

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ending March 31, 1994

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

1271 Avenue of the Americas, New York, New York 10020  
(Address of principal executive offices) (Zip Code)

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

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

Indicate 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 29, 1994: 75,279,754  
shares.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES

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## PART 1 - FINANCIAL INFORMATION

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET(Dollars in Thousands)  
ASSETS

	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993
Current Assets:		
Cash and cash equivalents (includes certificates of deposit: 1994-\$83,999; 1993-\$94,451)	\$ 251,710	\$ 292,268
Marketable securities, at cost which approximates market	33,780	30,106
Receivables (less allowance for doubtful accounts: 1994-\$15,355; 1993-\$16,834)	1,429,355	1,525,717
Expenditures billable to clients	122,691	100,230
Prepaid expenses and other current assets	65,440	54,835
Total current assets	1,902,976	2,003,156
Other Assets:		
Investment in unconsolidated affiliates	30,007	28,182
Deferred taxes on income	58,661	38,570
Other investments and miscellaneous assets	90,156	92,048
Total other assets	178,824	158,800
Fixed Assets, at cost:		
Land and buildings	66,965	65,327
Furniture and equipment	276,070	268,387
	343,035	333,714
Less accumulated depreciation	176,272	170,998
	166,763	162,716
Unamortized leasehold improvements	51,994	53,975
Total fixed assets	218,757	216,691
Intangible Assets (less accumulated amortization: 1994-\$117,159; 1993-\$111,710)	504,631	491,170
Total assets	\$2,805,188	\$2,869,817

See accompanying notes to consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands Except Per Share Data)  
LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993
<b>Current Liabilities:</b>		
Payable to banks	\$ 170,032	\$ 147,075
Accounts payable	1,335,928	1,428,442
Accrued expenses	188,593	183,501
Accrued income taxes	62,504	76,963
Total current liabilities	1,757,057	1,835,981
<b>Noncurrent Liabilities:</b>		
Long-term debt	113,265	118,088
Convertible subordinated debentures	108,598	107,997
Deferred compensation and reserve for termination liabilities	188,296	146,774
Accrued postretirement benefits	44,480	44,480
Other noncurrent liabilities	33,101	39,274
Minority interests in consolidated subsidiaries	11,538	13,208
Total noncurrent liabilities	499,278	469,821
<b>Stockholders' Equity:</b>		
Preferred Stock, no par value shares authorized: 20,000,000 shares issued: none		
Common Stock, \$.10 par value shares authorized: 100,000,000 shares issued:		
1994 - 86,861,732		
1993 - 86,299,688	8,686	8,630
Additional paid-in capital	354,021	335,340
Retained earnings	552,350	570,267
Adjustment for minimum pension liability	(704)	(704)
Cumulative translation adjustments	(111,698)	(116,432)
	802,655	797,101
<b>Less:</b>		
Treasury stock, at cost:		
1994 - 11,613,495 shares		
1993 - 11,449,031 shares	218,040	208,821
Unamortized expense of restricted stock grants	35,762	24,265
Total stockholders' equity	548,853	564,015
<b>Total liabilities and stockholders' equity</b>	<b>\$2,805,188</b>	<b>\$2,869,817</b>

See accompanying notes to consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT  
THREE MONTHS ENDED MARCH 31  
(UNAUDITED)  
(Dollars in Thousands Except Per Share Data)

	1994		1993
Revenue	\$ 404,313		\$ 378,248
Other income	16,649		11,537
Gross Income	420,962		389,785
Costs and expenses:			
Operating expenses	389,688		360,731
Interest	7,166		7,721
Total costs and expenses	396,854		368,452
Income before provision for income taxes and effect of accounting changes	24,108		21,333
Provision for income taxes:			
United States - federal	5,880		6,603
- state and local	3,134		2,060
Foreign	1,353		1,355
Total taxes	10,367		10,018
Income of consolidated companies	13,741		11,315
Income applicable to minority interests	(977)		(632)
Equity in net income of unconsolidated affiliates	226		342
Income before effect of accounting changes	\$ 12,990		\$ 11,025
Effect of accounting changes:			
Postemployment benefits	(21,780)		-
Income taxes	-		(512)
Net (loss) income	\$ (8,790)		\$ 10,513
Weighted average number of common shares	75,161,764		75,554,336
Per Share Data:			
Income before effect of accounting changes	.17		.15
Effect of accounting changes	(.29)		(.01)
Net (loss) income	(.12)		.14
Cash dividends per common share	\$ .125		\$ .115

