03</u>
<b>Earnings (loss) per share - diluted</b>	<u><b>\$(0.04)</b></u>	<u><b>\$ 0.29</b></u>

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

	<u>Six Months Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<b>Basic</b>		
Income (loss) from continuing operations	\$(34.2)	\$154.7
Income from discontinued operations	<u>12.1</u>	<u>14.1</u>
<b>Net Income (loss)</b>	<u><b>\$(22.1)</b></u>	<u><b>\$168.8</b></u>
Weighted average number of common shares outstanding	383.1	374.3
Earnings (loss) per share from continuing operations	\$(0.09)	\$ 0.41
Earnings per share from discontinued operations	<u>0.03</u>	<u>0.04</u>
<b>Earnings (loss) per share - basic</b>	<u><b>\$(0.06)</b></u>	<u><b>\$ 0.45</b></u>
<b>Diluted (a)</b>		
Income (loss) from continuing operations - diluted	\$(34.2)	\$154.7
Income from discontinued operations	<u>12.1</u>	<u>14.1</u>
<b>Net Income (loss) - diluted</b>	<u><b>\$(22.1)</b></u>	<u><b>\$168.8</b></u>
Weighted average number of common shares outstanding	383.1	374.3
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	<u>--</u>	<u>6.8</u>
Weighted average number of common shares outstanding - diluted	383.1	381.1
Earnings (loss) per share from continuing operations	\$(0.09)	\$ 0.41
Earnings per share from discontinued operations	<u>0.03</u>	<u>0.04</u>
<b>Earnings (loss) per share - diluted</b>	<u><b>\$(0.06)</b></u>	<u><b>\$ 0.44 (b)</b></u>

- (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.

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)**

	<u>Three Months Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<b>Income (Loss) from Continuing Operations</b>		
As reported, income (loss) from continuing operations	\$(23.0)	\$98.6
Add back:		
Stock-based employee compensation expense included in reported net income, net of tax	5.5	7.4
Deduct:		
Total fair value of stock based employee compensation expense, net of tax	(16.4)	(16.9)
Pro forma income (loss) from continuing operations	<u>\$(33.9)</u>	<u>\$89.1</u>
<b>Earnings (Loss) Per Share From Continuing Operations</b>		
Basic earnings (loss) per share		
As reported	\$(0.06)	\$0.26
Pro forma	\$(0.09)	\$0.24
Diluted earnings (loss) per share		
As reported	\$(0.06)	\$0.26
Pro forma	\$(0.09)	\$0.23

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:

	<u>Three Months Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
Expected option lives	6 years	6 years
Risk free interest rate	2.79%	4.74%
Expected volatility	45.75%	36.63%
Dividend yield	--	1.37%

	<u>Six Months Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<b>Income (Loss) from Continuing Operations</b>		
As reported, income (loss) from continuing operations	\$ (34.2)	\$154.7
Add back:		
Stock-based employee compensation expense included in reported net income, net of tax	11.3	13.2
Deduct:		
Total fair value of stock based employee compensation expense, net of tax	(30.3)	(31.8)
Pro forma income (loss) from continuing operations	<u>\$(53.2)</u>	<u>\$136.1</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Earnings (Loss) Per Share From Continuing Operations**

Basic earnings (loss) per share		
As reported	\$(0.09)	\$0.41
Pro forma	\$(0.14)	\$0.36
Diluted earnings (loss) per share		
As reported	\$(0.09)	\$0.41
Pro forma	\$(0.14)	\$0.36

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:

	<u>Six Months Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
Expected option lives	6 years	6 years
Risk free interest rate	3.34%	4.96%
Expected volatility	43.65%	34.41%
Dividend yield	--	1.29%

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.

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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

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:

	<u>Liability at December 31, 2002</u>	<u>Total Restructuring Charges</u>	<u>2003 Non-cash charges</u>	<u>2003 cash Payments</u>	<u>Liability at June 30, 2003</u>
<b>TOTAL BY TYPE</b>					
Severance and termination costs	\$ 15.9	\$66.0	\$1.0	\$21.6	\$ 59.3
Lease terminations and other exit costs	<u>\$ 94.6</u>	<u>28.4</u>	<u>4.8</u>	<u>19.5</u>	<u>98.7</u>
Total	<u>\$110.5</u>	<u>\$94.4</u>	<u>\$5.8</u>	<u>\$41.1</u>	<u>\$158.0</u>

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 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.

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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 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 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.

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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:

	<b>IPG</b> <b>(Excl.</b> <b>SEG)</b>	<b>SEG</b>	<b>Consolidated</b> <b>Total</b>
<b>Three Months Ended June 30, 2003</b>			
Revenue	\$1,395.9	\$103.5	\$1,499.4
Operating income (loss)	76.1	(24.2)	51.9
Depreciation and amortization of fixed assets	40.4	3.0	43.4
Capital expenditures	\$ 33.2	\$ 9.3	\$ 42.5
<b>Three Months Ended June 30, 2002</b>			
Revenue	\$1,383.2	\$107.2	\$1,490.4
Operating income (loss)	216.5	(3.8)	212.7
Depreciation and amortization of fixed assets	42.6	4.0	46.6
Capital expenditures	\$ 29.2	\$ 15.4	\$ 44.6

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

<b>Three Months Ended June 30,</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
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)



### **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.

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

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

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:

	<b>Three Months Ended June 30,</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Pre-tax income from discontinued operations	\$16.0	\$17.1
Tax expense	<u>6.5</u>	<u>6.7</u>
Income from discontinued operations	<b><u>\$ 9.5</u></b>	<b><u>\$10.4</u></b>

	<b>Six Months Ended June 30,</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Pre-tax income from discontinued operations	\$20.4	\$23.5
Tax expense	<u>8.3</u>	<u>9.4</u>
Income from discontinued operations	<b><u>\$12.1</u></b>	<b><u>\$14.1</u></b>

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

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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 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 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

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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 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.

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.

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.

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

#### ***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.

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 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.

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### **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 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.

##### **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

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

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 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.

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**

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.

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**Item 2. RESULTS OF OPERATIONS**

When comparing performance between years, the Company discusses non-GAAP financial measures such as the impact that foreign currency rate changes, acquisitions/dispositions and organic growth have on reported results. As the Company derives significant revenue from international operations, changes in foreign currency rates between the years may have a significant impact on reported results. Reported results are also impacted by the Company's acquisition and disposition activity. Management believes that discussing the impact of currency fluctuations and acquisitions/dispositions provides a better understanding of the reported results.

The impact of foreign currency is the difference between prior year results converted to US Dollars at prior year exchange rates and prior year results converted to US Dollars at (constant currency) current year exchange rates. The impact of acquisitions and dispositions relates to the results of acquisitions and dispositions that occurred since January 1st of the prior year. Organic revenue is calculated as revenue in constant currency eliminating acquisitions and dispositions.

The Company's results of operations are dependent upon: a) maintaining and growing its revenue, b) the ability to retain and gain new clients, c) the continuous alignment of its costs to its revenue and d) retaining and attracting key personnel. Revenue is also highly dependent on overall economic and political conditions. For a further discussion of these and other factors that could affect the Company's results of operations and financial conditions, see "Cautionary Statement".

As discussed in Note 9 to the consolidated financial statements, the Company is comprised of two reportable segments: the Interpublic Sports and Entertainment Group ("SEG") and Interpublic excluding SEG. SEG was formed during the second quarter of 2002 through a carve-out from the Company's other operating groups and is primarily comprised of the operations of Octagon, the Company's sports marketing business, Motorsports, the Company's motorsports business, and Jack Morton Worldwide, the Company's event planning business.

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 in 2002. 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 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.

***Discontinued Operations***

As discussed in Note 10 to the consolidated financial statements, 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 flow for all periods presented in this document.

***Continuing Operations***

**Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002**

The Company reported a net loss of \$13.5, or \$0.04 diluted loss per share, which is comprised of a \$0.06 loss per share from continuing operations and \$0.02 earnings per share from discontinued operations for the three months ended June 30, 2003. This compares to net earnings of \$109.0, or \$0.29 diluted earnings per share, comprised of \$0.26 earnings per share from continuing operations and \$0.03 earnings per share from discontinued operation for the three months ended June 30, 2002. Net loss in the second quarter of 2003 includes a pre-tax restructuring charge of \$94.4, a pre-tax investment impairment charge of \$11.0 related to the fixed assets of the Company's Motorsports business and a pre-tax investment impairment charge of \$9.8 related to unconsolidated affiliates in Brazil, India, Canada and Japan. Net earnings in the second quarter of 2002 includes a pre-tax investment impairment charge of \$16.2 related to Octagon, the Company's sports marketing business.

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The following summarizes certain financial information for purposes of management's discussion and analysis:

	<b>Three Months Ended June 30,</b>					
	<b>2003</b>			<b>2002</b>		
	<b>IPG (Excl. SEG)</b>	<b>SEG</b>	<b>Total IPG</b>	<b>IPG (Excl. SEG)</b>	<b>SEG</b>	<b>Total IPG</b>
Revenue	\$1,395.9	\$103.5	\$1,499.4	\$1,383.2	\$107.2	\$1,490.4
Salaries and related expenses	829.7	48.7	878.4	790.4	48.8	839.2
Office and general expenses	392.6	67.0	459.6	375.1	60.8	435.9
Amortization of intangible assets	3.6	0.5	4.1	1.2	1.4	2.6
Long-lived asset impairment	--	11.0	11.0	--	--	--
Restructuring charges	<u>93.9</u>	<u>0.5</u>	<u>94.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
Operating income (loss)	<u>\$ 76.1</u>	<u>\$ (24.2)</u>	<u>\$ 51.9</u>	<u>\$ 216.5</u>	<u>\$ (3.8)</u>	<u>\$ 212.7</u>

Some of the key factors driving the financial results in the second quarter of 2003 were:

- Higher exchange rates for the second quarter of 2003, primarily the Euro and Sterling, reflected higher U.S. dollar revenue and expenses in comparison to the second quarter of 2002;
- Continued softness in demand for the Company's advertising and marketing services by current clients, particularly in public relations and other project-based businesses in international markets;
- Restructuring charges of \$94.4 were recorded in the second quarter. The Company expects that the total cost of its restructuring initiatives underway will be up to approximately \$200 over several periods;
- Higher professional fees resulting from litigation matters and the SEC investigation, and the higher costs related to the Company's Motorsports business within SEG including a long-lived asset impairment charge of \$11.0;
- Higher debt financing costs resulting from the issuance of the Company's 4.5% Notes and retiring of the Company's Zero Coupon Notes; and,
- An investment impairment charge of \$9.8 was recorded in the second quarter related to unconsolidated affiliates.

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

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.

## REVENUE

The Company is a worldwide global marketing services company, providing clients with communications expertise in three broad areas: a) advertising and media management, b) marketing communications, which includes client relationship management (direct marketing), public relations, sales promotion, event marketing, on-line marketing, corporate and brand identity and healthcare marketing and c) specialized marketing services, which includes sports and entertainment marketing, corporate meetings and events, retail marketing and other marketing and business services.

Worldwide revenue for the three months ended June 30, 2003 was \$1,499.4, an increase of \$9.0 or 0.6% from the three months ended June 30, 2002. Domestic revenue, which represented 56% of revenue in the three months ended June 30, 2003, increased \$13.7 or 1.7% from the same period in 2002. International revenue, which represented 44% of revenue in the three months ended June 30, 2003, decreased \$4.7 or 0.7% from the same period in 2002.

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International revenue would have decreased 9.6% excluding the effects of changes in foreign currency of \$65.7. The increase in worldwide revenue was primarily a result of the effects of higher exchange rates offset by continued softness in the demand for advertising and marketing services by current clients due to the weak economy primarily in international markets. The components of the total revenue change of 0.6% were: impact of foreign currency changes 4.2%, net acquisitions/divestitures (0.6%), and organic revenue decline (3.0)%. Organic changes in revenue reflect increases or decreases in net new business activity and increases or decreases in activity from existing client accounts.

## OPERATING EXPENSES

### **Salaries and Related Expenses**

The Company's expenses related to employee compensation and various employee incentive and benefit programs amount to approximately 59% of revenue for the three months ended June 30, 2003. Salaries and related expenses for the three months ended June 30, 2003 increased \$39.2 or 4.7% to \$878.4 compared to the three months ended June 30, 2002. The increase was primarily due to the effect of higher exchange rates for the second quarter of 2003, primarily the Euro and Sterling, in comparison to the second quarter of 2002 and higher severance expense resulting from headcount reductions. The components of the total change of 4.7% were: impact of foreign currency changes 3.9%, net acquisitions/divestitures (0.1)% and increases in salaries and related expenses from existing operations 0.9%.

### **Office and General Expenses**

Office and general expenses were \$459.6 in the three months ended in June 30, 2003 and \$435.9 in the three months ended June 30, 2002, an increase of \$23.7 or 5.4%. The increase in office and general expenses was primarily due to the effects of higher exchange rates, higher professional fees (including those resulting from the litigation and SEC investigation), debt financing costs and higher costs related to the Company's Motorsports business within SEG. The components of the total change of 5.4% were: impact of foreign currency changes 4.8%, net acquisitions/divestitures (1.6)% and increases in office and general expenses from existing operations 2.2%.

### **Amortization of Intangible Assets**

Amortization of intangible assets was \$4.1 in the three months ended June 30, 2003 compared with \$2.6 in the three months ended June 30, 2002. The increase was primarily due to higher identifiable intangible assets as a result of acquisitions in the past year.

### **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). The Company expects that it will generate operating cost savings of approximately \$50 in 2003 and approximately \$100 in 2004 (and each year thereafter) in connection with the second quarter charges. 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.

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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 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:

	<u>Liability at December 31, 2002</u>	<u>Total Restructuring Charges</u>	<u>2003 Non-cash charges</u>	<u>2003 cash Payments</u>	<u>Liability at June 30, 2003</u>
<b>TOTAL BY TYPE</b>					
Severance and termination costs	\$ 15.9	\$66.0	\$1.0	\$21.6	\$ 59.3
Lease terminations and other exit costs	<u>\$ 94.6</u>	<u>28.4</u>	<u>4.8</u>	<u>19.5</u>	<u>98.7</u>
Total	<u>\$110.5</u>	<u>\$94.4</u>	<u>\$5.8</u>	<u>\$41.1</u>	<u>\$158.0</u>

### ***Long-Lived Asset Impairment***

During the three months ended June 30, 2003, the Company recorded charges of \$11.0 related to the impairment of long-lived assets at its Motorsports business. This amount includes \$8.7 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.

### **OTHER INCOME (EXPENSE)**

#### ***Interest Expense***

Interest expense was \$46.1 in the second quarter of 2003 compared with \$36.9 in the second quarter of 2002. The increase was a result of the issuance of \$800 4.5% Convertible Notes on March 13, 2003. These proceeds were invested until early April, at which time the proceeds were used for the settlement of the tender offer for the Zero-Coupon Notes.

#### ***Interest Income***

Interest income was \$10.2 for the three months ended June 30, 2003 compared with \$8.1 in the same period of 2002. The increase in 2003 is primarily due to the higher cash balances resulting from the issuance of the 4.5% Notes.

#### ***Other Income (Expense)***

Other income (expense) primarily consists of investment income, gains from the sale of businesses and gains (losses) from the sale of investments, primarily marketable securities classified as available-for-sale. Other income was \$0.3 for the three months ended June 30, 2003 compared with income of \$6.6 for the three months ended June 30, 2002. Included in the second quarter of 2002 was a gain on the sale of an advertising business in the United States.

### **INVESTMENT IMPAIRMENT**

During the second quarter of 2003, the Company recorded investment impairment charges of \$9.8 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.

