# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

## Washington, D.C. 20549

# FORM 10 -Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2002**

OR

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

Commission File Number: 1 -6686

**THE INTERPUBLIC GROUP OF COMPANIES, INC.**

(Exact name of Registrant as specified in its charter)

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 April 30, 2002: 382,025,651 shares.

**THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES**

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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 MARCH 31,**
**(Amounts in Millions, Except Per Share Amounts)**
**(unaudited)**

| | **2002** | **2001** |
|---|---|---|
| **REVENUE** | $1,420.1 | $1,675.2 |
| **OPERATING EXPENSES:** | | |
| Salaries and related expenses | 861.8 | 998.7 |
| Office and general expenses | 416.7 | 480.0 |
| Amortization of intangible assets | 1.5 | 41.9 |
| Restructuring and other merger related costs | -- | 1.5 |
| Total operating expenses | 1,280.0 | 1,522.1 |
| **OPERATING INCOME** | 140.1 | 153.1 |
| **OTHER INCOME (EXPENSE):** | | |
| Interest expense | (35.3) | (37.5) |

| | | |
|---|---|---|
| Interest income | 6.9 | 12.8 |
| Other income | 0.3 | 8.5 |
| Investment impairment | -- | (160.1) |
| Total other income (expense) | (28.1) | (176.3) |
| **Income (loss) before provision for income taxes** | 112.0 | (23.2) |
| Provision for income taxes | 42.6 | 0.5 |
| **Income (loss) of consolidated companies** | 69.4 | (23.7) |
| Income applicable to minority interests | (3.6) | (6.8) |
| Equity in net income of unconsolidated affiliates | 0.9 | 1.7 |
| **NET INCOME (LOSS)** | $ 66.7 | $ (28.8) |
| Earnings (loss) per share: | | |
| Basic | $ 0.18 | $ (0.08) |
| Diluted | $ 0.18 | $ (0.08) |
| Weighted average shares: | | |
| Basic | 373.0 | 366.1 |
| Diluted | 379.8 | 366.1 |
| Cash dividends per share | $ 0.095 | $ 0.095 |

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

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

**ASSETS**

| | March 31, 2002 (Unaudited) | December 31, 2001 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 575.1 | $ 935.2 |
| Account receivables (net of allowance for doubtful accounts: 2002-$88.1; 2001-$90.7) | 4,576.0 | 4,780.5 |
| Expenditures billable to clients | 402.8 | 333.0 |
| Deferred taxes on income | 48.0 | 80.0 |
| Prepaid expenses and other current assets | 333.3 | 338.5 |
| Total current assets | 5,935.2 | 6,467.2 |
| **FIXED ASSETS, AT COST:** | | |
| Land and buildings | 159.8 | 161.1 |
| Furniture and equipment | 1,100.3 | 1,085.8 |
| Leasehold improvements | 461.8 | 461.4 |
| | 1,721.9 | 1,708.3 |
| Less: accumulated depreciation | (891.3) | (858.0) |
| Total fixed assets | 830.6 | 850.3 |
| **OTHER ASSETS:** | | |
| Investment in unconsolidated affiliates | 167.8 | 165.0 |
| Deferred taxes on income | 484.7 | 492.8 |

| | | |
|---|---|---|
| Other assets and miscellaneous investments | 432.1 | 432.5 |
| Goodwill | 3,084.8 | 3,004.7 |
| Other intangible assets (net of accumulated amortization: 2002-$25.5; 2001-$24.0) | 107.9 | 102.2 |
| Total other assets | 4,277.3 | 4,197.2 |
| **TOTAL ASSETS** | $11,043.1 | $11,514.7 |

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

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

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | March 31, 2002 (Unaudited) | December 31, 2001 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ 4,180.7 | $ 4,525.2 |
| Accrued expenses | 1,209.0 | 1,316.5 |
| Loans payable | 525.4 | 453.1 |
| Accrued income taxes | 60.9 | 103.1 |
| Dividends payable | 36.2 | 36.0 |
| Total current liabilities | 6,012.2 | 6,433.9 |
| **NON-CURRENT LIABILITIES:** | | |
| Long-term debt | 1,239.3 | 1,356.8 |
| Convertible subordinated notes | 552.5 | 548.5 |
| Zero-coupon convertible senior notes | 576.7 | 575.3 |
| Deferred compensation | 376.0 | 376.7 |
| Accrued postretirement benefits | 55.8 | 54.4 |
| Other non-current liabilities | 100.0 | 100.5 |
| Minority interests in consolidated subsidiaries | 90.0 | 89.3 |
| Total non-current liabilities | 2,990.3 | 3,101.5 |
| Commitments and contingencies (Note 7) | | |
| **STOCKHOLDERS' EQUITY:** | | |
| Preferred stock, no par value, shares authorized: 20.0, shares issued: none | | |
| Common stock, $0.10 par value, shares authorized: 550.0, shares issued: 2002 - 386.7; 2001 - 385.8 | 38.7 | 38.6 |
| Additional paid-in capital | 1,775.7 | 1,785.2 |
| Retained earnings | 1,041.8 | 1,011.2 |
| Accumulated other comprehensive loss, net of tax | (469.5) | (451.5) |
| | 2,386.7 | 2,383.5 |
| Less: | | |
| Treasury stock, at cost: 2002 - 6.1 shares; 2001 - 7.3 shares | (239.1) | (290.2) |
| Unamortized deferred compensation | (107.0) | (114.0) |
| Total stockholders' equity | 2,040.6 | 1,979.3 |

| | | |
|---|---|---|
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $11,043.1 | $11,514.7 |

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

**THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**THREE MONTHS ENDED MARCH 31,**
**(Amounts in Millions)**
**(unaudited)**

| | 2002 | 2001 |
|---|---|---|
| **Net Income (Loss)** | $ 66.7 | $(28.8) |
| **Foreign Currency Translation Adjustments** | (18.5) | (87.4) |
| **Unrealized Holding Gains/(Losses) on Securities** | | |
| Unrealized holding gains | 0.9 | -- |
| Tax expense | (0.4) | -- |
| Unrealized holding losses | -- | (7.7) |
| Tax benefit | -- | 3.2 |
| Reclassification of unrealized loss to net earnings | -- | 89.4 |
| Tax benefit | -- | (37.5) |
| Unrealized holding gains/(losses) on securities | 0.5 | 47.4 |
| **Comprehensive Income (Loss)** | $ 48.7 | $(68.8) |

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**
**THREE MONTHS ENDED MARCH 31,**
**(Amounts in Millions)**
**(unaudited)**

| | 2002 | 2001 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income (loss) | $ 66.7 | $ (28.8) |
| **Adjustments to reconcile net income (loss) to cash used in operating activities:** | | |
| Depreciation and amortization of fixed assets | 48.7 | 51.8 |
| Amortization of intangible assets | 1.5 | 41.9 |
| Amortization of restricted stock awards and bond discounts | 18.4 | 15.2 |
| Provision for (benefit of) deferred income taxes | 42.3 | (60.3) |
| Undistributed equity earnings | (0.9) | (1.7) |
| Income applicable to minority interests | 3.6 | 6.9 |
| Investment impairment | -- | 160.1 |
| Other | (0.1) | (4.9) |
| **Change in assets and liabilities, net of acquisitions:** | | |
| Accounts receivable | 156.5 | 410.3 |
| Expenditures billable to clients | (72.0) | (55.1) |
| Prepaid expenses and other current assets | 0.3 | (54.2) |
| Accounts payable, accrued expenses and other current liabilities | (419.1) | (1,082.6) |
| Accrued income taxes | (41.4) | (28.5) |
| Other non-current assets and liabilities | 1.0 | 17.1 |
| Net cash used in operating activities | (194.5) | (612.8) |

| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
|---|---|---|
| Acquisitions, net of cash acquired | (65.3) | (66.5) |
| Capital expenditures | (34.8) | (60.7) |
| Proceeds from sales of businesses | 0.2 | 11.3 |
| Proceeds from sales of long-term investments | 33.2 | 6.4 |
| Purchases of long-term investments | (32.7) | (6.0) |
| Maturities of short-term marketable securities | 11.2 | 10.8 |
| Purchases of short-term marketable securities | (4.3) | (22.8) |
| Other investments and miscellaneous assets | (6.7) | (23.2) |
| Net cash used in investing activities | (99.2) | (150.7) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Increase in short-term bank borrowings | 72.6 | 716.8 |
| Proceeds from long-term debt | 7.3 | 102.7 |
| Payments of long-term debt | (124.0) | (170.8) |
| Treasury stock acquired | (2.2) | (62.3) |
| Issuance of common stock | 26.0 | 36.9 |
| Cash dividends - Interpublic | (36.0) | (29.4) |
| Cash dividends - pooled companies | -- | (7.5) |
| Net cash provided by (used in) financing activities | (56.3) | 586.4 |
| Effect of exchange rates on cash and cash equivalents | (10.1) | (35.9) |
| Decrease in cash and cash equivalents | (360.1) | (213.0) |
| Cash and cash equivalents at beginning of year | 935.2 | 844.6 |
| Cash and cash equivalents at end of period | $ 575.1 | $ 631.6 |

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 March 31, 2002 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") December 31, 2001 Annual Report to Stockholders. The operating results for the first three months of the year are not necessarily indicative of the results for the year or other interim periods.