See accompanying notes to consolidated financial statements.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31  
(UNAUDITED)  
(Dollars in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	1994	1993
Net (loss) income after effect of accounting changes	\$ (8,790)	\$ 10,513
Adjustments to reconcile net income to cash used in operating activities:		
Effect of accounting changes	21,780	512
Depreciation and amortization of fixed assets	10,041	6,862
Amortization of intangible assets	5,449	4,685
Amortization of restricted stock awards	2,095	2,564
Equity in net income of unconsolidated affiliates	(226)	(342)
Income applicable to minority interests	977	632
Translation losses	7,102	3,411
Other	(6,031)	(2,549)
Change in assets and liabilities, net of acquisitions:		
Receivables	98,099	58,104
Expenditures billable to clients	(21,644)	(25,586)
Prepaid expenses and other assets	(9,411)	(4,263)
Accounts payable and accrued expenses	(120,384)	(69,201)
Accrued income taxes	(14,693)	1,767
Deferred income taxes	(20,306)	-
Deferred compensation and reserve for termination allowances	36,744	(10,888)
Net cash used in operating activities	(19,198)	(23,779)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	(3,240)	-
Capital expenditures	(6,900)	(48,013)
Proceeds from sales of assets	121	836
Net purchases of marketable securities	(2,795)	3,137
Other investments and miscellaneous assets	2,784	(2,505)
Unconsolidated affiliates	(724)	(1,754)
Net cash used in investing activities	(10,754)	(48,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	16,779	(21,891)
Proceeds from long-term debt	-	35,280
Payments of debt	(15,533)	(5,000)
Treasury stock acquired	(11,095)	(3,952)
Issuance of Common Stock	4,802	8,614
Cash Dividends	(9,127)	(8,444)
Net cash (used in) provided by financing activities	(14,174)	4,607
Effect of exchange rates on cash and cash equivalents	3,568	(713)
Decrease in cash and cash equivalents	(40,558)	(68,184)
Cash and cash equivalents at beginning of year	292,268	255,778
Cash and cash equivalents at end of quarter	\$251,710	\$187,594

See accompanying notes to consolidated financial statements.

1. Consolidated Financial Statements

- (a) The consolidated balance sheet as of March 31, 1994, the consolidated statements of income and cash flows for the three months ended March 31, 1994 and 1993, are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1994 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 1993 annual report to stockholders. The results of operations for the period ended March 31, 1994 are not necessarily indicative of the operating results for the full year.

- (b) FAS No. 95 "Statement of Cash Flows" requires disclosures of specific cash payments and noncash investing and financing activities. The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Income tax cash payments were approximately \$21.1 million and \$9.5 million in the first three months of 1994 and 1993, respectively. Interest payments during the first three months of 1994 were approximately \$5.5 million. Interest payments in 1993 were not materially different from interest expense.

Effective January 1, 1993, the Company adopted FAS 109 "Accounting for Income Taxes" and recorded a one-time charge of \$512,000. This statement requires the use of the liability method of accounting for deferred income taxes.

Effective January 1, 1994, the Company adopted FAS 112 "Employers' Accounting for Postemployment Benefits" and recorded a one-time pre-tax charge of \$39.6 million or \$21.8 million after-tax. As of March 31, 1994, deferred compensation and reserve for termination allowances includes approximately \$76 million of postemployment benefits.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
 COMPUTATION OF EARNINGS PER SHARE  
 (UNAUDITED)  
 (Dollars in Thousands Except Per Share Data)