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### **OTHER ITEMS**

#### ***Effective Income Tax Rate***

The Company's effective income tax rate for the second quarter of 2003 was negatively impacted by the restructuring charges, long-lived asset impairment charges and non-deductible investment impairment charges relating to unconsolidated affiliates. The Company's effective income tax rate was 38.6% for the second quarter of 2002. In addition, the increased tax rate in 2003 reflects a higher proportion of earnings derived from the US, where it is taxed at higher rates, as well as losses incurred in non-US jurisdictions with tax benefits lower than the US statutory rates.

#### ***Minority Interest***

Income applicable to minority interests was \$(8.4) in the second quarter of 2003 compared to \$(10.9) in the second quarter of 2002. The reduction in the second quarter of 2003 was primarily due to lower operating results of certain operations in Europe and Asia Pacific.

#### ***Unconsolidated Affiliates***

Equity in net income of unconsolidated affiliates was an income of \$1.3 in the second quarter of 2003 compared to \$2.5 in the second quarter of 2002. The reduction is primarily due to reduced earnings of Modem Media and unconsolidated affiliates in Europe and Brazil.

### **Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002**

The Company reported a net loss of \$22.1, or \$0.06 diluted loss per share which is comprised of a \$0.09 loss per share from continuing operations and \$0.03 earnings per share from discontinued operations for the six months ended June 30, 2003. This compares to net earnings of \$168.8, or \$0.44 diluted earnings per share, which is comprised of \$0.41 earnings per share from continuing operations and \$0.04 earnings per share from discontinued operations for the six months ended June 30, 2002. Net loss in the six months ended June 30, 2003 includes a pre-tax restructuring charge of \$94.4, a pre-tax impairment charge of \$22.1 related to the fixed assets of the Company's Motorsports business and a pre-tax impairment charge of \$12.5 related to unconsolidated affiliates in Brazil, India, Canada and Japan. Net earnings in the first six months of 2002 includes a pre-tax investment impairment charge of \$16.2 related to Octagon, the Company's sports marketing business.

The following summarizes certain financial information for purposes of management's discussion and analysis:

<b>Six Months Ended June 30,</b>					
<b>2003</b>			<b>2002</b>		
<b>IPG (Excl. SEG)</b>	<b>SEG</b>	<b>Total IPG</b>	<b>IPG (Excl.) SEG</b>	<b>SEG</b>	<b>Total IPG</b>

Revenue	\$2,626.0	\$189.1	\$2,815.1	\$2,618.6	\$190.8	\$2,809.4
Salaries and related expenses	1,633.7	99.4	1,733.1	1,566.0	94.9	1,660.9
Office and general expenses	774.2	111.3	885.5	717.5	91.9	809.4
Amortization of intangible assets	6.2	1.1	7.3	2.6	1.8	4.4
Long-lived asset impairment	--	22.1	22.1	--	--	--
Restructuring charges	<u>93.9</u>	<u>0.5</u>	<u>94.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
Operating income (loss)	<u>\$ 118.0</u>	<u>\$(45.3)</u>	<u>\$ 72.7</u>	<u>\$ 332.5</u>	<u>\$ 2.2</u>	<u>\$ 334.7</u>

## REVENUE

Worldwide revenue for the six months ended June 30, 2003 was \$2,815.1, an increase of \$5.7 or 0.2% from the six months ended June 30, 2002. Domestic revenue, which represented 58% of revenue in the six months ended June 30, 2003, increased \$8.4 or 0.5% from the same period in 2002. International revenue, which represented 42% of revenue in the six months ended June 30, 2003, decreased \$2.7 or 0.2% from the same period in 2002. International revenue would have decreased 9.5% excluding the effects of changes in foreign currency. The increase in worldwide revenue was primarily a result of the effects of higher exchange rates offset by continued softness in the demand for advertising and marketing services by current clients due to the weak economy, particularly in international markets. The components of the total revenue change of 0.2% were: impact of foreign currency changes 4.2%, net

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acquisitions/divestitures (0.2)%, and organic revenue decline (3.8)%. Organic changes in revenue reflect increases or decreases in net new business activity and increases or decreases in activity from existing client accounts.

## OPERATING EXPENSES

### *Salaries And Related Expenses*

The Company's expenses related to employee compensation and various employee incentive and benefit programs amount to approximately 62% of revenue for the first six months ended June 30, 2003. Salaries and related expenses for the six months ended June 2003 increased \$72.2 or 4.3% to \$1,733.1 compared to the six months ended June 30, 2002. The increase was primarily due to the effect of higher exchange rates and higher severance costs resulting from a reduction in headcount, which was reduced to 44,500 at June 30, 2003 compared with 46,900 at December 31, 2002 and 48,400 at June 30, 2002. The components of the total change of 4.3% were: impact of foreign currency changes 4.3%, net acquisitions/divestitures (0.1) % and increases in salaries and related expenses from existing operations 0.1%.

### *Office and General Expenses*

Office and general expenses were \$885.5 in the six months ended in June 30, 2003 and \$809.4 in the six months ended June 30, 2002, an increase of \$76.1 or 9.4 %. The increase in office and general expenses was primarily due to the effects of higher exchange rates, higher professional fees resulting from the litigation and SEC investigation, debt financing costs and higher costs related to the Company's Motorsports business within SEG. The components of the total change of 9.4% were: impact of foreign currency changes 5.0%, net acquisitions/divestitures (1.0)% and increases in office and general expenses from existing operations 5.4%.

### *Amortization of Intangible Assets*

Amortization of intangible assets was \$7.3 in the six months ended June 30, 2003 compared with \$4.4 in the first six months of 2002. The increase was primarily due to higher identifiable intangible assets as a result of acquisitions in the past year.

### *Restructuring Charges*

See "Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002" for discussion of restructuring charges.

### *Long-Lived Asset Impairment*

During the six months ended June 30, 2003, the Company recorded charges of \$22.1 related to the impairment of long-lived assets at its Motorsports business. This amount includes \$12.7 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.

## OTHER INCOME (EXPENSE)

### *Interest Expense*

Interest expense was \$84.9 in the first six months of 2003 compared with \$72.2 in the first six months of 2002. The increase was a result of the issuance of \$800 4.5% Notes on March 13, 2003. These proceeds were invested until early April, at which time the proceeds were used for the settlement of the tender offer for the Zero-Coupon Notes.

### *Interest Income*

Interest income was \$18.1 for the six months of 2003 compared with \$15.0 in the same period of 2002. The increase in 2003 is primarily due to the higher cash balances resulting from the issuance of the 4.5% Notes.



**Other Income (Expense)**

Other income (expense) primarily consists of investment income, gains (losses) from the sale of businesses and gains (losses) from the sale of investments, primarily marketable securities classified as available-for-sale. Other income was \$0.1 for the first six months of 2003 compared with income of \$6.9 for the first six months of 2002. Included in the first six months of 2002 was a gain on the sale of an advertising business in the US.

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**INVESTMENT IMPAIRMENT**

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

During the six months ended June 30, 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.

**OTHER ITEMS****Effective Income Tax Rate**

The Company's effective income tax rate was negatively impacted by the restructuring charges, long-lived asset impairment charges and non-deductible investment impairment charges relating to unconsolidated affiliates. The Company's effective income tax rate was 38.3% for the first six months of 2002. In addition, the increased tax rate in 2003 reflects a higher proportion of earnings derived from the US, where it is taxed at higher rates, as well as losses incurred in non-US jurisdictions with tax benefits lower than the US statutory rates.

**Minority Interest**

Income applicable to minority interests was \$(9.0) in the first six months of 2003 compared to \$(14.2) in the first six months of 2002. The reduction in the first six months of 2003 was primarily due to lower operating results of certain operations in Europe and Asia Pacific.

**Unconsolidated Affiliates**

Equity in net income (loss) of unconsolidated affiliates was a loss of \$(1.9) in the first six months of 2003 compared to income of \$3.3 in the first six months of 2002. The reduction is primarily due to the reduced earnings of Modem Media and unconsolidated affiliates in Europe and Brazil.

**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 terms of the 4.5% Notes issued in March 2003. At June 30, 2003, the fair value of these derivatives was negligible.

**LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2003, cash and cash equivalents were \$700.1, a decrease of \$232.9 from the December 31, 2002 balance of \$933.0. The Company collects funds from clients on behalf of media outlets resulting in cash receipts and disbursements at levels substantially exceeding its revenue. Therefore, the working capital amounts reported on its balance sheet and cash flows from operating activities reflect the "pass-through" of these items.

Cash flow from operations and borrowings under existing credit facilities, and refinancings thereof, have been the primary sources of the Company's working capital, and management believes that they will continue to be so in the future.

**Operating Activities**

Net cash used by operating activities was \$36.8 and \$1.3 for the six months ended June 30, 2003 and 2002, respectively. The increase in cash used for the first six months of 2003 was primarily attributable to the lower earnings level in 2003 resulting from continued softness in client demand for advertising and marketing services.

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### **Investing Activities**

Historically the Company has pursued acquisitions to complement and enhance its service offerings. In addition, the Company has also sought to acquire businesses similar to those already owned to expand its geographic scope to better serve new and existing clients. Acquisitions have historically been funded using stock, cash or a combination of both. Currently, the Company is restricted from making acquisitions or investments by new terms of its Revolving Credit Facilities. See "Financing Activities" for further discussion.

During the first six months of 2003 and 2002, the Company paid \$141.3 and \$199.6, respectively, in cash for new acquisitions and earn out payments for previous acquisitions including payments for a number of specialized marketing and communications services companies to complement its existing agency systems and to optimally position itself in the ever-broadening communications market place. The reduction in 2003 reflects the Company's reduced level of acquisition activity.

The Company's capital expenditures in the first six months of 2003 were \$72.1 compared to \$77.8 in the first six months of 2002. The primary purposes of these expenditures were to upgrade computer and telecommunications systems and to modernize offices. Currently, the Company is restricted in making capital expenditures by new terms of its Revolving Credit Facilities. See "Financing Activities" for further discussion.

### **Financing Activities**

#### **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 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 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

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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 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.

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 varies 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.

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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.

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.

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 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.

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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.

#### ***Subsequent Events***

##### **Sale of NFO**

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 that will result in a net charge of approximately \$24.5.

#### ***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 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:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>thereafter</u>	<u>Total</u>
Cash	\$ 48.8	\$83.9	\$50.4	\$24.4	\$207.5
Stock	<u>9.5</u>	<u>13.7</u>	<u>18.1</u>	<u>11.4</u>	<u>52.7</u>
<b>TOTAL</b>	<b>\$ 58.3</b>	<b>\$97.6</b>	<b>\$68.5</b>	<b>\$35.8</b>	<b>\$260.2</b>

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.

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**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.

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

The actual amount to be paid is contingent upon the achievement of projected operating performance targets and to 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.

**OTHER MATTERS**

***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

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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 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.

***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.

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**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Company is exposed to market risk related to interest rates and foreign currencies.

***Interest Rates***

At June 30, 2003, a significant portion of the Company's debt obligations was at fixed interest rates. Accordingly, for the fixed rate debt, assuming the fixed rate debt is not refinanced, there would be no impact on interest expense or cash flow from either a 10% increase or decrease in market rates of interest. The fair market value of the debt obligations would decrease by approximately \$28.4 on an annual basis if market rates were to increase by 10% and would increase by approximately \$27.5 on an annual basis if market rates were to decrease by 10%. For that portion of the debt that is maintained at variable rates, based on amounts and rates outstanding at June 30, 2003, the change in interest expense and cash flow from a 10% change in rates would be approximately \$2.7 on an annual basis.

***Foreign Currencies***

The Company faces two risks related to foreign currency exchange: translation risk and transaction risk. Amounts invested in the Company's foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in the stockholders' equity section of the balance sheet. The Company's foreign subsidiaries generally collect revenues and pay expenses in currencies other than the U.S. dollar. Since the functional currency of the Company's foreign operations is generally the local currency, foreign currency translation of the balance sheet is reflected as a component of stockholders' equity and does not impact operating results. Revenues and expenses in foreign currencies translate into varying amounts of U.S. dollars depending upon whether the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may negatively affect the Company's consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations. Currency transaction gains or losses arising from transactions in currencies other than the functional currency are included in results of operations. The Company has generally not entered into a material amount of foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

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**Item 4. Controls and Procedures**

As disclosed in the Company's Form 10-K for the year ended December 31, 2002, senior management and the Company's Audit Committee were informed by the Company's independent auditors that they considered that there was a "material weakness" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the processing and monitoring of intra-company transactions at its McCann division. The Company has implemented manual controls to monitor this intra-company activity to ensure the integrity of the amounts included in the consolidated financial statements for the quarter ended June 30, 2003. The Company also expects to execute, in the near term, a systematic process that will effectively control the processing and settlement of intra-company transactions at its McCann division.

The Company continues to evaluate further improvements in its internal controls and its disclosure controls and procedures, including formalizing a plan to comply with Section 404 of the Sarbanes-Oxley Act of 2002. The Company ensures its independent accountants are kept informed of its plans.

The Company has carried out an evaluation under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the Company's evaluation, the chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports the Company files and submits under the Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

Other than as described above, there has been no change in the Company's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **CAUTIONARY STATEMENT**

This document contains forward-looking statements. Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, particularly regarding recent business and economic trends, the impact of litigation, dispositions, impairment charges, the integration of acquisitions and restructuring costs, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this section. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those associated with the effects of global, national and regional economic and political conditions, the Company's ability to attract new clients and retain existing clients, the financial success of the Company's clients, developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world, and the successful completion and integration of acquisitions which complement and expand the Company's business capabilities.

The Company's liquidity could be adversely affected if it is unable to access capital or to raise proceeds from asset sales. In addition, the Company could be adversely affected by developments in connection with the purported class actions and derivative suits that it is defending or the SEC investigation relating to the restatement of the Company's financial statements. The Company's financial condition and future results of operations could also be adversely affected if the Company recognizes additional impairment charges due to future events or in the event of other adverse accounting-related developments.

At any given time the Company may be engaged in a number of preliminary discussions that may result in one or more acquisitions or dispositions. These opportunities require confidentiality and from time to time give rise to bidding scenarios that require quick responses by the Company. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of the Company's securities.

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The success of recent or contemplated future acquisitions will depend on the effective integration of newly-acquired and existing businesses into the Company's current operations. Important factors for integration include realization of anticipated synergies and cost savings and the ability to retain and attract new personnel and clients.

Investors should evaluate any statements made by the Company in light of these important factors.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

#### **FEDERAL SECURITIES CLASS ACTIONS**

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 class 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 opposition to defendants' motion and, on March 14, 2003, defendants filed their reply to plaintiffs' 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, in part, 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.

#### 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 Amended Consolidated Complaint. 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 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. On July 11, 2003, plaintiffs filed a Second Amended Derivative Complaint, asserting the same claims. The complaint does not state a specific amount of damages. On August 12, 2003, defendants moved to dismiss this action.

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.

#### 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.

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 proceedings or claims will have a material adverse effect on the financial condition of the Company.

#### **Item 2. Changes in Securities and Use of Proceeds**

(a) On May 15, 2003 the Company amended certain provisions of the Five-Year Revolving Credit Facility which have been reflected in the New 364-Day Revolving Credit Facility. The terms of the Revolving Credit Facilities restrict (among other things) the Company's ability to declare or pay dividends and repurchase shares of common stock. The Company's permitted level of annual share buybacks and dividend payments is currently \$25.0 million. All limitations on dividend payments and share buybacks expire when earnings before interest, taxes, depreciation and amortization, as defined in the amended Revolving Credit Facilities, are at least \$1,300.0 million for four consecutive quarters.

The Prudential Agreements contain the same restrictions on the Company's ability to declare or pay dividends and repurchase shares of common stock, as provided in the Revolving Credit Agreements described above.

(c)



(1) On April 3, 2003, the Registrant issued 121,643 shares of its common stock, par value \$.10 per share (the "Interpublic Stock"), and paid \$2,296,466.88 in loan notes to the three former shareholders of a company which was acquired in the fourth quarter of 1999. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,006,228.62 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act of 1933, as amended (the "Securities Act").