Certain prior year amounts have been reclassified to conform with current year presentation. Additionally, as discussed in Note 4 below, the consolidated statement of operations is not comparable to the prior year reflecting a change in accounting principle pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.*

2. ***Restructuring And Other Merger Related Costs***

Following the completion of the True North acquisition in June 2001, the Company initiated a series of operational initiatives focusing on: a) the integration of the True North operations and the identification of synergies and savings, b) the realignment of certain Interpublic businesses and c) productivity initiatives to achieve higher operating margins. As a result of the operational initiatives, the combined Company has been organized into four global operating groups. Three of these groups, McCann-Erickson WorldGroup, an enhanced FCB Group and a new global marketing resource called The Partnership, provide a full complement of global marketing services and marketing communication services. The fourth group, Advanced Marketing Services, focuses on expanding the Company's operations in the area of specialized marketing communications and services.

In connection with the operational initiatives, 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 $645.6.

A summary of the remaining liability for restructuring and other merger related costs is as follows:

| | Balance at December 31, 2001 | Cash paid through March 31, 2002 | Liability at March 31, 2002 |
|---|---|---|---|
| **TOTAL BY TYPE** | | | |
| Severance and termination costs | $154.0 | $59.6 | $ 94.4 |
| Lease termination and other exit costs | 157.1 | 21.7 | 135.4 |
| Total | $311.1 | $81.3 | $229.8 |

The severance and termination costs related to approximately 6,800 employees who have been, or will be, terminated. As of March 31, 2002, approximately 6,200 of those identified had been terminated. The remaining employees are expected to be terminated by the middle of the year 2002. A significant portion of severance liabilities are expected to be paid out over a period of up to one year. The employee groups affected include all levels and functions across the Company: executive, regional and account management, administrative, creative and media production personnel. Approximately half of the 6,800 headcount reductions relate to the U.S., one third relate to Europe (principally the UK, France and Germany), with the remainder relating to Latin America and Asia Pacific.

Lease termination costs, net of estimated sublease income, relate to the offices that have been or will be vacated as part of the restructuring. The Company plans to downsize or vacate approximately 180 locations and expects that all leases will have been terminated or subleased by the middle of the year 2002; however, the cash portion of the charge will be paid out over a period of up to five years. The geographical distribution of offices to be vacated is similar to the geographical distribution of the severance charges. Lease termination and



related costs include write-offs related to the abandonment of leasehold improvements as part of the office vacancies.

Other exit costs relate principally to the impairment loss on sale or closing of certain business units in the U.S. and Europe. In the aggregate, the businesses being sold or closed represent an immaterial portion of the revenue and operating profit of the Company. The write-off amount was computed based upon the difference between the estimated sales proceeds (if any) and the carrying value of the related assets. Approximately one half of the sales or closures had occurred by March 2002, with the remaining to occur by the middle of the year 2002.

3. ***Investment Impairment***

During the first quarter of 2001, the Company recorded a charge of $160.1 related to the impairment of investments primarily in publicly traded internet-related companies, including marchFIRST, Inc. (an internet professional services firm), which had filed for relief under Chapter 11 of the Federal Bankruptcy Code in April 2001. The impairment charge adjusted the carrying value of investments to the estimated market value.

4. ***New Accounting Standards***

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS 141"), and No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). These statements were effective for fiscal years beginning after December 15, 2001. Under the new standards, the purchase method of accounting is required for all business combinations initiated after June 30, 2001 and goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives.

During the first quarter of 2002, the Company performed the required impairment tests of goodwill and determined that there was no impairment required to be recognized upon adoption. The Company estimates that, based on its current intangible assets, amortization expense will be approximately $6.0 to $8.0 in each of the next five years.

In connection with SFAS 142, goodwill amortization ceased effective January 1, 2002. The following analysis shows the impact on the Company's statement of operations had SFAS 142 been effective for all periods presented:

| | 2002 | 2001 |
|---|---|---|
| Reported net income (loss) | $66.7 | $(28.8) |
| Add back: goodwill amortization, net of tax | -- | 35.3 |

| | | |
|---|---|---|
| Adjusted net income | $66.7 | $ 6.5 |
| **Basic earnings (loss) per share:** | | |
| Reported net income (loss) | $0.18 | $(0.08) |
| Add back: goodwill amortization, net of tax | -- | 0.10 |
| Adjusted net income | $0.18 | $ 0.02 |
| **Diluted earnings (loss) per share:** | | |
| Reported net income (loss) | $0.18 | $(0.08) |
| Add back: goodwill amortization, net of tax | -- | 0.10 |
| Adjusted net income | $0.18 | $ 0.02 |

In June 2001, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143") was issued. SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated retirement costs that result from the acquisition, construction, or development and normal operation of a long-lived asset. Upon initial recognition of a liability for an asset retirement obligation, SFAS 143 requires an increase in the



carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over the assets useful life. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The adoption of this statement is not expected to have an impact on the Company's financial position or results of operations.

In August 2001, Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* ("SFAS 144") was issued. SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-lived Assets to be Disposed of* ("SFAS 121"), and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. SFAS 144 also amends ARB (Accounting Research Bulletins) No. 51, *Consolidated Financial Statements*, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS 144 retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while resolving significant implementation issues associated with SFAS 121. Among other things, SFAS 144 provides guidance on how long-lived assets used as part of a group should be evaluated for impairment, establishes criteria for when long-lived assets are held for sale, and prescribes the accounting for long-lived assets that will be disposed of other than by sale. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have an impact on the Company's financial position or results of operations.

In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred* ("EITF 01-14"). EITF 01-14 establishes that reimbursements received for certain out-of-pocket expenses should be reported as revenue and operating expenses in the statement of operations. Historically, the Company classified reimbursed out-of-pocket expenses as a reduction of operating expenses. The Company has adopted this guidance effective the first quarter of fiscal year 2002.

5. ***Derivative and Hedging Instruments***

*Interest Rate Swaps*
At March 31, 2002, the Company had outstanding interest rate swap agreements covering all of the $500.0, 7.875% notes due October 2005. The fair value of the hedges at March 31, 2002 was approximately $4.8.

*Hedges of Net Investments*
The Company has repaid the Euro borrowings that, as of December 31, 2001, had been designated as a hedge of a net investment.

*Forward Contracts*
As of March 31, 2002, the Company had contracts covering approximately $65 of notional amount of currency. Substantially, all of these contracts expired by mid-April 2002. As of March 31, 2002, the fair value of the forward contracts was a gain of $0.3.

*Other*
The Company has two embedded derivative instruments under the terms of the offering of Zero-Coupon Convertible Notes. At March 31, 2002, the fair value of the two derivatives was negligible.

6.

***Segment Information***

The Company is organized into four global operating groups: a) McCann-Erickson WorldGroup ("McCann"), b) the FCB Group ("FCB"), c) The Partnership and d) Advanced Marketing Services ("AMS"). Each of McCann, FCB, The Partnership and AMS operate 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 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 AMS, the Company believes that the long-term average gross margin of each of these four groups will converge over time. Given the similarity of the operations, the four groups have been aggregated.

7. ***Commitments and Contingencies***

The Company is involved in legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, the Company believes that the outcome of such proceedings or claims will not have a material adverse effect on the Company.

**Item 2**

**THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**(Dollars in Millions, Except Per Share Amounts)**

**RESULTS OF OPERATIONS**

All amounts discussed below are reported in accordance with generally accepted accounting principles ("GAAP") unless otherwise noted. In certain discussions below, the Company has provided comparative comments based on net income and expense amounts excluding non-recurring items (which are described in Non-Recurring Items below). Such amounts do not reflect GAAP; however, management believes they are a relevant and useful measure of financial performance.

The Company's results of operations are dependent upon: a) maintaining and growing its revenue, b) the ability to obtain new clients, c) the continuous alignment of its costs to its revenue and d) retaining key personnel. Revenue is also highly dependent on overall worldwide economic conditions. During the first quarter of 2002, the Company continued to feel the effects of the general recessionary conditions on demand for its marketing services. The Company believes that any improvement is likely to be gradual throughout the year.

The Company's restructuring plan is yielding savings at better than expected levels. Barring further economic downturn, should the Company's revenue for the full year 2002 remain even with the full year 2001, its 2002 earnings per share will reflect double-digit growth over the 2001 earnings per share excluding non-recurring items.

**Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001**

The Company reported net income of $66.7 or $0.18 diluted earnings per share and a net loss of $28.8 or $0.08 loss per share for the three months ended March 31, 2002 and 2001, respectively. Net income excluding non-recurring items was $76.5 or $0.20 diluted earnings per share for the three months ended March 31, 2001.

The following table sets forth net income (loss) as reported and excluding non-recurring items:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| **Net Income (Loss)** | | |
| Net income (loss), as reported | $66.7 | $ (28.8) |
| Less non-recurring items: | | |
| Restructuring and other merger related costs | -- | (1.5) |
| Investment impairment | -- | (160.1) |
| Tax effect of above items | -- | 56.3 |
| Total non-recurring items | -- | (105.3) |

| | | |
|---|---|---|
| Total non-recurring items | | [illegible] |
| Net income, excluding non-recurring items | $66.7 | $ 76.5 |

***Revenue***
Worldwide revenue for the three months ended March 31, 2002 was $1,420.1, a decrease of $255.1 or 15.2% from the three months ended March 31, 2001. Domestic revenue, which represented 58% of revenue in the three months ended March 31, 2002, decreased $186.9 or 18.4% from the same period in 2001. International revenue, which represented 42% of revenue in the three months ended March 31, 2002, decreased $68.3 or 10.4% from the same period in 2001. International revenue would have decreased 7.7% excluding the effects of changes in foreign currency. The decrease in worldwide revenue was primarily a result of reduced demand for advertising and marketing services by current clients due to the weak economy, the loss of the Chrysler account in the fourth quarter of 2000 and the loss of accounts of Pepsi owned brands. The total revenue decrease of (15.2)% was due to: net acquisitions/divestitures (0.5)%, impact of foreign currency changes (0.9)%, impact of the loss of the Chrysler



account and loss of accounts of Pepsi owned brands (1.0)% and organic revenue decline (12.8)%. Organic changes in revenue are based on increases or decreases in net new business activity and increases or decreases in activity from existing client accounts.

The Company is a worldwide global marketing services company, providing clients with communications expertise in four 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 and healthcare marketing, c) marketing intelligence, which includes custom marketing research, brand consultancy and database management and d) marketing services, which includes sports and entertainment marketing, corporate meetings and events, retail marketing and other marketing and business services.

The following table sets forth the estimated revenue breakdown by type of service offering. Management of the Company believes that this breakdown is a useful measure of the types of global marketing services provided. This presentation does not represent the way in which the Company is organized or managed since most of the services are offered by each of the Company's global operating groups:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| Advertising and Media Management | $ 843.5 | $1,020.1 |
| Marketing Communications | 384.8 | 446.0 |
| Marketing Intelligence | 102.3 | 105.6 |
| Marketing Services | 89.5 | 103.5 |
| Total Revenue | $1,420.1 | $1,675.2 |

***Operating Expenses***
Worldwide operating expenses for the three months ended March 31, 2002 decreased $242.1 or 15.9% to $1,280.0 compared to the three months ended March 31, 2001. Worldwide operating expenses excluding non-recurring items for the three months ended March 31, 2002 decreased $240.6 or 15.8% compared to the three months ended March 31, 2001. The decrease in worldwide operating expenses reflects the benefit of the Company's 2001 restructuring plan and other operating cost reduction initiatives, and a decrease in amortization of intangible assets as a result of adoption of the new accounting pronouncement related to goodwill amortization (see Note 4). The decrease of (15.8)% was due to: net acquisitions/divestitures (0.5)%, impact of foreign currency changes (1.0)%, impact of the loss of the Chrysler account and loss of accounts of Pepsi owned brands (0.5)% and reductions in operating expenses from existing operations (13.8)%.

The Company's expenses related to employee compensation and various employee incentive and benefit programs amount to approximately 61% of revenue. Salaries and related expenses for the three months ended March 31, 2002 decreased $136.9 to $861.8 compared to the three months ended March 31, 2001. The decrease is primarily a result of lower headcount, which was reduced to 53,000 at March 31, 2002 compared with 60,700 at March 31, 2001 as a result of the Company's 2001 restructuring plan. The decrease of (13.7)% was due to: net acquisitions/divestitures (0.7)%, impact of foreign currency changes (0.9)%, impact of the loss of the Chrysler account and loss of accounts of Pepsi owned brands (0.4)% and reductions in salaries and related expenses from existing operations (11.7)%.

Office and general expenses decreased $63.3 or 13.2% in the three months ended March 31, 2002 to $416.7 compared to $480.0 in the three months ended March 31, 2001. The decrease was due primarily to the impact of foreign currency changes, the impact of the loss of the Chrysler and accounts of Pepsi owned brands and the benefit of the Company's 2001 restructuring plan initiatives, including reduced travel and entertainment costs and reduced office rental and supplies costs. The decrease of (13.2)% was due to: net acquisitions/divestitures (0.5)%, impact of foreign currency changes (1.2)%, impact of the loss of the Chrysler account and loss of accounts of Pepsi owned brands (0.7)% and reductions in office and general expenses from existing operations (10.8)%.

Amortization of intangible assets was $1.5 in the three months ended March 31, 2002 compared with $41.9 in the first quarter of 2001. The decrease is a result of the adoption of the new standard on accounting for goodwill and

other intangible assets effective January 1, 2002. Although SFAS 142 does not require that previously reported numbers be restated, amortization of intangible assets would have been $0.9 million for the first quarter of 2001 under the new standard (see Note 4).

**NON-RECURRING ITEMS**

***RESTRUCTURING AND OTHER MERGER RELATED COSTS***

Following the completion of the True North acquisition in June 2001, the Company initiated a series of operational initiatives focusing on: a) the integration of the True North operations and the identification of synergies and savings, b) the realignment of certain Interpublic businesses and c) productivity initiatives to achieve higher operating margins. As a result of the operational initiatives, the combined Company has been organized into four global operating groups. Three of these groups, McCann-Erickson WorldGroup, an enhanced FCB Group and a new global marketing resource called The Partnership, provide a full complement of global marketing services and marketing communication services. The fourth group, Advanced Marketing Services, focuses on expanding the Company's operations in the area of specialized marketing communications and services.

In connection with the operational initiatives, 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 $645.6.

A summary of the remaining liability for restructuring and other merger related costs is as follows:

| | Balance at December 31, 2001 | Cash paid through March 31, 2002 | Liability at March 31, 2002 |
|---|---|---|---|
| **TOTAL BY TYPE** | | | |
| Severance and termination costs | $154.0 | $59.6 | $ 94.4 |
| Lease termination and other exit costs | 157.1 | 21.7 | 135.4 |
| Transaction costs | -- | -- | -- |
| Total | $311.1 | $81.3 | $229.8 |

The severance and termination costs relate to approximately 6,800 employees who have been, or will be, terminated. As of March 31, 2002, approximately 6,300 of those identified had been terminated. The remaining employees are expected to be terminated by the middle of the year 2002. A significant portion of severance liabilities are expected to be paid out over a period of up to one year. The employee groups affected include all levels and functions across the Company: executive, regional and account management, administrative, creative and media production personnel. Approximately half of the 6,800 headcount reductions relate to the U.S., one third relate to Europe (principally the UK, France and Germany), with the remainder relating to Latin America and Asia Pacific.

Lease termination costs, net of estimated sublease income, relate to the offices that have been or will be vacated as part of the restructuring. The Company plans to downsize or vacate approximately 180 locations and expects that all leases will have been terminated or subleased by the middle of the year 2002; however, the cash portion of the charge will be paid out over a period of up to five years. The geographical distribution of offices to be vacated is similar to the geographical distribution of the severance charges. Lease termination and related costs include write-offs related to the abandonment of leasehold improvements as part of the office vacancies.

Other exit costs relate principally to the impairment loss on sale or closing of certain business units in the U.S. and Europe. In the aggregate, the businesses being sold or closed represent an immaterial portion of the revenue and operating profit of the Company. The write-off amount was computed based upon the difference between the estimated sales proceeds (if any) and the carrying value of the related assets. Approximately one half of the sales or closures had occurred by March 2002, with the remaining to occur by the middle of the year 2002.



***INVESTMENT IMPAIRMENT***

During the first quarter of 2001, the Company recorded a charge of $160.1 related to the impairment of investments primarily in publicly traded internet-related companies, including marchFIRST, Inc. (an internet professional services firm), which had filed for relief under Chapter 11 of the Federal Bankruptcy Code in April 2001. The impairment charge adjusted the carrying value of investments to the estimated market value.

At March 31, 2002, the Company had approximately $137 of investments, of which approximately $54 represents less than 20% owned and are accounted for on the cost basis and approximately $83 represents available-for-sale securities.