Primary	Three Months Ended March 31	
	1994	1993
Net income before effect of accounting changes	\$ 12,990	\$ 11,025
Effect of accounting changes	(21,780)	(512)
Add:		
Dividends paid net of related income tax applicable to restricted stock	80	97
Net (loss) income, as adjusted	\$ (8,710)	\$ 10,610
Weighted average number of common shares outstanding	72,880,606	72,652,923
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	2,281,158	2,901,413
Total	75,161,764	75,554,336
Per share data:		
Income before effect of accounting changes	.17	.15
Effect of accounting changes	(.29)	(.01)
Net (loss) income	\$ (.12)	\$ .14
	Three Months Ended March 31	
Fully Diluted	1994	1993
Net income before effect of accounting changes	\$ 12,990	\$ 11,025
Effect of accounting changes	(21,780)	(512)
Add:		
Dividends paid net of related income tax applicable to restricted stock	83	99
Net (loss) income, as adjusted	\$ (8,707)	\$ 10,612
Weighted average number of common shares outstanding	72,880,606	72,652,923
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	2,316,327	2,938,123
Total	75,196,933	75,591,046
Per share data:		
Income before effect of accounting changes	.17	.15
Effect of accounting changes	(.29)	(.01)
Net (loss) income	\$ (.12)	\$ .14

The effect of the conversion of subordinated debentures has been excluded as it is anti-dilutive.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Working capital at March 31, 1994 was \$145.9 million, a decrease of \$21.3 million from December 31, 1993. The ratio of current assets to current liabilities remained relatively unchanged from December 31, 1993 at approximately 1.1 to 1.

In March 1993, the company purchased a building and land in Frankfurt, Germany to be used by the local office of McCann-Erickson, a subsidiary of the Company. The purchase price was approximately \$41.5 million, of which \$35.2 was financed at a rate of 7.6%, due in 2003.

The principal use of the Company's working capital is to provide for the operating needs of its advertising agencies, which include payments for space or time purchased from various media on behalf of its clients. The Company's practice is to bill and collect from its clients in sufficient time to pay the amounts due media. Other uses of working capital include the payment of cash dividends, acquisitions, capital expenditures and the reduction of long-term debt. In addition, during the three months of 1994, the Company acquired 351,355 shares of its own stock for approximately \$11.1 million for the purposes of fulfilling the Company's obligations under its various compensation plans.

## RESULTS OF OPERATIONS

Three Months Ended March 31, 1994 Compared to Three Months Ended March 31, 1993

Total revenue for the three months ended March 31, 1994 increased \$26.1 million, or 7.0%, to \$404 million compared to the same period in 1993. The U.S. dollar was considerably stronger during the first quarter of 1994 as compared to 1993, which had a negative impact on revenue of \$6.6 million. Domestic revenue increased 22.4% from 1993 levels. Foreign revenue decreased .8% during the first quarter of 1994 compared to 1993. Excluding the unfavorable foreign exchange effects discussed above, worldwide revenue would have shown an increase of about \$32.7 million or 8.4% over 1993. Other income increased by \$5.1 million during the first quarter of 1994.

Operating expenses increased \$29.0 million or 8.0% during the three months ended March 31, 1994 compared to the same period in 1993. Interest expense decreased \$0.6 million during the three months ended March 31, 1994 as compared to the same period in 1993.

Net losses from exchange and translation of foreign currencies for the three months ended March 31, 1994 were approximately \$5.6 million versus \$3.4 million for the same period in 1993. The increase in 1994 is primarily due to increased exchange losses in Brazil.

The effective tax rate for the three months ended March 31, 1994 was 43.0%, as compared to 47.0% in 1993. The decrease in the effective tax rate is mainly due to the geographic mix of earnings.

The difference between the effective and statutory rates is primarily due to foreign losses with no tax benefit, losses from translation of foreign currencies which provided no tax benefit, state and local taxes, foreign withholding taxes on dividends and nondeductible goodwill expense.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments in Haight et. al. v. The American Tobacco Company et. al., the case wherein several tobacco companies and their advertising agencies are defendants, since the description of this case in the Company's report on Form 10-K for the year ended December 31, 1993.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11 - Computation of Earnings Per Share.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1994.

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 13, 1994      By /S/ Philip H. Geier  
Philip H. Geier  
Chairman of the Board,  
President and Chief  
Executive Officer

Date: May 13, 1994      By /S/ Eugene P. Beard  
Eugene P. Beard  
Executive Vice President -  
Finance and Operations,  
Chief Financial Officer

INDEX TO EXHIBITS

The following exhibits are found where indicated in the sequential numbering system in this report on Form 10-Q filed with the Securities and Exchange Commission.

Exhibit No.	Description	Sequential Page No.
11	Computation of Earnings Per Share.	8