(2) On April 7, 2003 the Registrant issued 7,635 of Interpublic Stock and paid \$147,000 in cash to one of the four former shareholders of a company as payment for 10.2 % of the shares of the company, 80% of which was acquired in the second quarter 1998 and 2% of which was acquired in the first quarter 2000. The shares of Interpublic Stock had an aggregate market value of \$ 99,914 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "off shore transaction" and solely to "non US persons" in reliance on Rule 903(b)(3) of the Regulation S under the Securities Act.

(3) On April 9, 2003, the Registrant paid \$14,346,937 in cash and issued 1,009,992 shares of Interpublic Stock to the two former shareholders of a company which was acquired in the first quarter of 2000. This payment covered both a purchase of the remaining 20% of the shares held by the two former shareholders and the final deferred payment on the 80% of the shares they previously sold to the Registrant on January 21, 2000. The Registrant acquired the remaining 20% of the shares for \$4,705,235 cash and 331,238 shares of Interpublic Stock, which had an aggregate market value of \$3,136,823 as of the date of issuance. The portion of the payment representing the final deferred payment of the purchase price, was paid \$9,641,702 in cash and 678,754 shares of Interpublic Stock, which had an aggregate market value of \$6,427,802 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the acquired company's former stockholders. The shareholders had access to all the documents filed by the Registrant with the Securities and Exchange Commission (the "SEC"), including (i) the Company's Annual Report on Form 10-K for the year ended 2002, (ii) Quarterly Reports on Form 10-Q for 2002, (iii) Reports on Form 8-K for 2002 and 2003, and iv) Proxy Statement for the 2002 Annual Meeting of Stockholders.

(4) On April 15, 2003, the Registrant issued an aggregate of \$250,000 in cash and 5,252 shares of Interpublic Stock to two shareholders of a company that the Registrant acquired in the second quarter of 2001. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$50,000 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the shareholders. The shareholders had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report on Form 10-K for the year ended December 31, 2002, (ii) Quarterly Report on Form 10-Q for the period ended September 30, 2002, (iii) Current Reports on Form 8-K for 2002 and 2003, and iv) Prox y Statement for the 2002 Annual Meeting of Stockholders.

(5) On April 16, 2003, the Registrant issued 408,000 shares of Interpublic Stock, on April 17, 2003 paid \$4,752,127.73 in cash and on June 18, 2003 paid \$758,163.48 in cash to a company the assets of which were acquired in the fourth quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$5,157,113.29 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

(6) On April 23, 2003, the Registrant paid \$770,009 in cash and issued 9,527 shares of Interpublic Stock to the four former shareholders of a company that was acquired by a subsidiary of the Registrant in the first quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had a market value of \$85,557 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the former shareholders of the company. The former shareholders had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended 2002, (ii) Reports on Form 8-K for 2003, and (iii) Proxy Statement for the 2003 Annual Meeting of Stockholders.

(7) On April 23, 2003, the Registrant paid \$368,349 in cash and issued 66,528 shares of Interpublic Stock to the former sole shareholder of a company that was acquired by a subsidiary of the Registrant in the third quarter of 1998. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,117,083 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the former sole shareholder of the company. The former sole shareholder had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended 2002, (ii) Reports on Form 8-K for 2003 and (iii) Proxy Statement for the 2003 Annual Meeting of S tockholders.

(8) On April 24, 2003 and May 8, 2003, respectively, the Registrant paid \$300,000 in cash and issued 9,560 shares of Interpublic Stock to the former owner of a company substantially all of the assets of which were acquired by the Registrant in the third quarter of 1999. The shares of Interpublic Stock had a market value of \$100,000 as of the date of issuance. This represented a deferred payment of the purchase price. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the former owner who received Interpublic Stock. The former owner had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended 2002, (ii) Reports on Form 8-K for 2003, and (iii) Proxy Statement for the 20 03 Annual Meeting of Stockholders.

(9) On and as of April 24, 2003, the Registrant paid \$86,312 in cash and issued 8,682 shares of Interpublic Stock to the former owner of a company substantially all of the assets of which were acquired by the Registrant in the first quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$86,000 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the former owner who received the Interpublic Stock. The former owner had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended 2002; (ii) Reports on Form 8-K for 2003; and (iii) Proxy Statement for the 2003 Ann ual Meeting of Stockholders.

(10) On May 2, 2003, the Registrant issued 156,937 shares of Interpublic Stock and on April 17, 2003 paid \$3,711,434.45 in cash to the eighteen former shareholders of a company which was acquired in the fourth quarter of 1999. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,485,246.52 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

(11) On May 9, 2003, the Registrant issued 11,945 shares of Interpublic Stock to the two former stockholders of a company that was acquired in the

first quarter of 1998. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of approximately \$74,000 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the acquired company's former stockholders. The former stockholders had access to all the documents filed by the Registrant with the SEC, including the Registrant's (i) Annual Report and Form 10-K for the year ended 2002, (ii) Reports on Form 8-K for 2003, and (iii) Proxy Statement for the 2003 Annual Meeting of Stockholders.

(12) On May 16, 2003, the Registrant issued an aggregate of \$4,584,087.90 in cash and 166,889 shares of Interpublic Stock to eight former shareholders of a company that the Registrant acquired in the third quarter of 2001. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,964,609.10 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the status of seven of the former shareholders as accredited investors and the sophistication of the other former shareholder. The former shareholders had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended December 31, 2002, (ii) Current Reports on Form 8-K for 2003, (iii) Quarterly Report on Form 10-Q for the period ended March 31, 2003, and (iv) Proxy Statement for the 2003 Annual Meeting of Stockholders.

(13) On May 29, 2003, the Registrant issued 185,118 shares of Interpublic Stock to one former shareholder of a company that was acquired by the Registrant in the fourth quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,948,556 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

(14) On June 5, 2003, the Registrant paid \$283,560 in cash and issued 123,807 shares of Interpublic Stock to the two former shareholders of a foreign company that was acquired by the Registrant in the second quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,060,900 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

(15) On June 16, 2003, the Registrant issued 109,320 shares of Interpublic Stock and on May 8, 2003 paid \$1,296,000 to the former shareholder of a company as a first deferred payment in respect of 65% of the company acquired in the second quarter of 2002. The Shares of Interpublic Stock had a market value of \$1,283,636 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "off shore transaction" and solely to "non US persons" in reliance on Rule 903(b)(3) of the Regulation S under the Securities Act.

(16) On June 17, 2003, the Registrant issued 118,888 shares of Interpublic Stock and on June 18, 2003 paid \$4,840,644.26 in cash to the twelve former shareholders of four related companies which were acquired in the third quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$1,414,254.09 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

(17) On June 25, 2003, the Registrant paid an aggregate of \$409,101 in cash and issued an aggregate of 14,284 shares of Interpublic Stock to four former shareholders of a company that the Registrant acquired in the first quarter of 1999. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had an aggregate market value of \$136,367 as of the date of issuance. The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based on the sophistication of the former shareholders of the acquired company. The former shareholders had access to all the documents filed by the Registrant with the SEC, including the Company's (i) Annual Report and Form 10-K for the year ended December 31, 2002, (ii) Quarterly Report on Form 10-Q for the period ended March 31, 2003, (iii) Current Reports on Form 8-K for 2003, and (iv) Proxy Statement for the 2003 Annual Meeting of Stockholders.

(18) On June 26, 2003, the Registrant issued 50,705 shares of Interpublic Stock and on June 13, 2003 paid \$1,330,000 to the former shareholder of a company as a deferred payment in respect of 100% of the company acquired in the fourth quarter of 2000. The shares of Interpublic Stock had an aggregate market value of \$672,196 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "off shore transaction" and solely to "non US persons" in reliance on Rule 903(b)(3) of the Regulation S under the Securities Act.

(19) On June 30, 2003, the Registrant issued 122,300 shares and on July 7, 2003 paid \$5,039,000 to two former shareholders of a company acquired in the fourth quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had a market value of \$1,731,000 as of the date of issuance.

The shares of Interpublic Stock were issued by the Registrant without registration in an "offshore transaction" and solely to "non-U.S. persons" in reliance on Rule 903(b)(3) of Regulation S under the Securities Act.

#### Item 4. Submission of Matters to a Vote of Securities Holders

- (a) This item is answered in respect of the Annual Meeting of Stockholders held on May 20, 2003 (the "Annual Meeting").
- (b) No response is required to Paragraph (b) because (i) proxies for the meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; (ii) there was no solicitation in opposition to Management's nominees as listed in the proxy statement; and (iii) all such nominees were elected.
- (c)

At the Annual Meeting, the following number of shares were cast with respect to each matter voted upon:

-- Proposal to approve Management's nominees for director as follows:

<u>NOMINEE</u>	<u>FOR</u>	<u>WITHHELD</u>	<u>BROKER NONVOTES</u>
David A. Bell	310,447,612	5,755,365	0
Frank J. Borelli	308,517,006	7,685,971	0
Reginald K. Brack	310,578,739	5,624,238	0
Jill M. Considine	308,463,826	7,739,151	0
John J. Dooner, Jr.	299,861,995	16,340,982	0
Richard A. Goldstein	310,513,365	5,689,612	0
H. John Greeniaus	310,583,149	5,619,828	0
Sean F. Orr	300,225,986	15,976,991	0
Michael I. Roth	310,523,942	5,679,035	0
J. Phillip Samper	308,459,272	7,743,705	0

-- Proposal to approve the amendment to the Registrant's Restated Certificate of Incorporation.

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NONVOTES</u>
287,806,899	25,437,080	2,958,998	0

-- Proposal to approve confirmation of independent accountants.

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NONVOTES</u>
304,158,674	9,894,711	2,149,592	0

-- Approval of Stockholder's Resolution on Adoption of MacBride Principles for Northern Ireland Subsidiaries.

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NONVOTES</u>
17,712,681	234,606,375	24,425,342	39,458,579

## Item 6. Exhibits and Reports on Form 8-K.

### (a) EXHIBITS

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
2	Stock Purchase Agreement by and between Taylor Nelson Sofres PLC and The Interpublic Group of Companies, Inc. ("Interpublic"), dated as of May 14, 2003 ((The "SPA"), is incorporated by reference to Exhibit 2.1 to Interpublic's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 18, 2003.*
3(ii)	By-Laws of Interpublic, amended through July 31, 2003.
10(iii)(A)(i)(a)	Executive Special Benefit Agreement, made as of April 1, 2003, by and between Interpublic and David A Bell.
10(iii)(A)(i)(b)	Memorandum dated May 1,2003, from David A. Bell, providing for Cancellation of Certain Stock Options.
10(iii)(A)(ii)(a)	Supplemental Agreement, made as of April 7, 2003, to an Employment Agreement, made as of November 18, 2002, between Interpublic and Brian J. Brooks.
10(iii)(A)(ii)(b)	Supplemental Agreement, made as of May 20, 2003, to an Employment Agreement, made as of November 18, 2002, by and between Interpublic and Brian J. Brooks.

- 10(iii)(A)(ii)(c) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Brian J. Brooks.
- 10(iii)(A)(iii)(a) Supplemental Agreement, made as of January 1, 2003 and executed as of June 23, 2003 to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and Nicholas J. Camera.
- 10(iii)(A)(iii)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and Nicholas J. Camera.
- 10(iii)(A)(iv)(a) Supplemental Agreement, made as of March 31, 2003 and executed as of April 15, 2003, to an Employment Agreement, made as of January 1, 1994, by and between Interpublic and John J. Dooner, Jr.
- 10(iii)(A)(iv)(b) Supplemental Agreement, made as of January 1, 2003 and executed as of June 17, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and John J. Dooner, Jr.
- 10(iii)(A)(iv)(c) Letter Agreement, dated May 8, 2003, between Interpublic and John J. Dooner, Jr., providing for Cancellation of Certain Stock Options.
- 10(iii)(A)(v)(a) Executive Special Benefit Agreement, made as of May 1, 2003, by and between Interpublic and Bruce S. Nelson.
- 10(iii)(A)(v)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of April 18, 2002, by and between Interpublic and Bruce S. Nelson.
- 10(iii)(A)(vi)(a) Confidential Separation Agreement and General Release, dated June 26, 2003, between Interpublic and Sean F. Orr.
- 10(iii)(A)(vi)(b) Supplemental Agreement made as of March 31, 2003 and executed as of April 11, 2003, to an Employment Agreement, made as of April 27, 1999, by and between Interpublic and Sean F. Orr.
- 10(iii)(A)(vii) Letter Agreement, dated May 28, 2003, between Interpublic and J. Brendan Ryan providing for the Cancellation of Certain Stock Options.
- 10(iii)(A)(viii)(a) Supplemental Agreement, made as of April 8, 2003, to an Employment Agreement, made as of January 28, 2002, by and between Interpublic and Philippe Krakowsky.
- 10(iii)(A)(viii)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Philippe Krakowsky.
- 10(iii)(A)(ix)(a) Executive Special Benefit Agreement, made as of November 1, 2002 and executed as of June 23, 2003, by and between Interpublic and Richard P. Sneider.
- 10(iii)(A)(ix)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Richard P. Sneider.
- 10(iii)(A)(x) Supplemental Agreement, made as of June 16, 2003 to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Susan Watson.
- 10(iii)(A)(xi) Letter Agreement, dated June 27, 2003, between Interpublic and Gunnar Wilmot providing for the Cancellation of Certain Stock Options.
- 10(iii)(A)(xii) Letter Agreement, dated May 15, 2003, between Interpublic and Barry Linsky providing for the Cancellation of Certain Stock Options.
- 31.1 Certification, dated as of August 14, 2003 and executed by David A Bell under Section 302 of the Sarbanes Oxley Act of 2002 ("S-OX").
- 31.2 Certification, dated as of August 14, 2003 and executed by Sean F. Orr, under Section 302 of S-OX.

\* The schedules to the SPA have been omitted. The Registrant agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.

**(b) REPORTS ON FORM 8-K.**

The following Reports on Form 8-K were filed or furnished during the quarter ended June 30, 2003:

- 1) Report, filed April 9, 2003. Item 5 Other Events and Regulation FD Disclosure and Item 7 Financial Statements and Exhibits. Exhibit 99.1.
- 2) Report, filed May 8, 2003. Item 5 Other Events and Regulation FD Disclosure, Item 7 Financial Statements and Exhibits and Item 12 Results of Operations and Financial Condition. Exhibit 99.1.
- 3) Report, furnished May 14, 2003. Item 7 Financial Statements and Exhibits, Item 9 Regulation FD Disclosure and Item 12 Results of Operations and Financial Condition. Exhibit 99.1. This report has merely been "furnished" to the SEC. The Registrant does not intend for the report to be deemed "filed."
- 4) Report, filed June 18, 2003. Item 5 Other Events and Regulation FD Disclosure and Item 7 Financial Statements and Exhibits. Unaudited proforma condensed consolidated statement of operations for the periods ended December 31, 2002, 2001 and 2000 and March 31, 2003 and unaudited proforma condensed consolidated balance sheet as of March 31, 2003. Exhibit 2.1.

**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: August 14, 2003

BY /S/ DAVID A. BELL  
DAVID A. BELL  
Chairman of the Board, President  
and Chief Executive Officer

Date: August 14, 2003

BY /S/ SEAN F. ORR  
SEAN F. ORR  
Executive Vice President and  
Chief Financial Officer

**INDEX TO EXHIBITS**

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3(ii) By-Laws of Interpublic, amended through July 31, 2003.