**OTHER INCOME (EXPENSE)**

***Interest Expense***

Interest expense was $35.3 in the first three months of 2002 compared with $37.5 in the first quarter of 2001. The decrease was primarily due to lower interest rates paid on short-term borrowings, the benefit of interest rate swap agreements covering all of the $500.0, 7.875% notes and the issuance and sale of the Zero-Coupon Convertible Notes in December 2001. The Company used the net proceeds of $563.5 from the Zero-Convertible Notes to repay indebtedness under the Company's credit facilities.

***Interest Income***
Interest income was $6.9 for the three months of 2002 compared with $12.8 in the same period of 2001. The decrease in 2002 is primarily due to lower interest rates and lower average cash balances primarily resulting from the lower earnings levels.

***Other Income***
Other income 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 first three months of 2002 compared with $8.5 for the first three months of 2001. The prior year included gains on the sale of a marketing services affiliate in Europe and some non-core marketing services affiliates in the U.S.

**OTHER ITEMS**
The Company's effective income tax rate was 38.0% for the first quarter of 2002 and 2.2% for the first quarter of 2001. The 2001 effective tax rate was impacted by the lower tax benefit rate on the investment impairment charge. Excluding non-recurring items, the effective income tax rate was 38.0% for the first three months of 2002 compared to 41.0% for the first three months of 2001. The 2002 effective income tax rate was impacted by the reduced amount of nondeductible goodwill amortization. The primary difference between the effective tax rate and the statutory federal rate of 35% in 2002 is due to state and local taxes.

Income applicable to minority interests was $3.6 in the first three months of 2002 compared to $6.8 in the first three months of 2001. The decrease in the first three months of 2002 was primarily due to lower operating results of certain operations in Europe and Asia Pacific and the sale of a majority owned affiliate in the U.S.

Equity in net income of unconsolidated affiliates was $0.9 in the first three months of 2002 compared to $1.7 in the first three months of 2001. The reduction is primarily due to reduced earnings of our unconsolidated affiliates, principally in Europe.

***Derivative and Hedging Instruments***
*Interest Rate Swaps*
At March 31, 2002, the Company had outstanding interest rate swap agreements covering all of the $500.0, 7.875% notes due October 2005. The fair value of the hedges at March 31, 2002 was $5.

*Hedges of Net Investments*
The Company has repaid the Euro borrowings that, as of December 31, 2001, had been designated as a hedge of a net investment.



*Forward Contracts*
As of March 31, 2002, the Company had contracts covering approximately $65 of notional amount of currency. Substantially, all of these contracts expired by mid-April 2002. As of March 31, 2002, the fair value of the forward contracts was a gain of $0.3.

*Other*
The Company has two embedded derivative instruments under the terms of the offering of Zero-Coupon Convertible Notes. At March 31, 2002, the fair value of the two derivatives was negligible.

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2002, cash and cash equivalents were $575.1, a decrease of $360.1 from the December 31, 2001 balance of $935.2. The March 31, 2002 cash position was impacted by the severance and lease termination costs paid in connection with the Company's restructuring plan. 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 provided from operating activities, supplemented by seasonal short-term borrowings and long-term credit facilities finance the operating, acquisition and capital expenditure requirements of the Company, in addition to dividend payments and repurchases of common stock.

***Operating Activities***
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.

Net cash used by operating activities was $194.5 and $612.8 for the three months ended March 31, 2002 and 2001, respectively. The decrease in cash used for the first three months of 2002 was primarily attributable to the reduction of cash used for working capital partially offset by payments made in connection with the Company's restructuring plan. The Company paid $81.3 related to severance and lease termination costs. The Company's practice is to bill and collect from its clients in sufficient time to pay the amounts due for media on a timely basis. Other uses of working capital include acquisitions, capital expenditures, disbursements for severance and lease terminations related to the Company's restructuring activities, repurchase of the Company's common stock and payment of cash dividends.

***Investing Activities***
The Company pursues acquisitions to complement and enhance its service offerings. In addition, the Company seeks 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.

During the first three months of 2002 and 2001, the Company paid $65.3 and $66.5, 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.

The Company's capital expenditures in the first three months of 2002 were $34.8 compared to $60.7 in the first three months of 2001. The primary purposes of these expenditures were to upgrade computer and telecommunications systems and to modernize offices.

***Financing Activities***
Total debt at March 31, 2002 was $2,893.9, a decrease of $39.8 from December 31, 2001. The Company's bank-provided revolving credit agreements include financial covenants that set maximum levels of debt as a function of EBITDA and minimum levels of EBITDA as a function of interest expense (as defined in these agreements).

The Company's term loan agreements also contain financial covenants that set minimum levels for net worth and for cash flow as a function of borrowed funds and maximum levels of borrowed funds as a function of net worth (as defined in these agreements).

At March 31, 2002, the Company was in compliance with all of its financial covenants, with the most restrictive being that of cash flow to borrowed funds, the ratio of which is required to exceed .25 to 1.

The Company expects to renew its 364-day, $500.0 bank facility prior to its maturity in June 2002. At March 31, 2002, there were no borrowings under this facility.

*Other*
During the first three months of 2001, the Company purchased approximately 1.1 million shares of its common stock. Since July 2001, the Company has not repurchased its common stock in the open market as its current holdings of treasury shares are sufficient to meet its needs for various compensation plans.

The Company has paid cash dividends at a quarterly rate of $0.095 per share since the second quarter of 2000, when it was increased from $0.085 per share. The determination of dividend payments is made by the Company's Board of Directors on a quarterly basis.

Based on current demand for the Company's services and the global economic environment, the Company believes that its cash flow from operations, together with its existing lines of credit and cash on hand, is sufficient to provide for the liquidity needs of its business. At March 31, 2002, the Company's committed credit facilities were $875.0 of which $34.5 was utilized at March 31, 2002. In addition, the Company has had success in the past accessing the debt markets for increased liquidity. Unanticipated decreases in cash flow from operations as a result of decreased demand for our services and other developments, including those described in the "Cautionary Statement" below, may require the Company to seek other sources of liquidity and modify its operating strategies.

**OTHER MATTERS**

***Argentina***
As a result of the devaluation of the Argentine peso in recent months, the Company's cumulative translation adjustment balance for its Argentine operation reflected a reduction in stockholders' equity of approximately $10 for the quarter ended March 31, 2002. The Company expects to maintain its strategic investment in Argentina for the long-term. Accordingly, the Company does not currently consider its investment in Argentina to be permanently impaired.

***New Accounting Standards***
In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS 141"), and No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new standards, the purchase method of accounting is required for all business combinations initiated after June 30, 2001 and goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives.

During the first quarter of 2002, the Company performed the first of the required impairment tests of goodwill and determined that there was no impairment required to be recognized upon adoption.



In connection with SFAS 142, goodwill amortization ceased effective January 1, 2002. The following analysis shows the impact on the Company's statement of operations had SFAS 142 been effective for all periods presented:

| | **2002** | **2001** |
|---|---|---|
| Reported net income (loss) | $66.7 | $(28.8) |
| Add back: goodwill amortization, net of tax | -- | 35.3 |
| Adjusted net income | $66.7 | $ 6.5 |
| | | |
| **Basic earnings (loss) per share:** | | |
| Reported net income (loss) | $0.18 | $(0.08) |
| Add back: goodwill amortization, net of tax | -- | 0.10 |
| Adjusted net income | $0.18 | $ 0.02 |

| **Diluted earnings (loss) per share:** | | |
|---|---|---|
| Reported net income (loss) | $0.18 | $(0.08) |
| Add back: goodwill amortization, net of tax | -- | 0.10 |
| Adjusted net income | $0.18 | $ 0.02 |

In June 2001, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143") was issued. SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated retirement costs that result from the acquisition, construction, or development and normal operation of a long-lived asset. Upon initial recognition of a liability for an asset retirement obligation, SFAS 143 requires an increase in the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over the assets' useful life. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The adoption of this statement is not expected to have an impact on the Company's financial position or results of operations.

In August 2001, Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* ("SFAS 144"), was issued. SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-lived Assets to be Disposed of* ("SFAS 121"), and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. SFAS 144 also amends ARB (Accounting Research Bulletins) No. 51, *Consolidated Financial Statements*, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS 144 retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while resolving significant i mplementation issues associated with SFAS 121. Among other things, SFAS 144 provides guidance on how long-lived assets used as part of a group should be evaluated for impairment, establishes criteria for when long-lived assets are held for sale, and prescribes the accounting for long-lived assets that will be disposed of other than by sale. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have an impact on the Company's financial position or results of operations.

In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred* ("EITF 01-14"). EITF 01-14 establishes that reimbursements received for certain out-of-pocket expenses should be reported as revenue and operating expenses in the statement of operations. Historically, the Company classified reimbursed out-of-pocket expenses as a reduction of operating expenses. The Company has adopted this guidance effective the first quarter of fiscal year 2002.

**THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**(Dollars in Millions, Except Per Share Amounts)**

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

***Interest Rates***
At March 31, 2002, a significant portion of the Company's debt obligations were 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 $24 on an annual basis if market rates were to increase by 10% and would increase by approximately $26 on an annual basis if market rates were to decrease by 10%. For that portion of the debt that is either maintained at variable rates or is swapped into variable rates, based on amounts and rates outstanding at March 31, 2002, the change in interest expense and cash flow from a 10% change in rates would be approximately $5 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 United States 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.

## CAUTIONARY STATEMENT

This document contains forward-looking statements. Interpublic's representatives may also make forward-looking statements orally from time to time. Statements in this document that are not historical facts, including statements about Interpublic's beliefs and expectations, particularly regarding recent business and economic trends, the integration of acquisitions and restructuring costs, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and Interpublic 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 national and regional economic conditions, Interpublic's ability to attract new clients and retain existing clients, the financial success of Interpublic'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 Interpublic's business capabilities.

One of Interpublic's business strategies is to acquire businesses that complement and expand Interpublic's current business capabilities. Accordingly, Interpublic is usually engaged in evaluating potential acquisition candidates. Interpublic is frequently engaged in a number of preliminary discussions that may result in one or more substantial acquisitions. These acquisition opportunities require confidentiality and from time to time give rise to bidding scenarios that require quick responses by Interpublic. 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 Interpublic's securities.



Moreover, the success of recent or contemplated future acquisitions will depend on the effective integration of newly-acquired businesses into Interpublic'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.

This document also contains financial information calculated excluding certain types of items. In addition, Interpublic's representatives may from time to time refer to financial information excluding certain types of items. Because such financial information by its very nature departs from traditional accounting conventions, this information should not be viewed as a substitute for the information prepared by Interpublic in accordance with Generally Accepted Accounting Principles, including the balance sheets and statements of income and cash flow contained in Interpublic's quarterly report filed with the SEC on Form 10-Q.

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

## PART II - OTHER INFORMATION

### Item 2(c). CHANGES IN SECURITIES

(1) On December 21, 2001 (the "Closing Date"), a subsidiary of the Registrant acquired 60% of the stock of a company. In consideration for the acquisition, the Registrant paid to the company's two shareholders on the Closing Date $367,647 in cash and on January 9, 2002, effective as of the Closing Date, Registrant issued 12,588 shares of its Common Stock, $.10 par value per share (the "Interpublic Stock") to both shareholders. The shares of Interpublic Stock had a market value of $367,647 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 of 1933, as amended (the "Securities Act"), based on the sophistication of the shareholders of the acquired company. The shareholders had access to all the documents filed by the Registrant with the Securities and Exchange Commission ("the SEC"), including the Company's i) Annual Report and Form 10-K for the year ended 2000, ii) Quarterly Reports on Form 10-Q for 2001, iii) Reports on Form 8-K for 2001, and iv) Proxy Statement for the 2001 Annual Meeting of Stockholders).

(2) On January 11, 2002, a subsidiary of the Registrant acquired 100% of the shares of a company in consideration for which Registrant paid $110,132 in cash and issued 3,805 shares of Interpublic Stock to the two shareholders of the acquired company. The shares of Interpublic Stock had a market value of $108,518.60 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.

(3) On January 15, 2002, the Registrant paid $2,488,000 and issued 85,091 shares of Interpublic Stock to the seventeen former shareholders, of a company, the assets of which were acquired by Registrant in the second quarter of 1995. This represented a deferred payment of purchase price. The shares of Interpublic Stock were valued at $2,488,000 on 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 of the company that sold its business to the Registrant. Those shareholders had access to all documents filed by the Registrant with the SEC, including (i) the Company's Annual Report and Form 10-K for the year ended 2000, (ii) Quarterly Reports on Form 10-Q for 2001, (iii) Reports on Forms 8-K for 2001 and 2002, and (iv) Proxy Statement for the 2001 Annual Meeting of Stockholders.

(4) On January 31, 2002, the Registrant paid $5,976,000 in cash and issued 553 shares of Interpublic Stock to two former shareholders of a company that was acquired in the fourth quarter of 1998. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had a market value of $15,235 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 upon the status of the acquired company's former shareholders as accredited investors.

(5) On February 1, 2002, the Registrant issued 14,861 shares of Interpublic Stock to one of the 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 a market value of $436,170.35 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 February 6, 2002, the Registrant issued 9,103 shares of Interpublic Stock and on February 8, 2002 paid $998,760 in cash to one of the former shareholders of a company which was acquired in the third quarter of 1999. This represented a deferred payment of the purchase price. The shares of Interpublic Stock had a market value of $257,159.75 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.

(7) On February 14, 2002, a subsidiary of the Registrant acquired 49% of the stock of a company in consideration for which the Registrant paid $268,484 in

cash and issued 27,240 shares of Interpublic Stock to the two shareholders of the acquired company. The shares of Interpublic Stock had a market value of $688,121 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 company's shareholders. The 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 2000, ii) Quarterly Reports on Form 10-Q for 2001, iii) Reports on Form 8-K for 2001 and 2002, and iv) Proxy Statement for the 2001 Annual Meeting of Stockholders).

(8) On February 15, 2002, the Registrant issued 6,775 shares of Interpublic Stock to one of the two former shareholders of a company which was acquired on August 20, 1999 and also paid that shareholder $181,000 in cash. This represented a deferred payment of the purchase price. The shares of Interpublic Stock were valued at $180,941 on 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 stockholder. The shareholder had access to all the documents filed by the Registrant with the SEC, including i) the Company's Annual Report and Form 10-K for the year ended 2000, ii) Quarterly Reports on Form 10-Q for 2001, iii) Reports on Form 8-K for 2001 and 2002, and iv) Proxy Statement for the 2001 Annual Meeting of Stockholders.

(9) On March 11, 2002, the Registrant issued 116,742 shares of Interpublic Stock to the two former shareholders of a company which was acquired on January 21, 2000 and also paid them an aggregate of $4,993,000 in cash. This represented a deferred payment of the purchase price. The shares of Interpublic Stock were valued at $3,328,898 on 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 SEC, including i) the Company's Annual Report and Form 10-K for the year ended 2000, ii) Quarterly Reports on Form 10-Q for 2001, iii) Reports on Form 8-K for 2001 and 2002, and iv) Proxy Statement for the 2001 Annual Meeting of Stockholders.

(10) On March 29, 2002, the Registrant paid $2,038,000 in cash and effective March 29, 2002 (the "Effective Date") issued 6,760 shares of Interpublic Stock to the four shareholders of a company, the assets of which were acquired in the first quarter of 2000. This represented a deferred payment of the purchase price. The shares of Interpublic Stock were valued at $226, 432 on the Effective Date.

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 four shareholders that own shares of the company that sold its business to the Registrant. The shareholders of that company had access to all the documents filed by the Registrant with the SEC, including i) the Company's Annual Report and Form 10-K for the year ended 2000, (ii) Quarterly Reports on Form 10-Q for 2001, (iii) Reports on Form 8-K for 2001 and 2002, and (iv) Proxy Statement for the 2001 Annual Meeting of Stockholders.

(11) On March 29, 2002, the Registrant paid $4,027,000 in cash and effective March 29, 2002 (the "Effective Date") the Registrant issued 40,072 shares of Interpublic Stock to one of the two 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 were valued at $1,342,327 on the Effective Date.

The shares of Interpublic Stock were issued by the Registrant without registration in reliance on Section 4(2) under the Securities Act, based upon the status as an accredited investor of the former shareholder of the acquired company.

(12) On March 29, 2002, the Registrant paid $2,381,754 in cash and effective March 29, 2002 (the "Effective Date"), issued 23,733 shares of Interpublic Stock to the three stockholders of two affiliated companies, the assets of which were acquired by Registrant in the fourth quarter of 1998. This represented a deferred payment of the purchase price. The shares of Interpublic Stock were valued at $793,918 on the Effective Date.

The shares of Interpublic Stock were issued without registration in reliance on Section 4(2) under the Securities Act, based upon the status as accredited investors of the three stockholders of the companies that sold their businesses to the Registrant.

**Item 6. EXHIBITS AND REPORTS ON FORM 8-K.**

**(a) EXHIBITS**

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| 10(iii)(A)(1) | Employment Agreement, made as of November 1999 between The Interpublic Group of Companies, Inc. ("Interpublic") and Thomas Dowling. |
| 10 (iii)(A)(2) | Employment Agreement, made as of January 28, 2002 between Interpublic and Philippe Krakowsky. |
| 11 | Statement re: Computation of Per Share Earnings. |

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

The following Reports on Form 8-K were filed during the quarter ended March 31, 2002.

1) Report, dated February 11, 2002. Item 5 Other Events and Item 7 Exhibits, Exhibit 99.1 Press Release.

2) Report, dated February 28, 2002. Item 5 Other Events. Item 7 Exhibits, Exhibit 99.1 Press Release.

3) Report, dated February 28, 2002. Item 9 Regulation FD Disclosure.

3) Report, dated February 28, 2002. Item 9 Regulation FD Disclosure.

**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: May 14, 2002

BY /S/ JOHN J. DOONER, JR.
JOHN J. DOONER, JR
Chairman of the Board, President
and Chief Executive Officer

Date: May 14, 2002

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

**INDEX TO EXHIBITS**

| **EXHIBIT NO.** | **DESCRIPTION** |
|---|---|
| 10(iii)(A)(1) | Employment Agreement, made as of November 1999 between The Interpublic Group of Companies, Inc. ("Interpublic") and Thomas Dowling. |
| 10 (iii(A)(2) | Employment Agreement, made as of January 28, 2002 between Interpublic and Philippe Krakowsky. |
| 11 | Statement re: Computation of Per Share Earnings. |

**EMPLOYMENT AGREEMENT**

**AGREEMENT** made as of [November , 1999] by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a corporation of the State of Delaware (hereinafter referred to as **"Interpublic"**), and **THOMAS DOWLING** (hereinafter referred to as **"Executive"**).

In consideration of the mutual promises set forth herein the parties hereto agree as follows:

**ARTICLE I**
**Term of Employment**

1.01 Upon the terms and subject to the conditions set forth herein, Interpublic will employ Executive for the period beginning [November , 1999 and ending on November 26, 2004], or on such earlier date as the employment of Executive shall terminate pursuant to Article VII or Article VIII. The period during which Executive is employed hereunder is referred to herein as the **"term of employment"**. Executive will serve Interpublic during the term of employment.

**ARTICLE II**
**Duties**

2.01 During the term of employment Executive will:

(i) Use his best efforts to promote the interests of Interpublic and devote his full time and efforts to its business and affairs;

(ii) Perform such duties as Interpublic may from time to time assign to him; and

(iii) Serve as Vice President, General Auditor and in any such offices of Interpublic or its subsidiaries as he may be elected or appointed to.

**ARTICLE III**
**Compensation**

3.01 During the term of employment, Interpublic will compensate Executive for the duties performed by him hereunder, including all services rendered as an officer or director of Interpublic, by payment of a salary at the rate of Two Hundred Twenty Five Thousand Dollars ($225,000) per annum, payable in equal installments, which Interpublic may pay at either monthly or semi-monthly intervals, subject to customarily withholding for federal and state taxes and Twenty Five Thousand Dollars ($25,000) in the form of an Executive Special Benefits Agreement (**"ESBA"**).

3.02 Interpublic may at any time increase the compensation paid to Executive hereunder if Interpublic in its discretion shall deem it advisable so to do in order to compensate him fairly for services rendered to Interpublic.

**ARTICLE IV**
**Bonuses**

4.01 Executive will be eligible during the term of employment to participate in the Management Incentive Compensation Plan (**"MICP"**), in accordance with the terms and conditions of the Plan established from time to time. Executive shall be eligible to receive MICP awards up to fifty (50%) of his base salary, but the actual award, if any, shall be determined by Interpublic and shall be based on profits of Interpublic, Executive's individual performance and management discretion.

4.02 Executive shall be entitled to receive a sign-on bonus of Fifty Thousand Dollars ($60,000).

**ARTICLE V**
**Long-Term Performance Incentive Plan; Stock Options**

5.01 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Compensation Committee of its Board of Directors (**"Committee"**) grant Executive an award for the 1999-2002 performance period under Interpublic's Performance Incentive Plan (**"LTPIP"**) equal to Two Thousand (2,000) performance points tied to the cumulative compound profit growth of Interpublic, and options under Interpublic's Stock Incentive Plan to purchase Four Thousand (4,000) shares of Interpublic common stock which may not be exercised in any part prior to the end of the performance period, and thereafter shall be exercisable in whole or in part.

5.02 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Committee grant Executive options to purchase an aggregate of Five Thousand (5,000) shares of Interpublic Common Stock, which may not be exercised in any part for a period of three (3) years from the date of the grant and thereafter shall be exercisable in three annual installments, the first of which may be exercised for forty percent (40%) of the number of shares covered by the option on or after the third anniversary of the date of the grant and the second and third of which may be exercised on or after each successive anniversary date of the grant for thirty percent (30%) of the number of shares covered by the option.

5.03 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Committee grant to Executive, an award of Two Thousand Five Hundred (2,500) restricted shares of Interpublic common stock which shares shall have a restriction period ending five years from the date of grant.

**ARTICLE VI**
**Other Employment Benefits**

6.01 Executive shall be entitled to an automobile allowance of Seven Thousand Dollars ($7,000) per annum.

6.02 Executive shall be entitled to a financial planning allowance of Two Thousand Five Hundred Dollars ($2,500) per annum.

6.03 Executive shall be entitled to four (4) weeks vacation.

6.04 Executive shall be eligible to participate in such other employee benefits as are available from time to time to other Interpublic key management executives in accordance with the then-current terms and conditions established by Interpublic for eligibility and employee contributions required for participation in such benefits opportunities.

**ARTICLE VII**
**Termination**

7.01 Interpublic may terminate the employment of Executive hereunder:

(i) By giving Executive notice in writing at any time specifying a termination date not less than six (6) months after the date on which such notice is given, in which event his employment hereunder shall terminate on the date specified in such notice; or;

(ii) By giving him notice in writing at any time specifying a termination date less than six (6) months after the date on which such notice is given. In this event his employment hereunder shall terminate on the date specified in such notice and Interpublic shall thereafter pay him a sum equal to the amount by which six (6) months salary at his then current rate exceeds the salary paid to him for the period from the date on which such notice is given to the termination date specified in such notice. Such payment shall be made during the period immediately following the termination date specified in such notice, in successive equal monthly installments each of which shall be equal to one month's salary at the rate in effect at the time of such termination, with any residue in respect of a period less than on e month to be paid together with the last installment.

(iii) However, with respect to any payments of salary due to Executive after notice of termination shall have been given pursuant to Subsection 7.01 (i), should Executive commence other employment during the period when payments thereunder are being made, said payments shall cease forthwith. Moreover, with respect to any payment of salary or salary equivalents to Executive after notice of termination shall have been given pursuant to Subsection 7.01 (ii), should Executive commence other employment prior to the last payment due under that subsection, no further payments shall be made to Executive.

7.02 Executive may at any time give notice in writing to Interpublic specifying a termination date not less than six (6) months after the date on which such notice is given, in which event his employment hereunder shall terminate on the date specified in such notice.

7.03 If the employment of Executive hereunder is terminated pursuant to this Article VII by either Interpublic or Executive, Executive shall continue to perform his duties hereunder until the termination date at his salary in effect on the date that notice of such termination is given.

7.04 Notwithstanding anything else in this Agreement, Interpublic may terminate the employment of Executive hereunder for Cause. For purposes of this Agreement, "<u>Cause</u>" means any of the following:

(a) any material breach by Executive of any material provision of this Agreement (including without limitation Sections 8.01 and 8.02 hereof) upon written notice of same by the Interpublic describing in reasonable detail the breach asserted and stating that it constitutes notice pursuant to this Section 7.04(a), which breach, if capable of being cured, has not been cured within 30 days after such notice (it being understood and agreed that a breach of Section 8.01 or 8.02 hereof and a breach of Executive's duty to devote his full business time to the affairs of Interpublic, among others, shall be deemed not capable of being cured);

(b) Executive's absence from duty for a period of time exceeding fifteen (15) consecutive business days or twenty (20) out of any (30) consecutive business days (other than account of permitted vacation or as permitted for illness, disability or authorized leave in accordance with Interpublic's policies and procedures) without the consent of the Board of Directors;

(c) Executive having commenced employment with another employer prior to the effective date of Executive's voluntary resignation from employment with Interpublic under Section 7.02 hereof without the consent of the Board of Directors of Interpublic;

(d) misappropriation by Executive of funds or property of Interpublic or any attempt by Executive to secure any personal profit related to the business of Interpublic (other than as permitted by this Agreement) and not fairly disclosed to and approved by the Board of Directors;

(e) fraud, dishonesty, disloyalty, gross negligence or willful misconduct on the part of Executive in the performance of his duties as an employee of Interpublic; or

(f) a felony conviction of Executive.

Upon a termination for Cause, Interpublic shall pay Executive his salary and benefits through the date of termination of employment; and Executive shall receive no severance hereunder.