- 10(iii)(A)(i)(a) Executive Special Benefit Agreement, made as of April 1, 2003, by and between Interpublic and David A Bell.
- 10(iii)(A)(i)(b) Memorandum dated May 1, 2003, from David A. Bell, providing for Cancellation of Certain Stock Options.
- 10(iii)(A)(ii)(a) Supplemental Agreement, made as of April 7, 2003, to an Employment Agreement, made as of November 18, 2002, between Interpublic and Brian J. Brooks.
- 10(iii)(A)(ii)(b) Supplemental Agreement, made as of May 20, 2003, to an Employment Agreement, made as of November 18, 2002, by and between Interpublic and Brian J. Brooks.
- 10(iii)(A)(ii)(c) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Brian J. Brooks.
- 10(iii)(A)(iii)(a) Supplemental Agreement, made as of January 1, 2003 and executed as of June 23, 2003 to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and Nicholas J. Camera.
- 10(iii)(A)(iii)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and Nicholas J. Camera.
- 10(iii)(A)(iv)(a) Supplemental Agreement, made as of March 31, 2003 and executed as of April 15, 2003, to an Employment Agreement, made as of January 1, 1994, by and between Interpublic and John J. Dooner, Jr.
- 10(iii)(A)(iv)(b) Supplemental Agreement, made as of January 1, 2003 and executed as of June 17, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between Interpublic and John J. Dooner, Jr.
- 10(iii)(A)(iv)(c) Letter Agreement, dated May 8, 2003, between Interpublic and John J. Dooner, Jr., providing for Cancellation of Certain Stock Options.
- 10(iii)(A)(v)(a) Executive Special Benefit Agreement, made as of May 1, 2003, by and between Interpublic and Bruce S. Nelson.
- 10(iii)(A)(v)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of April 18, 2002, by and between Interpublic and Bruce S. Nelson.
- 10(iii)(A)(vi)(a) Confidential Separation Agreement and General Release, dated June 26, 2003, between Interpublic and Sean F. Orr.
- 10(iii)(A)(vi)(b) Supplemental Agreement made as of March 31, 2003 and executed as of April 11, 2003, to an Employment Agreement, made as of April 27, 1999, by and between Interpublic and Sean F. Orr.
- 10(iii)(A)(vii) Letter Agreement, dated May 28, 2003, between Interpublic and J. Brendan Ryan providing for the Cancellation of Certain Stock Options.
- 10(iii)(A)(viii)(a) Supplemental Agreement, made as of April 8, 2003, to an Employment Agreement, made as of January 28, 2002, by and between Interpublic and Philippe Krakowsky.
- 10(iii)(A)(viii)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Philippe Krakowsky.
- 10(iii)(A)(ix)(a) Executive Special Benefit Agreement, made as of November 1, 2002 and executed as of June 23, 2003, by and between Interpublic and Richard P. Sneider.
- 10(iii)(A)(ix)(b) Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Richard P. Sneider.
- 10(iii)(A)(x) Supplemental Agreement, made as of June 16, 2003 to an Executive Severance Agreement, made as of November 14, 2002, by and between Interpublic and Susan

Watson.

- 10(iii)(A)(xi) Letter Agreement, dated June 27, 2003, between Interpublic and Gunnar Wilmot providing for the Cancellation of Certain Stock Options.
- 10(iii)(A)(xii) Letter Agreement, dated May 15, 2003, between Interpublic and Barry Linsky providing for the Cancellation of Certain Stock Options.
- 31.1 Certification, dated as of August 14, 2003 and executed by David A Bell under Section 302 of the Sarbanes Oxley Act of 2002 ("S-OX").
- 31.2 Certification, dated as of August 14, 2003 and executed by Sean F. Orr, under Section 302 of S-OX.
- 32 Certification, dated as of August 14, 2003 and executed by David A Bell and Sean F. Orr, under Section 906 of S-OX.

\* The schedules to the SPA have been omitted. The Registrant agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.

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BY-LAWS

of

THE INTERPUBLIC GROUP OF COMPANIES, INC.

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Incorporated under the Laws of the  
State of Delaware

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As amended through July 31, 2003

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BY-LAWS  
OF  
THE INTERPUBLIC GROUP OF COMPANIES, INC.

ARTICLE 1

Offices

SECTION 1.01 *Registered Office.* The registered office of the Corporation is located in the City of Dover, County of Kent, State of Delaware.

SECTION 1.02 *Other Offices.* The Corporation may establish or discontinue such other offices, including its principal place of business, at such places within or without the State of Delaware as the Board of Directors may from time to time appoint or the business of the Corporation may warrant.

ARTICLE 2

Stockholders

SECTION 2.01 *Annual Meeting.* The annual meeting of stockholders shall be held on the third Tuesday of May in each year or at such other date as shall be determined by the Board of Directors. If any such day is a legal holiday, the annual meeting shall be held on the next succeeding business day. If the annual meeting is not held on the date designated therefor, the Board of Directors shall cause the meeting to be held as soon as feasible thereafter and any elections held or other business transacted at such meeting shall be valid as if held or transacted on the date designated for the annual meeting.

**SECTION 2.02** *Special Meetings.* Special meetings of the holders of any class or of all classes of the Corporation's capital stock may be called at any time by the Board of Directors, and shall be called by the Chairman of the Board or the Secretary upon the written request, stating the purposes of any such meeting, of a majority of the Board of Directors. Special meetings of the holders of all classes of the Corporation's capital stock entitled to vote thereat shall also be called by the Chairman of the Board or the Secretary upon the written request, stating the purpose or purposes of any such meeting, of the holders of a majority of the outstanding shares of all classes of capital stock entitled to vote thereat. Special meetings shall be called by means of a notice as provided for in Section 2.04 hereof.

**SECTION 2.03** *Place of Meetings.* All meetings of the stockholders shall be held at such place within or without the State of Delaware as shall be designated by the Board of Directors.

**SECTION 2.04** *Notice of Meetings.* Written notice of each meeting of the stockholders, stating the date, hour, place and purpose or purposes thereof, shall be given, personally or by mail, to each stockholder entitled to vote at the meeting not less than ten or more than sixty days before the date of meeting. If mailed, such notice shall be deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

**SECTION 2.05** *Organization.* The Chairman of the Board shall act as chairman at all meetings of stockholders at which he is present, and as such chairman shall call such meetings to order and preside thereat. If the Chairman of the Board shall be absent from any meeting of stockholders, his duties at such meeting shall be performed by the President, or, in his absence, by the senior Vice Chairman of the Board present, or, in the absence of the several Vice Chairmen of the Board, by the Chairman of the Executive Committee, or, in his absence, by the Vice Chairman of the Executive Committee. If no such officer is present, any stockholder or the proxy of any stockholder entitled to vote at the meeting may call it to order, and a chairman to preside thereat shall be elected by a majority of those present and entitled to vote.

**SECTION 2.06** *Record Date.* In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed:

(1) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(2) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

**SECTION 2.07** *List of Stockholders Entitled to Vote.* The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be opened to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

**SECTION 2.08** *Quorum.* Except as otherwise provided by law or by the Certificate of Incorporation, at any meeting of stockholders the presence, in person or by proxy, of the holders of a majority of the shares of stock of the Corporation entitled to vote at the meeting shall constitute a quorum for, and the votes of the holders of a majority of the shares so present shall be required for, the transaction of business. If a quorum is not present at any meeting of the stockholders, the holders of a majority of the shares of stock present in person or by proxy and entitled to vote may adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum is present. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.< BR>

**SECTION 2.09** *Adjourned Meeting.* Any meeting of stockholders, including a meeting at which a quorum is not present, may be adjourned to another time or place by the votes of the holders of a majority of the shares of stock of the Corporation present in person or by proxy and entitled to vote. Notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken, except that if the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**SECTION 2.10** *Order of Business.* The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

SECTION 2.11 *Vote of Stockholders.* Except as otherwise provided by the Certificate of Incorporation, every stockholder of record, as determined pursuant to Section 2.06 hereof, shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of stock held by such stockholder on the record date. All elections of directors shall be by written ballot, but no vote on any other question upon which a vote of the stockholders may be taken need be by ballot unless the chairman of the meeting shall so decide or the holders of a majority of the shares of stock present in person or by proxy and entitled to participate in such vote shall so demand. In a vote by ballot each ballot shall state the number of shares voted and the name of the stockholder or proxy voting. Except as otherwise provided by law, by the Certificate of Incorporation or by Section 3.14 hereof, all elections of directors shall be decided by the vote of the holders of a plurality of the shares of stock present in person or by proxy at the meeting and entitled to vote, and all other questions shall be decided by the vote of the holders of a majority of the shares of stock present in person or by proxy at the meeting and entitled to vote on the question.

SECTION 2.12 *Proxies.* Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date unless the proxy provides for a longer period. A proxy acting for any stockholder shall be duly appointed by an instrument in writing subscribed by such stockholder.

## ARTICLE 3

### Board of Directors

SECTION 3.01 *Number.* The number of directors which shall constitute the whole Board shall be fixed from time to time by the stockholders or the Board of Directors. Such number shall be not less than three. Directors need not be stockholders.

SECTION 3.02 *Election and Term of Office.* Except as otherwise provided by law or by this Article 3 or by the Certificate of Incorporation, directors shall be elected at the annual meeting of stockholders and shall hold office until the next annual meeting of stockholders and until their successors are elected and qualify, or until they sooner die, resign or are removed as hereinafter provided.

SECTION 3.03 *General Powers.* The business, properties and affairs of the Corporation shall be managed by the Board of Directors.

SECTION 3.04 *Place of Meetings.* Meetings of the Board of Directors may be held at any place, within or without the State of Delaware.

SECTION 3.05 *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such time as may be determined by resolution of the Board of Directors, and no notice shall be required for any regular meeting except as otherwise provided by Section 3.07 hereof.

SECTION 3.06 *Special Meetings.* Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the President, any of the several Vice Chairmen of the Board, the Chairman of the Executive Committee or the Vice Chairman of the Executive Committee, and shall be called by the Chairman of the Board or the Secretary upon the request in writing of a majority of the directors stating the purpose or purposes of such meeting. Notices of special meetings shall be mailed to each director at his residence or usual place of business, or shall be sent to him at either of such places by telegraph or messenger or be communicated to him personally or by telephone, at least four days before the day on which the meeting is to be held. Notice of any meeting of the Board of Directors need not be given to any director if he shall be present at the meeting, unless his presence is solely for the purpose of asserting an objection that the calling or holding of such meeting is invalid by reason of some provision of law, the Certificate of Incorporation or these By-Laws. Any and all business transacted at any meeting of the Board of Directors, except business specified in the first sentence of Section 3.07 hereof, shall be fully effective without any notice of such meeting having been given, if all the members shall be present and participating therein.

SECTION 3.07 *Business that may be Transacted.* No action may be taken at any regular or special meeting of the Board of Directors to amend or repeal any provision of these By-Laws, or to change the number of directors which shall constitute the whole Board, unless notice of the proposed amendment, discontinuance, repeal or change is set forth in the notice of such meeting, whether or not notice of such meeting is otherwise required. Except as otherwise provided by law or by the Certificate of Incorporation, any and all other business may be transacted at any regular or special meeting of the Board of Directors, whether or not enumerated in the notice of the meeting when notice is required.

SECTION 3.08 *Organization.* The Chairman of the Board shall preside at all meetings of the Board of Directors at which he is present. If the Chairman of the Board shall be absent from any meeting of the Board of Directors, his duties at such meeting shall be performed by the President, or, in his absence, by the senior Vice Chairman of the Board present, or, in the absence of the several Vice Chairmen of the Board, by the Chairman of the Executive Committee, or, in his absence, by the Vice Chairman of the Executive Committee. If no such officer is present at such meeting, one of the directors present shall be chosen by the members of the Board of Directors present to preside at such meeting.

SECTION 3.09 *Quorum and Adjournment.* At any meeting of the Board of Directors the presence of a majority of the

whole Board, but not less than two directors, shall constitute a quorum for the transaction of business. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, the vote of the majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time until a quorum is present. The Secretary shall give notice of each such adjournment to the absent directors.

SECTION 3.10 *Voting.* On any question on which the Board of Directors shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting when any member of the Board so requests.

SECTION 3.11 *Compensation.* Directors and members of committees shall not receive any salary for their services as such, but may be reimbursed for expenses incurred in attending meetings of the Board or such committees, and may be paid a fixed sum for attendance at such meetings, as the Board of Directors may from time to time determine by resolution. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 3.12 *Action Without a Meeting.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or such committee, as the case may be, consent thereto in writing and such writing or writings are filed with the minutes of proceedings of the Board or the committee.

SECTION 3.13 *Resignations.* Any director may resign at any time upon written notice to the Board of Directors or to the Chairman of the Board or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no such time is specified, upon the receipt thereof by the addressee. The acceptance of any such resignation shall not be necessary to make it effective.

SECTION 3.14 *Removal of Directors.* Any director may be removed at any time, either for or without cause, by action of the holders of record of a majority of the outstanding shares of voting capital stock of the Corporation. For proper cause, a director may also be removed at any time by the affirmative vote of at least two-thirds of the whole Board of Directors.

SECTION 3.15 *Filling of Vacancies.* Vacancies created by death, resignation, removal or disqualification and newly created directorships resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of the directors remaining in office, although less than a quorum, or by a sole remaining director, or by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote and present and voting at any meeting of the stockholders at which a quorum is present. Each director so chosen shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal. If one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

## ARTICLE 4

### Committees

SECTION 4.01 *Appointment and Powers.* The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in such resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no committee shall have or may exercise any power which, by law or by any provision of the Certificate of Incorporation or these By-Laws, can be exercised only by the affirmative vote of a majority of the whole board. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

SECTION 4.02 *Procedural Rules.* The Board of Directors may, by resolution passed by a majority of the whole Board, specify rules for the conduct of any committee's proceedings. In the absence or in amplification of any such rules thus specified by the Board, each committee may adopt its own procedural rules.

SECTION 4.03 *Minutes.* Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

SECTION 4.04 *Removal.* Any director may be removed from any committee, either for or without cause, by the affirmative vote of a majority of the whole Board of Directors.

SECTION 4.05 *Vacancies.* Any vacancy among the appointed members of any committee may be filled by the affirmative vote of a majority of the whole Board of Directors.

## ARTICLE 5

### Officers

SECTION 5.01 *Designation.* The corporate officers of the Corporation, to be elected by the Board of Directors, shall be a Chairman of the Board, a President, one or more Vice Chairmen of the Board, a Chairman of the Executive Committee, a Vice Chairman of the Executive Committee, one or more Vice Presidents (any of whom may be designated a Group Vice President, Executive Vice President or Senior Vice President), a Secretary, a Treasurer and a Controller. The Board of Directors from time to time may also appoint one or more Vice Presidents (any of whom may be designated a Staff Vice President), Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents as are desired. Such appointed officers shall not themselves perform any corporate management functions and shall not, in such capacities, be deemed corporate officers. The Chairman of the Board, the President, the several Vice Chairmen of the Board, the Chairman of the Executive Committee and the Vice Chairman of the Executive Committee shall be selected from among the Directors. Any officer may hold two or more offices, the duties of which can be consistently performed by the same person.

SECTION 5.02 *Terms of Office; Vacancies.* So far as is practicable, all elected officers shall be elected at the organization meeting of the Board of Directors in each year. All officers shall hold office at the pleasure of the Board of Directors. If a vacancy shall occur in any office, the Board of Directors may elect a successor to fill such vacancy for the remainder of the term.

SECTION 5.03 *Resignations.* Any officer may resign at any time upon written notice to the Board of Directors or to the Chairman of the Board or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no such time is specified, upon the receipt thereof by the addressee. The acceptance of any resignation shall not be necessary to make it effective.

SECTION 5.04 *Chairman of the Board.* The Chairman of the Board shall be the chief executive officer of the Corporation, subject always to the control of the Board of Directors. He shall see that all orders and resolutions of the Board and its committees are carried into effect. He shall preside at all meetings of the stockholders and directors at which he is present, and shall have such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 5.05 *President.* The President shall preside at all meetings of the stockholders and directors in the absence of the Chairman of the Board, and shall have such other duties as from time to time may be assigned to him by the Board of Directors or the Chairman of the Board. In the absence or disability of the Chairman of the Board, the powers and duties of that office shall be exercised and performed by the President, or, in his absence, by such other elected officer or officers as the Board of Directors may designate.