7.05 If Executive dies before [October 26, 2004] his employment hereunder shall terminate on the date of his death.

**ARTICLE VIII**
**Covenants**

8.01 While Executive is employed hereunder by Interpublic he shall not without the prior written consent of Interpublic engage, directly or indirectly, in any other trade, business or employment, or have any interest, direct or indirect, in any other business, firm or Corporation; provided, however, that he may continue to own or may hereafter acquire any securities of any class of any publicly-owned company.

8.02 Executive shall treat as confidential and keep secret the affairs of Interpublic and shall not at any time during the term of employment or thereafter, without the prior written consent of Interpublic, divulge, furnish or make known or accessible to, or use for the benefit of, anyone other than Interpublic and its subsidiaries and affiliates any information of a confidential nature relating in any way to the business of Interpublic or its subsidiaries or affiliates or their clients and obtained by him in the course of his employment hereunder.

8.03 If Executive violates any provision of Section 8.01 or Section 8.02, Interpublic may, notwithstanding the provisions of Section 7.01, terminate the employment of Executive at any time by giving him notice in writing specifying a termination date. In such event, his employment hereunder shall terminate on the date specified in such notice.

8.04 All records, papers and documents kept or made by Executive relating to the business of Interpublic or its subsidiaries or affiliates or their clients shall be and remain the property of Interpublic.

8.05 All articles invented by Executive, processes discovered by him, trademarks, designs, advertising copy and art work, display and promotion materials and, in general, everything of value conceived or created by him pertaining to the business of Interpublic or any of its subsidiaries or affiliates during the term of employment, and any and all rights of every nature whatever thereto, shall immediately become the property of Interpublic, and Executive will assign, transfer and deliver all patents, copyrights, royalties, designs and copy, and any and all interests and rights whatever thereto and thereunder to Interpublic, without further compensation, upon notice to him from Interpublic.

8.06 Following the termination of Executive's employment hereunder for any reason, Executive shall not for a period of twelve (12) months from such termination either: (a) solicit any employee of Interpublic or to leave such employ to enter the employ of Executive or of any Interpublic 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 Interpublic, the advertising, public relations, sales promotion or market research business of any advertiser which is a client of Interpublic at the time of such termination.

**ARTICLE IX**
**Assignment**

9.01 This Agreement shall be binding upon and enure to the benefit of the successors and assigns of Interpublic. Neither this Agreement nor any rights hereunder shall be assignable by Executive and any such purported assignment by him shall be void.

**ARTICLE X**
**Arbitration**

10.01 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 Section 12.01 hereof, and judgement upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitration shall take place in the city where Executive customarily renders services to Interpublic .

**ARTICLE XI**
**Agreement Entire**

11.01 This Agreement constitutes the entire understanding between Interpublic and Executive concerning his employment by Interpublic or any of its parents, affiliates or subsidiaries and supersedes any and all previous agreements between Executive and Interpublic or any of its parents, affiliates or subsidiaries concerning such employment, and/or any compensation or bonuses. This Agreement may not be changed orally.

**ARTICLE XII**
**Applicable Law**

12.01 The 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/ C. KENT KROEBER
C. Kent Kroeber

/S/ THOMAS DOWLING
Thomas Dowling

**EXHIBIT 10(iii)(A)(2)**

# EMPLOYMENT AGREEMENT

**AGREEMENT** made as of January 28, 2002 by and between **THE INTERPUBLIC GROUP OF COMPANIES, INC.**, a Delaware corporation (**"Interpublic"** or the **"Corporation"**), and **PHILIPPE KRAKOWSKY** (**"Executive"**).

In consideration of the mutual promises set forth herein the parties hereto agree as follows:

## ARTICLE I
## Term of Employment

1.01 Subject to the provisions of Article VII and Article VIII, and upon the terms and subject to the conditions set forth herein, the Corporation will employ Executive for the period beginning January 28, 2002 (**"Commencement Date"**) and ending on December 31, 2006. (The period during which Executive is employed hereunder is referred to herein as the **"term of employment."**) Executive will serve the Corporation during the term of employment.

## ARTICLE II
## Duties

2.01 During the term of employment, Executive will:

(i) Serve as Senior Vice President, Director of Corporate Communications of the Corporation, with primary responsibility for communications to the public of the Corporation's strategy and profile.

(ii) Use his best efforts to promote the interests of the Corporation and devote his full time and efforts to their business and affairs;

(iii) Perform such duties consistent with the position described in subsection (i) of this section as the Chief Executive Officer of the Corporation may from time to time assign to him;

(iv) Serve in such other offices of the Corporation as he may be elected or appointed to; and

(v) Executive shall perform his services at the Corporation's headquarters offices in New York City and shall not be required to physically relocate. All air travel shall be mutually determined by Executive and the Corporation as necessary to fulfillment of Executive's responsibilities.

## ARTICLE III
## Regular Compensation

3.01 The Corporation will compensate Executive for the duties performed by him hereunder, by payment of total base compensation at the rate of 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, subject to customary withholding for federal, state and local taxes. In addition, Fifty Thousand Dollars ($50,000) shall be paid pursuant to an Executive Special Benefit Agreement (**"ESBA"**) to be entered into between the Executive and the Corporation.

3.02 The Corporation may at any time increase the compensation paid to Executive under this Article III if the Corporation in its sole discretion shall deem it advisable to do so in order to compensate him fairly for services rendered to the Corporation.

## ARTICLE IV
## Bonuses

4.01 Executive will be eligible during the term of employment to participate in the Management Incentive Compensation Plan (**"MICP"**), in accordance with the terms and conditions of the Plan established from time to time. Executive shall be eligible to receive MICP awards up to one hundred percent (100%) of his total base compensation, but the actual award, if any, shall be determined by the Corporation and shall be based on profits of Interpublic, Executive's individual performance, and management discretion.

4.02 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Compensation Committee of its Board of Directors (**"Committee"**) grant Executive an award for the 1999-2002 performance period under a Special Performance Incentive Plan equal to one thousand (1,000) performance units tied to the cumulative compound profit growth of Interpublic.

4.03 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Committee grant

Executive an award for the 2001-2004 performance period under Interpublic's Long-Term Performance Incentive Plan (**"LTPIP"**) equal to two thousand three hundred fifteen (2,315) performance units tied to the cumulative compound profit growth of Interpublic and options under Interpublic's Stock Incentive Plan to purchase nine thousand two hundred sixty (9,260) shares of Interpublic common stock which may not be exercised in any part prior to the end of the performance period and thereafter shall be exercisable in whole or in part.

4.04 Executive shall be paid a one-time bonus of One Hundred Thousand Dollars ($100,000) within sixty (60) days of full execution of this agreement, provided that he has been employed by the Corporation during such time.

**ARTICLE V**
**Interpublic Stock**

5.01 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Compensation Committee of its Board of Directors (**"Committee"**) grant to Executive eight thousand (8,000) shares of Interpublic Common Stock which will be subject to a five year vesting restriction.

5.02 As soon as administratively feasible after full execution of this Agreement, Interpublic will use its best efforts to have the Committee grant to Executive options to purchase twenty-five thousand (25,000) shares of Interpublic Common Stock, which will be subject to all the terms and conditions of the Interpublic Stock Incentive Plan. Forty percent (40%) of the options will be exercisable after the third anniversary of the date of grant, thirty percent (30%) will be exercisable after the fourth anniversary and thirty percent (30%) will be exercisable after the fifth anniversary of the date of grant through the tenth anniversary of the date of grant.

**ARTICLE VI**
**Other Employment Benefits**

6.01 Executive shall be eligible to participate in such other employee benefits as are available from time to time to other key management executives of Interpublic in accordance with the then-current terms and conditions established by Interpublic for eligibility and employee contributions required for participation in such benefits opportunities.

6.02 Executive shall be reimbursed for all reasonable out-of-pocket expenses actually incurred by him in the conduct of the business of the Corporation provided that Executive submits all substantiation of such expenses to the Corporation on a timely basis in accordance with standard policies of Interpublic.

6.03 Executive shall be entitled to an automobile allowance of Ten Thousand Dollars ($10,000) per annum, and shall be reimbursed for actual parking expenses in New York City relating to business purposes, provided that Executive submits all substantiation of such parking expenses to the Corporation on a timely basis in accordance with standard policies of Interpublic.

6.04 Executive shall be elected a member of the Interpublic Development Council.

6.05 Executive shall be entitled to four (4) weeks vacation per year.

**ARTICLE VII**
**Termination**

7.01 The Corporation may terminate the employment of Executive hereunder:

(i) By giving Executive notice in writing at any time specifying a termination date not less than twelve (12) months after the date on which such notice is given, in which event Executive's employment hereunder shall terminate on the date specified in such notice, or

(ii) By giving Executive notice in writing at any time specifying a termination date less than twelve (12) months after the date on which such notice is given. In this event Executive's employment hereunder shall terminate on the date specified in such notice and the Corporation shall thereafter pay him a sum equal to the amount by which twelve (12) months salary at his then current rate exceeds the salary paid to him for the period from the date on which such notice is given to the termination date specified in such notice. Such payment shall be made during the period immediately following the termination date specified in such notice, in successive equal monthly installments each of which shall be equal to one (1) month's salary at the rate in effect at the time of such termination, with any residue in respect of a period less than one (1) month to be pa id together with the last installment.