SECTION 5.06 *Vice Chairmen of the Board.* The Vice Chairmen of the Board in the order of their seniority shall preside at all meetings of the stockholders and directors in the absence of the Chairman of the Board and the President. They shall have such other powers and perform such other duties as may from time to time be assigned to them by the Board of Directors or the Chairman of the Board.

SECTION 5.07 *Chairman of the Executive Committee.* The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee. He shall also preside at all meetings of the stockholders and directors in the absence of the Chairman of the Board, the President and the several Vice Chairmen of the Board. He shall have such other duties as are assigned to him by the Board of Directors or the Chairman of the Board.

SECTION 5.08 *Vice Chairman of the Executive Committee.* The Vice Chairman of the Executive Committee shall preside at all meetings of the Executive Committee in the absence of the Chairman of the Executive Committee. He shall also preside at all meetings of the stockholders and directors in the absence of the Chairman of the Board, the President, the several Vice Chairmen of the Board and the Chairman of the Executive Committee. He shall have such other duties as are assigned to him by the Board of Directors or the Chairman of the Board.

SECTION 5.09 *Vice Presidents.* The Vice Presidents shall have such powers and perform such duties as may from time to time be assigned to them by the Board of Directors, the Chairman of the Board or the President.

SECTION 5.10 *The Secretary.* The Secretary shall attend to the giving of notice of all meetings of stockholders and of the Board of Directors and committees thereof. He shall act as secretary at all meetings of stockholders, directors and the Executive Committee, and keep minutes of all proceedings at such meetings, as well as of the proceedings at all meetings of such other committees of the Board of Directors as shall designate him to so serve. He shall have charge of the corporate seal and shall have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for the stock ledger and all other books, documents, papers and records of the Corporation, except those for which some other officer or agent is properly accountable, and shall perform such other duties as generally pertain to the office of secretary of a corporation. The Assistant Secretaries in the order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of that office, and shall perform such other duties as the Board of Directors may prescribe.

SECTION 5.11 *The Treasurer.* The Treasurer shall have the care and custody of all the moneys, funds and securities of

the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys, and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board and the Board of Directors, at regular meetings of the Board of Directors, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. He shall give the Corporation a bond if required by the Board of Directors, in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors, for the faithful performance of the duties of his office, and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of that office, and shall perform such other duties as the Board of Directors may prescribe.

SECTION 5.12 *Additional Powers and Duties.* In addition to the duties and powers expressly enumerated herein, the several officers of the Corporation shall perform such other duties and exercise such further powers as the Board of Directors may from time to time determine, or as may be assigned to them by any superior officer.

SECTION 5.13 *Compensation.* The compensation of all officers of the Corporation who are also directors of the Corporation shall be fixed, from time to time, by or with the approval of the Board of Directors. The compensation of all other officers, employees and agents of the Corporation shall be fixed by the Board of Directors, the Chairman of the Board, or by such other person or persons as shall be designated by the Board of Directors or the Chairman of the Board.

## ARTICLE 6

### Indemnification

SECTION 6.01 *Actions other than those by or in the right of the Corporation.* The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 6.02 *Actions by or in the right of the Corporation.* The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. The foregoing sentence to the contrary notwithstanding, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 6.03 *Indemnification against Expenses.* To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.01 or 6.02 hereof, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 6.04 *Authorization.* Any indemnification under Section 6.01 or Section 6.02 hereof (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 6.01 and 6.02, and that he has reasonably cooperated with the Corporation in the conduct of such action, suit or proceeding. Such determination shall be made (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders.

SECTION 6.05 *Payment of Expenses in Advance of Final Disposition.* Expenses (including attorneys' fees) incurred by

a present or former director, officer, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, if the following conditions are met: (a) receipt of an undertaking by or on behalf of such present or former director, officer, employee or agent to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article 6 and (b) (1) in the case of a person who is a director or officer at the time of such authorization, such advancement of expenses (including attorneys' fees) is authorized (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders; or (2) in the case of a person who is a former director or officer or a present or former employee or agent, such expenses (including attorneys' fees) are so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

SECTION 6.06 *Non-Exclusivity.* The indemnification provided by this Article 6 shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 6.07 *Application.* The provisions of this Article 6 shall not be construed to authorize indemnification in any case or for any liability or expense where such indemnification would not be lawful. They shall be applicable to claims, actions, suits and proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after the date of such adoption. If a person meets the requirements of this Article 6 with respect to some matters in a claim, action, suit or proceeding but not with respect to others, he shall be entitled to indemnification as to the former.

## ARTICLE 7

### Stock Certificates

SECTION 7.01 *Issuance of Certificates.* Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, certifying the number of shares owned by him in the Corporation. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or (2) by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be sued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 7.02 *Form of Certificates.* The certificates representing each class of the capital stock of the Corporation shall be in such form as shall be approved by the Board of Directors. They shall bear on their face appropriate legends conspicuously calling attention to the designations, preferences and rights, and the qualifications, limitations or restrictions thereof, of the class of stock in question, and to the restrictions on transfer and registration set forth in the Certificate of Incorporation. If a full statement of such designations, preferences, rights, qualifications, limitations and restrictions is not printed on the face or back of each certificate, the Corporation shall (and each certificate shall state that the Corporation will) furnish a copy of such full statement to any stockholder upon request and without charge. The acceptance of any stock certificate shall constitute assent to all applicable provisions of the Certificate of Incorporation and of these By-Laws whether or not the stockholder thus accepting the certificate shall have requested a copy of the full statement referred to in the preceding sentence.

SECTION 7.03 *Lost, Stolen or Destroyed Certificates.* The Board of Directors, or any officer or officers thereunto duly authorized by the Board of Directors, may authorize the issuance of a new certificate of stock in the place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of such loss, theft or destruction by the owner thereof or his legal representative. The Board of Directors or the officer or officers thereunto duly authorized by the board may, in its, his or their discretion and as a condition precedent to the issuance of such new certificate, require such owner or legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

## ARTICLE 8

### Transfers of Stock

SECTION 8.01 *Registration of Transfers.* Except as otherwise provided (and subject to the limitations of ownership set forth) in the Certificate of Incorporation, shares of the capital stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney, upon surrender to the Corporation or its transfer agent of the duly endorsed certificate or certificates for such shares together with (a) stamps evidencing payment of any applicable stock transfer tax or a cash payment sufficient to reimburse the Corporation for payment of such tax, and (b) such guaranty or proof



of the authenticity of the endorsement as the Corporation or its transfer agent may reasonably require.

SECTION 8.02 *Transfer Agents and Registrars.* The Board of Directors may, in its discretion, appoint banks or trust companies in such city or cities as the Board may deem advisable, from time to time, to act as transfer agents and registrars of any class or classes of the capital stock of the Corporation. Upon such appointments being made, no stock certificate shall be valid until countersigned by one of such transfer agents and registered by one of such registrars.

## ARTICLE 9

### Delegation of Authority

SECTION 9.01 *Officers' Duties.* In the event of the absence or disability of any officer of the Corporation for which a substitution is not prescribed in these By-Laws, or for any other reason it may deem sufficient, the Board of Directors may by the affirmative vote of a majority of the whole Board delegate all or any of the powers and duties of such officer for the time being to any other officer or to any director.

SECTION 9.02 *Negotiable Instruments.* All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officers or agents and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors, or as may be prescribed by any officer or officers thereunto duly authorized by the Board of Directors.

SECTION 9.03 *Voting Upon Stocks.* Unless otherwise ordered by the Board of Directors, the Chairman of the Board shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meetings of stockholders of any corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such stock, and which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors, by resolution, from time to time, may confer like powers upon any other person or persons.

SECTION 9.04 *Attorneys.* The Board of Directors may, from time to time, appoint one or more attorneys-in-fact to act for and in representation of the Corporation, either generally or specially, judicially or extra-judicially, and may delegate to any such attorney or attorneys-in-fact all or any powers which, in the judgment of the board, may be necessary, advisable, convenient or suitable for exercise in any country or jurisdiction in the administration or management of the business of the Corporation, or the defense or enforcement of its rights, even though such powers be herein provided or directed to be exercised by a designated officer of the Corporation, or by the Board of Directors. The act of the Board of Directors in conferring any such powers upon, or delegating the same to, any attorney-in-fact shall be conclusive evidence in favor of any third person of the right of the Board of Directors so to confer or delegate such powers; and the exercise by any attorney-in-fact of any powers so conferred or delegated shall in all respects be binding upon the Corporation.

## ARTICLE 10

### Miscellaneous

SECTION 10.01 *Seal.* The Board of Directors shall provide a suitable seal, containing the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware," which seal shall be in the custody of the Secretary. If and when so directed by the Board of Directors a duplicate of the seal may be kept and be used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

SECTION 10.02 *Fiscal Year.* The fiscal year of the Corporation shall be the calendar year.

SECTION 10.03 *Inspection of Books.* The Board of Directors shall determine from time to time whether, when and under what conditions and regulations the accounts and books of the Corporation (except such as may by statute be specifically open to inspection) or any of them shall be open to the inspection of the stockholders, and the stockholders' rights in this respect are and shall be restricted and limited accordingly.

SECTION 10.04 *Registered Stockholders.* The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the law of Delaware.

SECTION 10.05 *Waiver of Notice.* Whenever notice is required to be given under any provision of the General Corporation Law of Delaware, the Certificate of Incorporation or these By-Laws, a written waiver thereof signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except as otherwise provided by law. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders or the Board of

Directors, except business specified in the first sentence of Section 3.07 or in Section 10.06 of these By-Laws, need be specified in any written waiver of notice.

SECTION 10.06 *Amendment.* Any provision of these By-Laws may be altered or repealed at any regular or special meeting of the stockholders or the Board of Directors if notice of the proposed alteration or repeal is set forth in the notice of such meeting, whether or not notice of such meeting is otherwise required.

**EXECUTIVE SPECIAL BENEFIT AGREEMENT**

**AGREEMENT** made as of April 1, 2003, by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as "**Interpublic**") and **DAVID BELL** (hereinafter referred to as "**Executive**").

**W I T N E S S E T H:**

**WHEREAS**, Executive is in the employ of Interpublic and/or one or more of its subsidiaries (Interpublic and its subsidiaries being hereinafter referred to collectively as the "**Corporation**"); and

**WHEREAS**, Interpublic and Executive desire to enter into an Executive Special Benefit Agreement which shall be supplementary to any employment agreement or arrangement which Executive now or hereinafter may have with respect to Executive's employment by Interpublic or any of its subsidiaries;

**NOW, THEREFORE**, in consideration of the mutual promises herein set forth, the parties hereto, intending to be legally bound, agree as follows:

**ARTICLE I**

**Death and Special Retirement Benefits**

1.01 For purposes of this Agreement the "Accrual Term" shall mean the period of ninety-six (96) months beginning on the date of this Agreement and ending on the day preceding the eighth anniversary hereof or on such earlier date on which Executive shall cease to be in the employ of the Corporation.

1.02 The Corporation shall provide Executive with the following benefits contingent upon Executive's compliance with all the terms and conditions of this Agreement. Effective at the end of the Accrual Term, Executive's annual compensation will be increased by One Hundred Fifty Thousand Dollars (\$150,000) if Executive is in the employ of the Corporation at that time.

1.03 If, during the Accrual Term or thereafter during a period of employment by the Corporation which is continuous from the date of this Agreement, Executive shall die while in the employ of the Corporation, the Corporation shall pay to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 (or in the absence of such designation, shall pay to the Executor of the Will or the Administrator of the Estate of Executive) survivor income payments of Two Hundred Thirty Two Thousand Five Hundred Dollars (\$232,500) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's death, and in equal monthly installment thereafter.

1.04 If, after a continuous period of employment from the date of this Agreement, Executive shall retire from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixty-ninth birthday, the Corporation shall pay to Executive special retirement benefits at the rate of Two Hundred Thirty Two Thousand Five Hundred Dollars (\$232,500) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's last day of employment, and in equal monthly installments thereafter.

1.05 If, after a continuous period of employment from the date of this Agreement, Executive shall retire, resign, or be terminated from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixty eighth birthday but prior to Executive's sixty-ninth birthday, the Corporation shall pay to Executive special retirement benefits at the annual rates set forth below for fifteen years beginning with the calendar month following Executive's last day of employment, such payments to be made in equal monthly installments:

<u>Last Day of Employment</u>	<u>Annual Rate</u>
On or after 68th birthday but prior to 69th birthday	\$204,600

1.06 If, following such termination of employment, Executive shall die before payment of all of the installments provided for in Section 1.04 or Section 1.05, any remaining installments shall be paid to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 or, in the absence of such designation, to the Executor of the Will or the Administrator of the Estate of Executive.

1.07 For purposes of Sections 1.03, 1.04 and 1.05, or any of them, Executive may at any time designate a beneficiary or beneficiaries by filing with the chief personnel officer of Interpublic a Beneficiary Designation Form provided by such officer. Executive may at any time, by filing a new Beneficiary Designation Form, revoke or change any prior designation of beneficiary.

1.08 If Executive shall die while in the employ of the Corporation, no sum shall be payable pursuant to Sections 1.04, 1.05, 1.06 or 2.01.

**ARTICLE II**

**Alternative Deferred Compensation**

2.01 If Executive shall, for any reason other than death, cease to be employed by the Corporation on a date prior to Executive's sixty-eighth birthday, the Corporation shall, in lieu of any payment pursuant to Article I of this Agreement, compensate Executive by payment, in a lump sum, of an amount equal to One Hundred Fifty Thousand Dollars (\$150,000) per annum for each full year and proportionate amount for any part year during which Executive has

been employed by the Corporation calculated from the date of this Agreement to the date of such termination. Such payment shall be conditional upon Executive's compliance with all the terms and conditions of this Agreement.

2.02 It is understood that none of the payments made in accordance with this Agreement shall be considered for purposes of determining benefits under the Interpublic Pension Plan, nor shall such sums be entitled to credits equivalent to interest under the Plan for Credits Equivalent to Interest on Balances of Deferred Compensation Owing under Employment Agreements adopted effective as of January 1, 1974 by Interpublic.

### **ARTICLE III**

#### **Non-solicitation of Clients or Employees**

3.01 Following the termination of Executive's employment hereunder for any reason, Executive shall not for a period of twelve (12) months either (a) solicit any employee of the Corporation to leave such employ to enter the employ of Executive or of any corporation or enterprise with which Executive is then associated or (b) solicit or handle on Executive's own behalf or on behalf of any other person, firm or corporation, the advertising, public relations, sales promotion or market research business of any advertiser which is a client of the Corporation at the time of such termination.

### **ARTICLE IV**

#### **Assignment**

4.01 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Interpublic. Neither this Agreement nor any rights hereunder shall be subject in any matter to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge by Executive, and any such attempted action by Executive shall be void. This Agreement may not be changed orally, nor may this Agreement be amended to increase the amount of any benefits that are payable pursuant to this Agreement or to accelerate the payment of any such benefits.

### **ARTICLE V**

#### **Contractual Nature of Obligation**

5.01 The liabilities of the Corporation to Executive pursuant to this Agreement shall be those of a debtor pursuant to such contractual obligations as are created by the Agreement. Executive's rights with respect to any benefit to which Executive has become entitled under this Agreement, but which Executive has not yet received, shall be solely the rights of a general unsecured creditor of the Corporation.

### **ARTICLE VI**

#### **Applicable Law**

6.01 This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian J. Brooks  
Brian J. Brooks

/s/ David Bell  
David Bell

**Exhibit 10(iii)(A)(i)(b)**

MEMORANDUM

May 1, 2003

TO: BRIAN BROOKS

FROM: DAVID BELL

Dear Brian,

Per your e-mail regarding Return of Options by Senior Executives, I would like to return 2 of my options as follows:

3/01/2000 - 79,800 Shares - @ \$32.4600 and  
2/27/2001 - 131,100 Shares - @ \$33.6000  
210,900 Shares

As to the wording for reuse of these shares, I would like these shares directed at IPG middle management people, whom I believe will be a significant part of the IPG turnaround.

All my best,

/s/ David Bell  
David Bell

DB/jrs

Att.

**Exhibit 10(iii)(A)(ii)(a)**

**SUPPLEMENTAL AGREEMENT**

**SUPPLEMENTAL AGREEMENT** made as of April 7, 2003 between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a Delaware corporation ("**Interpublic**") and **BRIAN BROOKS** ("**Executive**").

**WITNESSETH:**

**WHEREAS**, Interpublic and Executive are parties to an Employment Agreement made as of November 18, 2002 (hereinafter referred to as the "**Agreement**"); and

**WHEREAS**, Interpublic and Executive desire to amend the Agreement;

**NOW, THEREFORE**, in consideration of the mutual promises herein and in the Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Paragraph 6.04 of the Agreement is amended, effective as of November 18, 2002, by adding: "In addition, Executive will be eligible to use a parking space at Central Parking at West 51st Street."

2. A new Paragraph 6.05 shall be added to the Agreement, effective as of November 18, 2002, to read as follows:

"Executive will be elected a member of Interpublic's Development Council."

3. A new Paragraph 6.06 shall be added to the Agreement, effective as of November 18, 2002, to read as follows:

"Interpublic will provide Executive with a cellular phone, personal (home) computer and related communications equipment, if required."

4. A new Paragraph 6.07 shall be added to the Agreement, effective as of November 18, 2002, to read as follows:

"Executive will be reimbursed for any expenses incurred in joining or maintaining a mid-town dining and health club."

5. A new Paragraph 6.08 shall be added to the Agreement, effective as of November 18, 2002, to read as follows:

"Executive will be entitled to first class air travel while travelling on Interpublic business."

Except as hereinabove amended, the Agreement shall continue in full force and effect.

This Supplemental Agreement shall be governed by the laws of the State of New York, applicable to contracts made and fully to be performed therein.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Nicholas J. Camera

Name: Nicholas J. Camera  
Title: Senior Vice President  
General Counsel and Secretary

/s/ Brian Brooks  
Brian Brooks

Exhibit 10(iii)(A)(ii)(b)

**SUPPLEMENTAL AGREEMENT**

**SUPPLEMENTAL AGREEMENT** made as of May 20, 2003, by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as "**Interpublic**"), and **BRIAN BROOKS** (hereinafter referred to as "**Executive**").

**WITNESSETH;**

**WHEREAS**, Interpublic and Executive are parties to an Employment Agreement made as of November 18, 2002 as amended by a Supplemental Agreement made as of April 7, 2003 (hereinafter referred collectively as the "Employment Agreement"); and

**WHEREAS**, Interpublic and Executive desire to amend the Agreement;

**NOW, THEREFORE**, in consideration of the mutual promises herein and in the Employment Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.01 of the Employment Agreement is hereby amended, by deleting: "Interpublic will compensate Executive for the duties performed by him hereunder, by payment of a base salary, at the rate of Four Hundred and Twenty Thousand Dollars (\$420,000) per annum" therefrom and substituting: "Effective as of June 1, 2003, Interpublic will compensate Executive for the duties performed by him hereunder, by payment, of a base salary at the rate of Four Hundred Ninety Five Thousand Dollars (\$495,000) per annum".
2. Except as herein above amended, the Employment Agreement shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Nicholas J. Camera  
Name: Nicholas J. Camera  
Title: Senior Vice President  
General Counsel and Secretary

/s/ Brian Brooks  
Brian Brooks

Signed as of May 20, 2003

Exhibit 10(iii)(A)(ii)(c)

**SUPPLEMENTAL AGREEMENT**

**SUPPLEMENTAL AGREEMENT** made as of June 16, 2003, by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as the "**Corporation**"), and Brian Brooks (hereinafter referred to as "**Executive**").

**WITNESSETH**

**WHEREAS**, the Corporation and Executive are parties to an Executive Severance Agreement made as of November 14, 2002 (hereinafter referred to as the "**ESA**"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.

3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES,

INC.

By: /s/ Nicholas J. Camera  
Nicholas J. Camera

/s/ Brian Brooks  
Brian Brooks

Exhibit 10(iii)(A)(iii)(a)

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of January 1, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and Nicholas J. Camera (hereinafter referred to as "Executive");

W I T N E S S E T H

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of January 1, 1998 (hereinafter referred to as the "Agreement"); and

WHEREAS, the Corporation and Executive desire to amend the Executive Severance Agreement;

NOW, THEREFORE, in consideration of the mutual promises herein and in the Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 6.01 of the Agreement is hereby amended effective January 1, 2003, so as to delete "five" and to substitute therefor "ten".
2. Except as hereinabove amended, the Agreement shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES,

INC.

/s/ Brian J. Brooks

Brian J. Brooks

By: /s/ Nicholas J. Camera

Nicholas J. Camera

Signed as of June 23, 2003

**Exhibit 10(iii)(A)(iii)(b)**

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of June 16, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and Nicholas J. Camera (hereinafter referred to as "Executive").

WITNESSETH

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of January 1, 1998 and a Supplemental Agreement made as of January 1, 2003 (hereinafter referred to as the "ESA"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By: /s/ Brian Brooks

Brian J. Brooks



**SUPPLEMENTAL AGREEMENT**

SUPPLEMENTAL AGREEMENT made as of March 31, 2003 by and between The Interpublic Group of Companies, Inc., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and **JOHN J. DOONER, JR.** (hereinafter referred to as "Executive").

**WITNESSETH;**

WHEREAS, the Corporation and Executive are parties to an Employment Agreement made as of January 1, 1994 as amended by Supplemental Agreements made as of July 1, 1995, September 1, 1997, April 1, 2000 and November 7, 2002 (hereinafter referred collectively as the "Employment Agreement"); and

WHEREAS, the Corporation and Executive desire to amend the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual promises herein and in the Employment Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.03 of the Employment Agreement is hereby amended to read in its entirety as follows: "Executive has been granted (i) an award for the 2003-2005 performance period under Interpublic's Long Term Performance Incentive Plan ("LTPIP") equal to Twenty Thousand (20,000) performance units and (ii) during 2003, options under Interpublic's Stock Incentive Plan to purchase One Hundred Seventy-six Thousand Sven Hundred Nine (176,709) shares of Interpublic common stock. Subject to the terms of the Corporation's Performance Incentive Plan, the Committee approved certain non-forfeiture provisions in connection with Executive's grant, in the event Executive's employment is terminated by the Corporation without cause.

2. Except as herein above amended, the Employment Agreement shall continue in full force and effect.

3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian Brooks

Brian Brooks

/s/ John J. Dooner

John J. Dooner

Signed as of April 15, 2003

**SUPPLEMENTAL AGREEMENT**

SUPPLEMENTAL AGREEMENT made as of January 1, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and John J. Dooner (hereinafter referred to as "Executive").

**WITNESSETH**

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of January 1, 1998 (hereinafter referred to as the "Agreement"); and

WHEREAS, the Corporation and Executive desire to amend the Executive Severance Agreement;

NOW, THEREFORE, in consideration of the mutual promises herein and in the Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 6.01 of the Agreement is hereby amended effective January 1, 2003, so as to delete "five" and to substitute therefor "ten".
2. Except as hereinabove amended, the Agreement shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Brian J. Brooks  
Brian J. Brooks

/s/ John J. Dooner  
John J. Dooner

Signed as June 17, 2003

**Exhibit 10(iii)(A)(iv)(c)**

May 8, 2003

The Interpublic Group of Companies, Inc.  
1271 Avenue of the Americas  
New York, New York 10020  
Attn: Brian J. Brooks, Executive  
Vice President, Human Resources

Dear Brian:

The undersigned, John Dooner, has been awarded certain options to purchase shares of Common Stock of Interpublic as follows: (the "Options").

<u>Grant Date</u>	<u>Shares</u>	<u>Exercise Price</u>
3/24/2000	48,000	\$43.6875
3/24/2000	200,000	\$43.6875
12/15/2000	152,000	\$41.8438
12/15/2000	100,000	\$60.0000

This letter constitutes a request that Interpublic cancel the Options, effective immediately. I understand that, upon such cancellation, I will have no further rights to such Options. I further understand that Interpublic is under no obligation to replace, reissue or grant new options to me, or to compensate me for the Options in any other way, including by stock grant, bonus or otherwise.

I have been advised that I may not receive any additional stock grants or non-contractual bonus for a period of six (6) months from the date of cancellation of the Options.

Enclosed herewith is a copy of the applicable Stock Option Certificate.

Very truly yours,

/s/ John J. Dooner  
John J. Dooner

Enclosure

**Exhibit 10(iii)(A)(v)(a)**

**EXECUTIVE SPECIAL BENEFIT AGREEMENT**

**AGREEMENT** made as of May 1, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as "**Interpublic**") and **BRUCE NELSON** (hereinafter referred to as "**Executive**").

**W I T N E S S E T H:**

**WHEREAS**, Executive is in the employ of Interpublic and/or one or more of its subsidiaries (Interpublic and its subsidiaries being hereinafter referred to collectively as the "**Corporation**"); and

**WHEREAS**, Interpublic and Executive desire to enter into an Executive Special Benefit Agreement which shall be supplementary to any employment agreement or arrangement which Executive now or hereinafter may have with respect to Executive's employment by Interpublic or any of its subsidiaries;

**NOW, THEREFORE**, in consideration of the mutual promises herein set forth, the parties hereto, intending to be legally bound, agree as follows:

**ARTICLE I**

**Death and Special Retirement Benefits**

1.01 For purposes of this Agreement the "**Accrual Term**" shall mean the period of ninety-six (96) months beginning on the date of this Agreement and ending on the day preceding the eighth anniversary hereof or on such earlier date on which Executive shall cease to be in the employ of the Corporation.

1.02 The Corporation shall provide Executive with the following benefits contingent upon Executive's compliance with all the terms and conditions of this Agreement. Effective at the end of the Accrual Term, Executive's annual compensation will be increased by Eighty Five Thousand Dollars (\$85,000) if Executive is in the employ of the Corporation at that time.

1.03 If, during the Accrual Term or thereafter during a period of employment by the Corporation which is continuous from the date of this Agreement, Executive shall die while in the employ of the Corporation, the Corporation shall pay to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 (or in the absence of such designation, shall pay to the Executor of the Will or the Administrator of the Estate of Executive) survivor income payments of Eighty Five Thousand Dollars (\$85,000) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's death, and in equal monthly installment thereafter.

1.04 If, after a continuous period of employment from the date of this Agreement, Executive shall retire from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixty first birthday, the Corporation shall pay to Executive special retirement benefits at the rate of Eighty Five Thousand Dollars (\$85,000) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's last day of employment, and in equal monthly installments thereafter.

1.05 If, after a continuous period of employment from the date of this Agreement, Executive shall retire, resign, or be terminated from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixtieth birthday but prior to Executive's sixty first birthday, the Corporation shall pay to Executive special retirement benefits at the annual rates set forth below for fifteen years beginning with the calendar month following Executive's last day of employment, such payments to be made in equal monthly installments:

<u>Last Day of Employment</u>	<u>Annual Rate</u>
On or after 60th birthday but prior to 61st birthday	\$80,750

1.06 If, following such termination of employment, Executive shall die before payment of all of the installments provided for in Section 1.04 or Section 1.05, any remaining installments shall be paid to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 or, in the absence of such designation, to the Executor of the Will or the Administrator of the Estate of Executive.

1.07 For purposes of Sections 1.03, 1.04 and 1.05, or any of them, Executive may at any time designate a beneficiary or beneficiaries by filing with the chief personnel officer of Interpublic a Beneficiary Designation Form provided by such officer. Executive may at any time, by filing a new Beneficiary Designation Form, revoke or change any prior designation of beneficiary.

1.08 If Executive shall die while in the employ of the Corporation, no sum shall be payable pursuant to Sections 1.04, 1.05, 1.06, 2.01, 2.02 or 2.03.

**ARTICLE II**

**Alternative Deferred Compensation**

2.01 If Executive shall, for any reason other than death, cease to be employed by the Corporation on a date prior to Executive's sixtieth birthday, the Corporation shall, in lieu of any payment pursuant to Article I of this Agreement, compensate Executive by payment, at the times and in the manner specified in Section 2.02, of a sum computed at the rate of Eighty Five Thousand Dollars (\$85,000) per annum for each full year and proportionate amount for any part year from the date of this Agreement to the date of such termination during which Executive is in the employ of the Corporation with a maximum payment of Six Hundred Eighty Thousand Dollars (\$680,000). Such payment shall be conditional upon Executive's compliance with all the terms and conditions

of this Agreement.

2.02 The aggregate compensation payable under Section 2.01 shall be paid in equal consecutive monthly installments commencing with the first month in which Executive is no longer in the employ of the Corporation and continuing for a number of months equal to the number of months which have elapsed from the date of this Agreement to the date of termination, up to a maximum of ninety-six (96) months.

2.03 If Executive dies while receiving payments in accordance with the provisions of Section 2.02, any installments payable in accordance with the provisions of Section 2.02 less any amounts previously paid Executive in accordance therewith, shall be paid to the Executor of the Will or the Administrator of the Estate of Executive.

2.04 It is understood that none of the payments made in accordance with this Agreement shall be considered for purposes of determining benefits under the Interpublic Pension Plan, nor shall such sums be entitled to credits equivalent to interest under the Plan for Credits Equivalent to Interest on Balances of Deferred Compensation Owing under Employment Agreements adopted effective as of January 1, 1974 by Interpublic.

### **ARTICLE III**

#### **Non-solicitation of Clients or Employees**

3.01 Following the termination of Executive's employment hereunder for any reason, Executive shall not for a period of twelve (12) months either (a) solicit any employee of the Corporation to leave such employ to enter the employ of Executive or of any corporation or enterprise with which Executive is then associated or (b) solicit or handle on Executive's own behalf or on behalf of any other person, firm or corporation, the advertising, public relations, sales promotion or market research business of any advertiser which is a client of the Corporation at the time of such termination.

### **ARTICLE IV**

#### **Assignment**

4.01 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Interpublic. Neither this Agreement nor any rights hereunder shall be subject in any matter to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge by Executive, and any such attempted action by Executive shall be void. This Agreement may not be changed orally, nor may this Agreement be amended to increase the amount of any benefits that are payable pursuant to this Agreement or to accelerate the payment of any such benefits.

### **ARTICLE V**

#### **Contractual Nature of Obligation**

5.01 The liabilities of the Corporation to Executive pursuant to this Agreement shall be those of a debtor pursuant to such contractual obligations as are created by the Agreement. Executive's rights with respect to any benefit to which Executive has become entitled under this Agreement, but which Executive has not yet received, shall be solely the rights of a general unsecured creditor of the Corporation.

### **ARTICLE VI**

#### **Applicable Law**

6.01 This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian J. Brooks

Brian J. Brooks  
Executive Vice President,  
Human Resources

/s/ Bruce Nelson

Bruce Nelson

**Exhibit 10(iii)(A)(v)(b)**

### **SUPPLEMENTAL AGREEMENT**

WITNESSETH

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of April 18, 2002 (hereinafter referred to as the "ESA"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.