(iii) Executive shall, in addition to the payments under subsection (i) and (ii)

above, be entitled to a pro-rata vesting of stock options and restricted stock through the twelve-month period from the date of notice of termination (or in the event of a termination resulting from non-renewal of this Agreement through the end date of this Agreement) in accordance with the terms of the Corporation's Plans.

During the termination period provided in subsection (i), or in the case of a termination under subsection (ii) providing for a termination period of less than twelve (12) months, for a period of twelve (12) months after the termination notice, Executive will be entitled to receive all employee benefits accorded to him prior to termination provided, that such benefits shall cease upon such date that Executive accepts employment with another employer offering similar benefits.

7.02 Notwithstanding the provisions of Section 7.01, during only the second six-month period of notice of termination or severance payments, as the case may be, Executive will use reasonable, good faith efforts to obtain other employment reasonably comparable to his employment under this Agreement. Upon obtaining other employment during such second six-month period (including work as a consultant, independent contractor or establishing his own business), Executive will promptly notify the Corporation, and (a) in the event that Executive's salary and other non-contingent compensation (**"new compensation"**) payable to Executive in connection with his new employment shall equal or exceed the salary portion of the amount payable by the Corporation under Section 7.01, the Corporation shall be relieved of any obligation to make payments under Section 7.01, or (b) in the event Execut ive's new compensation shall be less than the salary portion of payments to be made under Section 7.01, the Corporation will pay Executive the difference between such payments and the new compensation.

7.03 Executive may at any time give notice in writing to the Corporation specifying a termination date not less than six (6) months after the date on which such notice is given, in which event his employment hereunder shall terminate on the date specified in such notice, and Executive shall receive his salary until the termination date. Provided however that the Corporation may, at its option, upon receipt of such notice determine an earlier termination date.

7.04 Notwithstanding the provisions of Section 7.01, the Corporation may terminate the employment of Executive hereunder, at any time after the Commencement Date, for Cause. For purposes of this Agreement, **"Cause"** means the following:

(i) Any material breach by Executive of any provision of this Agreement (including without limitation Sections 8.01 and 8.02 hereof) upon notice of same by the Corporation which breach, if capable of being cured, has not been cured within fifteen (15) business days after such notice (it being understood and agreed that a breach of Section 8.01 or 8.02 hereof, among others, shall be deemed not capable of being cured);

(ii) Executive's absence from duty for a period of time exceeding fifteen (15) consecutive business days or twenty (20) out of any thirty (30) consecutive business days (other than on account of permitted vacation or as permitted for illness, disability or authorized leave in accordance with Interpublic's policies and procedures) without the consent of the Board of Directors of the Corporation;

(iii) The acceptance by Executive, prior to the effective date of Executive's voluntary resignation from employment with the Corporation, of a position with another employer, without the consent of the Board of Directors;

(iv) Misappropriation by Executive of funds or property of the Corporation or any attempt by Executive to secure any personal profit related to the business of the Corporation (other than as permitted by this Agreement) and not fairly disclosed to and approved by the Board of Directors;

(v) Fraud, dishonesty, disloyalty, gross negligence or willful misconduct on the part of Executive in the performance of his duties as an employee of the Corporation;

(vi) A felony conviction of Executive; or

(vii) Executive's engaging, during the term of employment, in activities which are prohibited by state and/or federal laws prohibiting discrimination based on age, gender, race, religion or national origin, or engaging in conduct which constitutes sexual harassment, as defined by applicable law.

Upon a termination for Cause, the Corporation shall pay Executive his salary through the date of termination of employment, and Executive shall not be entitled to any Special Bonus or Performance Bonus with respect to the year of termination, or to any other payments hereunder.

## ARTICLE VIII
## Covenants

8.01 While Executive is employed hereunder by the Corporation he shall not, without the prior written consent of the Corporation, which will not be unreasonably withheld, engage, directly or indirectly, in any other trade, business or employment, or have any interest, direct or indirect, in any other business, firm or corporation; provided, however, that he may continue to own or may hereafter acquire any securities of any class of any publicly-owned company.

8.02 Executive shall treat as confidential and keep secret the affairs of the Corporation and shall not at any time during the term of employment or for a period of three (3) years thereafter, without the prior written consent of the Corporation, divulge, furnish or make known or accessible to, or use for the benefit of, anyone other than the Corporation and its subsidiaries and affiliates any information of a confidential nature relating in any way to the business of the Corporation or its subsidiaries or affiliates or their clients and obtained by him in the course of his employment hereunder.

8.03 All records, papers and documents kept or made by Executive relating to the business of the Corporation or its subsidiaries or affiliates or their clients shall be and remain the property of the Corporation.

8.04 All articles invented by Executive, processes discovered by him, trademarks, designs, advertising copy and art work, display and promotion materials and, in general, everything of value conceived or created by him pertaining to the business of the Corporation or any of its subsidiaries or affiliates during the term of employment, and any and all rights of every nature whatever thereto, shall immediately become the property of the Corporation, and Executive will assign, transfer and deliver all patents, copyrights, royalties, designs and copy, and any and all interests and rights whatever thereto and thereunder to the Corporation.

8.05 Following the termination of Executive's employment hereunder for any reason, Executive shall not for a period of two (2) years from such termination, (a) solicit any employee of the Corporation, Interpublic or any affiliated company of Interpublic to leave such employ to enter the employ of Executive or of any person, firm or corporation 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 event marketing, public relations, advertising, sales promotion or market research business of any person or entity which is a client of the Corporation.

8.06 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.

8.07 Executive acknowledges that a remedy at law for any breach or attempted breach of Article VIII of this Agreement will be inadequate, and agrees that the Corporation shall be entitled to specific performance and injunctive and other equitable relief in the case of any such breach or attempted breach.

8.08 Executive represents and warrants that neither the execution and delivery of this Employment Agreement nor the performance of Executive's services hereunder will conflict with, or result in a breach of, any agreement to which Executive is a party or by which he may be bound or affected, in particular the terms of any employment agreement to which Executive may be a party. Executive further represents and warrants that he has full right, power and authority to enter into and carry out the provisions of this Employment Agreement.

**ARTICLE IX**
**Arbitration**

9.01 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 Section 12.01 hereof, and judgement upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitration shall take place in the city where Executive customarily renders services to the Corporat ion. The prevailing party in any such arbitration shall be entitled to receive attorney□s fees and costs.

**ARTICLE X**
**Assignment**

10.01 This Agreement shall be binding upon and enure to the benefit of the successors and assigns of the Corporation. Neither this Agreement nor any rights hereunder shall be assignable by Executive and any such purported assignment by him shall be void.

**ARTICLE XI**
**Agreement Entire**

11.01 This Agreement constitutes the entire understanding between the Corporation and Executive concerning his employment by the Corporation or any of its parents, affiliates or subsidiaries and supersedes any and all previous agreements between Executive and the Corporation or any of its parents, affiliates or subsidiaries concerning such employment, and/or any compensation or bonuses. Each party hereto shall pay its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation and execution of this Agreement. This Agreement may not be changed orally.

**ARTICLE XII**
**Applicable Law**

12.01 The 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/ C. KENT KROEBER
Name: C. Kent Kroeber
Title: Senior Vice President, Human Resources

/S/ PHILIPPE KRAKOWSKY
Philippe Krakowsky

**EXHIBIT 11**

## THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES

### COMPUTATION OF EARNINGS PER SHARE
### (Amounts in Millions Except Per Share Data)

| | Three Months Ended March 31 | |
|---|---|---|
| | 2002 | 2001 |
| **Basic** | | |
| Net income (loss) | $ 66.7 | $ (28.8) |
| Weighted average number of common shares Outstanding | 373.0 | 366.1 |
| Earnings per common and common equivalent share | $ 0.18 | $ (0.08) |

| | Three Months Ended March 31 | |
|---|---|---|
| | 2002 | 2001 |
| **Diluted (1)** | | |
| Net income (loss) | $ 66.7 | $(28.8) |
| Weighted average number of common shares Outstanding | 373.0 | 366.1 |
| Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options | 6.8 | - |
| Total | 379.8 | 366.1 |
| Earnings per common and common equivalent share | $ 0.18 | $ (0.08) |

(1) The computation of diluted EPS for 2002 and 2001 excludes the assumed conversion of the 1.80% and 1.87% Convertible Subordinated Notes because they were anti-dilutive. The computation for 2001 excludes the conversion of restricted stock and assumed exercise of stock options because they were antidilutive.