3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Nicholas J. Camera  
Nicholas J. Camera

/s/ Bruce S. Nelson  
Bruce S. Nelson

**Exhibit 10(iii)(A)(vi)(a)**

**CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE**

**CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE** between **THE INTERPUBLIC GROUP OF COMPANIES, INC.** ("Interpublic") and **SEAN ORR** ("Executive"). In consideration of the mutual covenants herein contained, the parties agree as follows:

1. Termination of Employment. Executive will resign from any and all positions that he holds at Interpublic or any subsidiary thereof effective August 31, 2003 ("**Termination Date**"). Until such time, Executive will continue to make himself available (and report to Interpublic's office in New York City as reasonably requested by Interpublic) to provide services to Interpublic consistent with his position, including, but not limited to, supervising the closing of and certifying Interpublic's second quarter and assisting in the smooth transition of his responsibilities.

2. Severance Payment and Benefits. Subject to Executive's execution and non-revocation of, and compliance with this Agreement, Interpublic shall: (a) on or about the Termination Date, pay to Executive the lump sum amount of One Million Three Hundred Sixty Thousand Dollars (\$1,360,000), less required federal, state and local withholdings, (b) for a period of two (2) years from the Termination Date ("**Severance Period**"), pay Executive the annual amount of Twenty Thousand Dollars (\$20,000) per year payable in accordance with Interpublic's regular payroll practices and subject to regular withholdings, (c) during the Severance Period, provide Executive with his current benefits including club, automobile and financial planning allowances, and (d) during the Severance Period, continue to defer One Hundred Fifty Thousand Dollars (\$150,000) per annum pursuant to certain Executive Special Benefit Agreements, ("**ESBA's**") between Interpublic and the Executive. The above-referenced payments exceed in value any payments to which Executive may otherwise be entitled.

3. Outplacement; Legal Fees. In addition to the payments set forth in Section 2, Executive shall be entitled to reasonable outplacement services during the course of the Severance Period. Such services may be selected by Executive, subject to the reasonable prior approval of Interpublic. Executive shall also be entitled to reimbursement of legal fees incurred in connection with the negotiation and review of this Release Agreement. Outplacement fees and legal services shall not exceed One Hundred Fifty Thousand Dollars (\$150,000) in the aggregate.

4. Insurance. During the Severance Period Executive will be maintained, at Interpublic's expense and at his current level of coverage, in Interpublic's basic life insurance program. Interpublic will also maintain Executive at his current level of coverage, in Interpublic's optional life insurance program. The two-year premium for such coverage is Nine Thousand Three Hundred Eleven And 90/100 Dollars (\$9,311.90) which amount will be deducted from the lump-sum payment to be made to Executive pursuant to Section 2(a) of this Agreement.

5. Interpublic Stock; LTPIP; ESBA.

(a) Executive shall be entitled to pro-rated vesting as of the end of the severance period (i.e., August 30, 2005) of all shares of Interpublic restricted stock currently held by him. The pro-rated amount is ninety-six thousand eight hundred sixty-six (96,866) shares. In addition, in the event that Executive has not obtained other employment of substantially comparable status and with a substantially comparable pay level (based on base salary and targeted annual bonus) at the end of the Severance Period, Interpublic agrees to vest, at that time, all of the remaining shares of restricted stock currently held by Executive. In the event of Executive's death, his beneficiary shall be entitled to pro-rated vesting, to the date of death, of all shares of restricted stock currently held by him.

(b) All options to acquire shares of Interpublic stock currently held by Executive will continue to vest through the end of the Severance Period. Options will be exercisable on a pro-rated basis in accordance with their terms by Executive for a period of ninety (90) days following the end of the Severance Period. The pro-rated amount, as of the end of the Severance Period, is four hundred eighty-three thousand five hundred sixty-five (483,565) options. In the event of Executive's death, his beneficiary shall be entitled to exercise options currently held by Executive, pro-rated to the date of death, and will have one (1) year from the date of death to exercise such options.

(c) Executive will be entitled to retain ten thousand six hundred sixty-seven (10,667) units of his 2003-2005 LTPIP units which shall be paid out to Executive on a basis consistent with the payment of comparable 2003-2005 LTPIP units held by other senior corporate executives of Interpublic.

(d) Executive will be entitled to an annuity of Three Hundred Thousand Dollars (\$300,000) per year for a period of fifteen (15) years, commencing at age sixty (60). Payments of such amounts shall be made in accordance with all provisions of the Executive Special Benefit Agreements between Executive and Interpublic dated as of May 1, 1999 and as of May 1, 2002, as each was amended as of November, 2002 (including the provisions relating to death benefits and disability benefits) and shall be in full satisfaction of all amounts due to Executive pursuant to those Agreements. For avoidance of doubt, in the event Executive dies after annuity payments have commenced, Executive's beneficiary shall receive the remaining annuity payments, and in the event Executive dies prior to the start of annuity payments, Executive's beneficiary shall receive the Three Hundred Thousand Dollars (\$300,000) per year annuity payments in monthly installments over fifteen (15) years beginning on the 15th of the calendar month following Executive's death.

6. Release of Claims. By signing this Agreement and Release, Executive, on behalf of himself and his current, former, and future heirs, executors, administrators, attorneys, agents and assigns, releases and waives all legal claims in law or in equity of any kind whatsoever that Executive has or may have against Interpublic, its parents, subsidiaries and affiliates, and their respective officers, directors, employees, shareholders, members, agents, attorneys, trustees, fiduciaries, representatives, benefit plans and plan administrators, successors and/or assigns, and all persons or entities acting by, through, under, or in concert with any or all of them (collectively, the "Releasees"). This release and waiver covers all rights, claims, actions and suits of all kinds and descriptions that Executive now has or has ever had, whether known or unknown or based on facts now known or unknown, fixed or contingent, against the Releasees, occurring from the beginning of time up to and including the date that Executive executes this Agreement and Release, including, without limitation:

a. any claims for wrongful termination, defamation, invasion of privacy, intentional infliction of emotional distress, or any other common law claims;

b. any claims for the breach of any written, implied or oral contract between Executive and Interpublic, including but not limited to any contract of employment;

c. any claims of discrimination, harassment or retaliation based on such things as age, national origin, ancestry, race, religion, sex, sexual orientation, or physical or mental disability or medical condition;

d. any claims for payments of any nature, including but not limited to wages, overtime pay, vacation pay, severance pay, commissions, bonuses and benefits or the monetary equivalent of benefits, but not including any claims for unemployment or workers' compensation benefits, or for the consideration being provided to Executive pursuant to Paragraphs 2, 3, 4 or 5 of this Agreement, or for the payments and benefits to which Executive is entitled under the employee benefit plans of Interpublic; and

e. all claims that Executive has or that may arise under the common law and all federal, state and local statutes, ordinances, rules, regulations and orders, including but not limited to any claim or cause of action based on the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Americans with Disabilities Act, the Civil Rights Acts of 1866, 1871 and 1991, the Rehabilitation Act of 1973, the National Labor Relations Act, the Employee Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, Executive Order 11246, and any state laws governing employee rights, as each of them has been or may be amended.

This release and waiver does not release Interpublic from its obligations under this Agreement and Release. This Agreement and Release shall be binding upon and inure to the benefit of Executive and the Releasees and any other individual or entity who may claim any interest in the matter through Executive. Executive also acknowledges that he has not assigned any of his rights to make the aforementioned claims or demands. Executive also acknowledges and represents that he has not filed nor will he file any lawsuits based on claims or demands that he has released herein.

7. Indemnity. The Company shall indemnify Executive with respect to any claim arising out of, or related to, his service as an officer, director or

employee of the Company or any of its subsidiaries in accordance with the By-laws of Interpublic and to the maximum extent allowed by applicable law regardless of when the claim is made. In addition, during and following the Severance Period the Company shall maintain directors' and officers' liability insurance coverage for Executive applicable to his service as an officer, director or employee of the Company or any of its subsidiaries in an amount not less than the coverage for senior corporate executives and directors of the Company.

8. Attorney Review. Executive is hereby advised that he should consult with an attorney prior to executing this Agreement.

9. Review Period. Executive is also advised that he has twenty-one (21) days from the date this Agreement is delivered to him within which to consider whether he will sign it.

10. Revocation Period. If Executive signs this Agreement, he acknowledges that he understands that he may revoke this Agreement within seven (7) days after he has signed it by notifying Interpublic in writing that he has revoked this Agreement. Such notice shall be addressed to: Brian J. Brooks, Executive Vice President, Human Resources, The Interpublic Group of Companies, Inc., 1271 Avenue of the Americas, New York, New York 10020. This Agreement shall not be effective or enforceable in accordance with its terms until the 7-day revocation period has expired.

11. Employment with Another IPG Agency. In the event Executive accepts employment with any company owned or controlled by Interpublic during the period in which payments are being made pursuant to this Agreement, all such payments shall cease upon commencement of such employment. Furthermore, if Executive has received a lump sum payment representing severance under this Agreement and commences employment with another company owned or controlled by Interpublic, Executive agrees to reimburse Interpublic for any portion of the severance payment that compensates Executive for the subsequent employment period. If, however, Executive's new salary is lower than the salary upon which the severance payments are based, Executive will continue to receive as severance, or will not be obligated to repay, the difference in salary for the period of overlap.

12. Intellectual Property Rights. Executive acknowledges and agrees that all concepts, writings and proposals submitted to and accepted by Interpublic ("**Intellectual Property**") which relate to the business of Interpublic and which have been conceived or made by him during the period of his employment, either alone or with others are the sole and exclusive property of Interpublic or its clients. As of the date hereof, Executive hereby assigns in favor of Interpublic all the Intellectual Property covered by this paragraph. On or subsequent to the date hereof, Executive shall execute any and all other papers and lawful documents required or necessary to vest sole rights, title and interest in Interpublic or its nominee of The Intellectual Property.

13. Non-Admission. This Agreement and Release shall not in any way be construed as an admission by the Company of any liability for any reason, including, without limitation, based on any claim that the Company has committed any wrongful or discriminatory act.

14. Non-Disparagement. Each party agrees not to, and Interpublic agrees to cause its officers, members of its board of directors, its consultants and its other agents not to, say, write or cause to be said or written, any statement that may be considered defamatory, derogatory or disparaging of the other. Interpublic and the Executive agree to develop a mutually acceptable communications plan for external and internal use regarding Executive's departure from Interpublic as well as a form of reference. Executive and his advisors will be given a reasonable opportunity to review and comment on the internal and external communications plan with respect to all references to Executive and the form of reference, and Interpublic will accept all reasonable requests from Executive in that regard.

15. Confidentiality/Company Property. Executive acknowledges that he has had access to confidential, proprietary business information of Interpublic as a result of employment, and Executive hereby agrees not to use such information personally or for the benefit of others. Executive also agrees not to disclose to anyone any confidential information at any time in the future so long as it remains confidential. Executive further agrees to keep the terms and the existence of this Agreement and Release confidential and not to discuss it with anyone other than his attorney, tax advisor, spouse, or as may be required by law. Executive represents that he has returned all Interpublic property in his possession.

16. Non-Solicitation of Clients and Employees. For a period of one (1) year following the end of the Severance Period, Executive shall not (a) directly or indirectly, either on Executive's own behalf or on behalf of any other person, firm or corporation, solicit any account that is a client of Interpublic at the time of Executive's termination or that was a client of Interpublic at any time within one year prior to the date of Executive's termination of employment; or (b) solicit any Employee of the Corporation to leave such employ to enter the employ of Executive or of any corporation or enterprise with which Executive is then associated. For a period of one (1) year from the Termination Date Executive shall not perform any services relating to advertising, marketing, public relations or related services for any account referred to in clause (a) above. Executive acknowledges that the above restrictions are reasonable and necessary to protect Interpublic's legitimate business interest.

17. Co-operation. Executive agrees to co-operate with Interpublic in connection with any government investigation or legal action involving Interpublic. In connection with such cooperation, Executive shall be entitled to retain his own legal counsel, provided such counsel is reasonably satisfactory to Interpublic, and Interpublic shall pay (as billed) the legal fees and expenses incurred by Executive in connection with such cooperation.

18. Entire Agreement; No Other Promises. Executive hereby acknowledges and represents that this Agreement and Release contains the entire agreement between Executive and Interpublic, and it supersedes any and all previous agreements concerning the subject matter hereof. Executive further acknowledges and represents that neither Interpublic nor any of its agents, representatives or employees have made any promise, representation or warranty whatsoever, express, implied or statutory, not contained herein, concerning the subject matter hereof, to induce Executive to execute this Agreement and Release, and Executive acknowledges that he has not executed this Agreement and Release in reliance on any such promise, representation or warranty.

19. Equitable Relief. Executive acknowledges that a remedy at law for any breach or attempted breach of this Agreement will be inadequate, and agrees that Interpublic shall be entitled to specific performance and injunctive and other equitable relief in the case of any such breach or attempted breach. It is also agreed that, in addition to any other remedies, in the event of a material breach of this Agreement by Executive, Interpublic may withhold and retain all or any portion of the severance payments.

20. Severability. If any term or condition of this Agreement and Release shall be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, this Agreement and Release shall be construed without such term or condition. If at the time of enforcement of any provision of this Agreement, a court shall hold that the duration, scope or area restriction of any provision hereof is unreasonable under circumstances now or then existing, the parties hereto agree that the maximum duration, scope or area reasonable under the circumstances shall be substituted by the court for the stated duration, scope or area.

21. Choice of Law and Forum. This Agreement and Release shall be construed and enforced in accordance with, and governed by, the laws of the State of New York, without regard to its choice of law provisions.

22. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, including claims involving alleged legally protected rights, such as claims for age discrimination in violation of the Age Discrimination in Employment Act of 1967, as amended, Title VII of the Civil Rights Act, as amended, and all other federal and state law claims for defamation, breach of contract, wrongful termination and any other claim arising because of Executive's employment, termination of employment or otherwise, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitration shall take place in New York, New York.

23. Binding Effect. This Agreement shall be binding on, and shall inure to the benefit of, Interpublic and its successors. This Agreement shall also inure to the benefit of Executive's heirs, executors, beneficiaries and legal representatives.

24. Amendment. This Agreement and Release may not be amended or modified in any way, except pursuant to a written instrument signed by both parties.

**HAVING READ AND UNDERSTOOD THE RELEASE, CONSULTED COUNSEL OR VOLUNTARILY ELECTED NOT TO CONSULT COUNSEL, AND HAVING HAD SUFFICIENT TIME TO CONSIDER WHETHER TO ENTER INTO THIS AGREEMENT AND RELEASE, THE PARTIES HERETO HAVE EXECUTED THIS AGREEMENT AND RELEASE AS OF THE DAY AND YEAR FIRST WRITTEN BELOW.**

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Nicholas J. Camera  
Name: Nicholas J. Camera  
Title: Senior Vice President,  
General Counsel and Secretary

/s/ Sean Orr  
Sean Orr

Dated: June 26, 2003

**Exhibit 10(iii)(A)(vi)(b)**

**SUPPLEMENTAL AGREEMENT**

SUPPLEMENTAL AGREEMENT made as of March 31, 2003 by and between The Interpublic Group of Companies, Inc., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and SEAN ORR (hereinafter referred to as "Executive").

**WITNESSETH;**

**WHEREAS**, the Corporation and Executive are parties to an Employment Agreement made as of April 27, 1999 and as amended by Supplemental Agreement made as of April 1, 2000 and November 7, 2002 (hereinafter referred to as the "Employment Agreement"); and

**WHEREAS**, the Corporation and Executive desire to amend the Employment Agreement;

**NOW, THEREFORE**, in consideration of the mutual promises herein and in the Employment Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 5.02 of the Employment Agreement is hereby deleted and replaced amended in its entirety as follows: " Executive has been granted (i) an award for the 2003-2005 performance period under Interpublic's Long Term Performance Incentive Plan ("LTPIP") equal to Twelve Thousand (12,000) performance units and (ii) during 2003, options under Interpublic's Stock Incentive Plan to purchase One Hundred Six Thousand Twenty-five (106,025) shares of Interpublic common stock."
2. Except as herein above amended, The Employment Agreement shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian Brooks  
Brian Brooks



/s/ Sean Orr

Sean Orr

Signed as of April 11, 2003

**Exhibit 10(iii)(A)(vii)**

May 28, 2003

The Interpublic Group of Companies, Inc.  
1271 Avenue of the Americas  
New York, New York 10020  
Attn: Brian J. Brooks, Executive  
Vice President, Human Resources

Dear Brian:

The undersigned, Brendan Ryan, has been awarded certain options to purchase shares of Common Stock of Interpublic as follows:

<u>Grant Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
03/01/00	\$32.4562	20,000
02/27/01	\$33.5965	83,448

This letter constitutes a request that Interpublic cancel the Options, effective immediately. I understand that, upon such cancellation, I will have no further rights to such Options. I further understand that Interpublic is under no obligation to replace, reissue or grant new options to me, or to compensate me for the Options in any other way, including by stock grant, bonus or otherwise.

I have been advised that I may not receive any additional stock grants or non-contractual bonus for a period of six (6) months from the date of cancellation of the Options.

Enclosed herewith is a copy of the applicable Stock Option Certificate.

Very truly yours,

/s/ Brendan Ryan  
Brendan Ryan

Enclosure

**Exhibit 10(iii)(A)(viii)(a)**

**SUPPLEMENTAL AGREEMENT**

**SUPPLEMENTAL AGREEMENT** made as of April 8, 2003 by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and **PHILIPPE KRAKOWSKY** (hereinafter referred to as "Executive").

**WITNESSETH:**

**WHEREAS**, the Corporation and Executive are parties to an Employment Agreement made as of January 28, 2002 (hereinafter referred to as the "**Agreement**"); and

**WHEREAS**, the Corporation and Executive desire to amend the Agreement;

**NOW, THEREFORE**, in consideration of the mutual promises herein and in the Employment Agreement set forth, the parties hereto, intending to be legally bound, agree as follows:

1. The Agreement shall be amended, effective as of April 1, 2003, by adding at the end of the first sentence of Section 2.01(v) the words "or to travel" and by deleting the second sentence of Section 2.01(v) in its entirety and substituting for it the following sentences: "The Corporation and the

Executive agree that no business travel will be necessary for the fulfillment of the Executive's responsibilities. All travel shall be undertaken at the sole discretion of the Executive."

2. Section 3.01 of the Employment Agreement is hereby amended, effective as of April 1, 2003, by deleting "Three Hundred Fifty Thousand Dollars (\$350,000) per annum, of which Three Hundred Thousand Dollars (\$300,000) shall be payable in equal installments, which the Corporation shall pay at semi-monthly intervals" and substitute "Four Hundred Fifty Thousand Dollars (\$450,000), per annum of which Four Hundred Thousand Dollars (\$400,000) shall be payable in equal installments which the Corporation shall pay at semi-monthly intervals".

3. A new Section 4.05 of the Employment Agreement is hereby amended effective April 1, 2003 by adding the following "Executive has been granted an award for the 2003-2005 performance period under Interpublic's Long Term Performance Incentive Plan "LTPIP") equal to Four Thousand (4,000) performance units".

4. Section 5.01 of the Employment Agreement is hereby amended effective April 1, 2003 by adding the following "Executive has been granted an additional Fifty Thousand (50,000) shares of restricted stock".

5. A new Section 5.03 of the Employment Agreement is hereby added effective April 1, 2003 by adding the following: "Executive has been granted options to purchase Eighteen Thousand (18,000) shares of Interpublic Common Stock, under the 2003 Equity Program, which will be subject to all the terms and conditions of the Interpublic Stock Incentive Plan".

6. Except as herein above amended, The Employment Agreement shall continue in full force and effect.

7. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian Brooks

Name: Brian J. Brooks

Title: Executive Vice President,  
Human Resources

/s/ Philippe Krakowsky

Philippe Krakowsky

**Exhibit 10(iii)(A)(viii)(b)**

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of June 16, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and Philippe Krakowsky (hereinafter referred to as "Executive").

WITNESSETH

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of November 14, 2002 (hereinafter referred to as the "ESA"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that

Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Nicholas J. Camera  
Nicholas J. Camera

/s/ Philippe Krakowsky  
Philippe Krakowsky

Exhibit 10(iii)(A)(ix)(a)

### EXECUTIVE SPECIAL BENEFIT AGREEMENT

**AGREEMENT** made as of November 1, 2002, by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as "**Interpublic**") and **RICHARD SNEEDER** (hereinafter referred to as "**Executive**").

### WITNESSETH:

**WHEREAS**, Executive is in the employ of Interpublic and/or one or more of its subsidiaries (Interpublic and its subsidiaries being hereinafter referred to collectively as the "**Corporation**"); and

**WHEREAS**, Interpublic and Executive desire to enter into an Executive Special Benefit Agreement which shall be supplementary to any employment agreement or arrangement which Executive now or hereinafter may have with respect to Executive's employment by Interpublic or any of its subsidiaries;

**NOW, THEREFORE**, in consideration of the mutual promises herein set forth, the parties hereto, intending to be legally bound, agree as follows:

### ARTICLE I

#### Death and Special Retirement Benefits

1.01 For purposes of this Agreement the "**Accrual Term**" shall mean the period of ninety-six (96) months beginning on the date of this Agreement and ending on the day preceding the eighth anniversary hereof or on such earlier date on which Executive shall cease to be in the employ of the Corporation.

1.02 The Corporation shall provide Executive with the following benefits contingent upon Executive's compliance with all the terms and conditions of this Agreement. Effective at the end of the Accrual Term, Executive's annual compensation will be increased by Twenty Five Thousand Dollars (\$25,000) if Executive is in the employ of the Corporation at that time.

1.03 If, during the Accrual Term or thereafter during a period of employment by the Corporation which is continuous from the date of this Agreement, Executive shall die while in the employ of the Corporation, the Corporation shall pay to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 (or in the absence of such designation, shall pay to the Executor of the Will or the Administrator of the Estate of Executive) survivor income payments of Forty Seven Thousand Five Hundred Dollars (\$47,500) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's death, and in equal monthly installment thereafter.

1.04 If, after a continuous period of employment from the date of this Agreement, Executive shall retire from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixty-second birthday, the Corporation shall pay to Executive special retirement benefits at the rate of Forty Seven Thousand Dollars (\$47,500) per annum for fifteen (15) years in monthly installments beginning with the 15th of the calendar month following Executive's last day of employment, and in equal monthly installments thereafter.

1.05 If, after a continuous period of employment from the date of this Agreement, Executive shall retire, resign, or be terminated from the employ of the Corporation so that the first day on which Executive is no longer in the employ of the Corporation occurs on or after Executive's sixty-first birthday but prior to Executive's sixty-second birthday, the Corporation shall pay to Executive special retirement benefits at the annual rates set forth below for fifteen years beginning with the calendar month following Executive's last day of employment, such payments to be made in equal monthly installments:

Last Day of Employment

On or after 61st birthday but prior to 62nd birthday

Annual Rate

\$41,800

1.06 If, following such termination of employment, Executive shall die before payment of all of the installments provided for in Section 1.04 or Section 1.05, any remaining installments shall be paid to such beneficiary or beneficiaries as Executive shall have designated pursuant to Section 1.07 or, in the absence of such designation, to the Executor of the Will or the Administrator of the Estate of Executive.

1.07 For purposes of Sections 1.03, 1.04 and 1.05, or any of them, Executive may at any time designate a beneficiary or beneficiaries by filing with the chief personnel officer of Interpublic a Beneficiary Designation Form provided by such officer. Executive may at any time, by filing a new Beneficiary Designation Form, revoke or change any prior designation of beneficiary.

1.08 If Executive shall die while in the employ of the Corporation, no sum shall be payable pursuant to Sections 1.04, 1.05, 1.06, 2.01, 2.02 or 2.03.

**ARTICLE II**

**Alternative Deferred Compensation**

2.01 If Executive shall, for any reason other than death, cease to be employed by the Corporation on a date prior to Executive's sixty-first birthday, the Corporation shall, in lieu of any payment pursuant to Article I of this Agreement, compensate Executive by payment, at the times and in the manner specified in Section 2.02, of a sum computed at the rate of Twenty Five Thousand Dollars (\$25,000) per annum for each full year and proportionate amount for any part year from the date of this Agreement to the date of such termination during which Executive is in the employ of the Corporation with a maximum payment of Two Hundred Thousand Dollars (\$200,000). Such payment shall be conditional upon Executive's compliance with all the terms and conditions of this Agreement.

2.02 The aggregate compensation payable under Section 2.01 shall be paid in equal consecutive monthly installments commencing with the first month in which Executive is no longer in the employ of the Corporation and continuing for a number of months equal to the number of months which have elapsed from the date of this Agreement to the date of termination, up to a maximum of ninety-six (96) months.

2.03 If Executive dies while receiving payments in accordance with the provisions of Section 2.02, any installments payable in accordance with the provisions of Section 2.02 less any amounts previously paid Executive in accordance therewith, shall be paid to the Executor of the Will or the Administrator of the Estate of Executive.

2.04 It is understood that none of the payments made in accordance with this Agreement shall be considered for purposes of determining benefits under the Interpublic Pension Plan, nor shall such sums be entitled to credits equivalent to interest under the Plan for Credits Equivalent to Interest on Balances of Deferred Compensation Owing under Employment Agreements adopted effective as of January 1, 1974 by Interpublic.

**ARTICLE III**

**Non-solicitation of Clients or Employees**

3.01 Following the termination of Executive's employment hereunder for any reason, Executive shall not for a period of twelve (12) months either (a) solicit any employee of the Corporation to leave such employ to enter the employ of Executive or of any corporation or enterprise with which Executive is then associated or (b) solicit or handle on Executive's own behalf or on behalf of any other person, firm or corporation, the advertising, public relations, sales promotion or market research business of any advertiser which is a client of the Corporation at the time of such termination.

**ARTICLE IV**

**Assignment**

4.01 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Interpublic. Neither this Agreement nor any rights hereunder shall be subject in any matter to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge by Executive, and any such attempted action by Executive shall be void. This Agreement may not be changed orally, nor may this Agreement be amended to increase the amount of any benefits that are payable pursuant to this Agreement or to accelerate the payment of any such benefits.

**ARTICLE V**

**Contractual Nature of Obligation**

5.01 The liabilities of the Corporation to Executive pursuant to this Agreement shall be those of a debtor pursuant to such contractual obligations as are created by the Agreement. Executive's rights with respect to any benefit to which Executive has become entitled under this Agreement, but which Executive has not yet received, shall be solely the rights of a general unsecured creditor of the Corporation.

**ARTICLE VI**

**Applicable Law**

6.01 This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

THE INTERPUBLIC GROUP OF  
COMPANIES, INC.

By: /s/ Brian J. Brooks

Brian J. Brooks  
Executive Vice President,  
Human Resources

/s/ Richard Sneider

Richard Sneider

Signed as of: June 23, 2003

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**Exhibit 10(iii)(A)(ix)(b)**

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of June 16, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and Richard Sneider (hereinafter referred to as "Executive").

WITNESSETH

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of November 14, 2002 (hereinafter referred to as the "ESA"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.
3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Nicholas J. Camera

/s/ Richard Sneider

Richard Sneider

Exhibit 10(iii)(A)(x)

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of June 16, 2003, by and between THE INTERPUBLIC GROUP OF COMPANIES, INC., a corporation of the State of Delaware (hereinafter referred to as the "Corporation"), and Susan Watson (hereinafter referred to as "Executive").

WITNESSETH

WHEREAS, the Corporation and Executive are parties to an Executive Severance Agreement made as of November 14, 2002 (hereinafter referred to as the "ESA"); and

WHEREAS, the Corporation and Executive desire to amend the ESA;

NOW, THEREFORE, in consideration of the mutual promises herein and in the ESA set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Section 3.02 of the ESA is hereby deleted in its entirety and the following substituted therefor, effective June 16, 2003:

"Section 3.2. MICP Supplement. The Company shall also pay the Executive within 30 days after his Termination Date a cash amount equal to (a) in the event that the Executive received an award under the MICP (or the Incentive Award program applicable outside the United States) in respect of the year immediately prior to the year that includes the Termination Date (the latter year constituting the "Termination Year"), the amount of that award multiplied by the fraction of the Termination Year preceding the Termination Date or (b) in the event that the Executive did not receive an MICP award (or an Incentive Award) in respect of the year immediately prior to the Termination Year, the amount of the MICP award (or Incentive Award) that Executive received in respect of the second year immediately prior to the Termination Year multiplied by one plus the fraction of the Termination Year preceding the Termination Date. Provided further however that in the event that Executive failed to receive an MICP award in either of the two (2) years preceding the Termination Year as a result of the financial performance of the Company generally (and not as a result of Executive's individual performance) then, in such case, the MICP award to be used for purposes of this Section 3.2 shall be the target MICP award established by the Corporation or the most recent MICP award received by Executive, whichever is greater."

2. Except as hereinabove amended, the ESA shall continue in full force and effect.

3. This Supplemental Agreement shall be governed by the laws of the State of New York.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By /s/ Nicholas J. Camera

Nicholas J. Camera

/s/ Susan Watson

Susan Watson

Exhibit 10(iii)(A)(xi)

June 27, 2003

The Interpublic Group of Companies, Inc.  
1271 Avenue of the Americas  
New York, New York 10020  
Attn: Brian J. Brooks, Executive  
Vice President, Human Resources

Dear Brian:

The undersigned, Gunnar Wilmot, has been awarded certain options to purchase shares of Common Stock of Interpublic as follows:

<u>Grant Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
1/2/01	\$40.4688	18,000
1/25/00	\$50.9688	8,000

This letter constitutes a request that Interpublic cancel the Options, effective immediately. I understand that, upon such cancellation, I will have no further rights to such Options. I further understand that Interpublic is under no obligation to replace, reissue or grant new options to me, or to compensate me for the Options in any other way, including by stock grant, bonus or otherwise.

I have been advised that I may not receive any additional stock grants or non-contractual bonus for a period of six (6) months from the date of cancellation of the Options.

Enclosed herewith is a copy of the applicable Stock Option Certificate.

Very truly yours,

/s/ Gunnar P. Wilmot  
Gunnar P. Wilmot

Enclosure

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**Exhibit 10(iii)(A)(xii)**

May 15, 2003

The Interpublic Group of Companies, Inc.  
1271 Avenue of the Americas  
New York, New York 10020  
Attn: Brian J. Brooks, Executive  
Vice President, Human Resources

Dear Brian:

The undersigned, Barry Linsky, has been awarded certain options to purchase shares of Common Stock of Interpublic as follows:

<u>Grant Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
01/02/01	\$40.4688	20,000

This letter constitutes a request that Interpublic cancel the Options, effective immediately. I understand that, upon such cancellation, I will have no further rights to such Options. I further understand that Interpublic is under no obligation to replace, reissue or grant new options to me, or to compensate me for the Options in any other way, including by stock grant, bonus or otherwise.

I have been advised that I may not receive any additional stock grants or non-contractual bonus for a period of six (6) months from the date of cancellation of the Options.

Enclosed herewith is a copy of the applicable Stock Option Certificate.

Very truly yours,

/s/ Barry R. Linsky  
Barry R. Linsky

Enclosure



**CERTIFICATION**

I, David A. Bell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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;

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 August 14, 2003

/s/David A. Bell

David A. Bell  
Chief Executive Officer

**CERTIFICATION**

I, Sean F. Orr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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;

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 August 14, 2003

/s/Sean F. Orr

Sean F. Orr  
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 for the quarter ended June 30, 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

/s/ David A. Bell  
David A. Bell  
Chief Executive Officer

Dated: August 14, 2003

/s/ Sean F. Orr  
Sean F. Orr  
Chief Financial Officer