INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-Q
April 29, 2010
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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, 2010

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.)

1114 Avenue of the Americas, New York, New York 10036

(Address of principal executive offices) (Zip Code)

(212) 704-1200

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The number of shares of the registrant s common stock outstanding as of April 16, 2010 was 489,316,940.

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INFORMATION REGARDING FORWARD-LOOKING DISCLOSURE

This quarterly report on Form 10-Q contains forward-looking statements. Statements in this report that are not historical facts, including statements about management s beliefs and expectations, constitute forward-looking statements. Without limiting the generality of the foregoing, words such as may, will, expect, believe, anticipate, intend, could, would, estimate, continue or comparable terminology are i forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date they are made and we undertake 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, the following:

- potential effects of a challenging economy, for example, on the demand for our advertising and marketing services, on our clients financial condition and on our business or financial condition;

- our ability to attract new clients and retain existing clients;

- our ability to retain and attract key employees;

- risks associated with assumptions we make in connection with our critical accounting estimates, including changes in assumptions associated with any effects of a weakened economy;

- potential adverse effects if we are required to recognize impairment charges or other adverse accounting-related developments;

- risks associated with the effects of global, national and regional economic and political conditions, including counterparty risks and fluctuations in economic growth rates, interest rates and currency exchange rates; and

- developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world.

Investors should carefully consider these factors and the additional risk factors outlined in more detail under Item 1A, Risk Factors, in our most recent annual report on Form 10-K.

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Part I FINANCIAL INFORMATION

Item 1. ***Financial Statements (Unaudited)***

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
REVENUE	$ 1,341.3	$ 1,325.3
OPERATING EXPENSES:		
Salaries and related expenses	979.3	996.5
Office and general expenses	421.1	410.9
Restructuring and other reorganization-related charges (reversals)	0.3	(0.2)
Total operating expenses	1,400.7	1,407.2
OPERATING LOSS	(59.4)	(81.9)
EXPENSES AND OTHER INCOME:		
Interest expense	(32.6)	(34.8)
Interest income	6.5	12.3
Other income, net	0.5	4.9
Total (expenses) and other income	(25.6)	(17.6)
Loss before income taxes	(85.0)	(99.5)
Benefit of income taxes	(15.3)	(25.4)
Loss of consolidated companies	(69.7)	(74.1)
Equity in net (loss) income of unconsolidated affiliates	(0.6)	0.5
NET LOSS	(70.3)	(73.6)
Net loss attributable to noncontrolling interests	5.7	6.6
NET LOSS ATTRIBUTABLE TO IPG	(64.6)	(67.0)
Dividends on preferred stock	(6.9)	(6.9)
NET LOSS AVAILABLE TO IPG COMMON STOCKHOLDERS	$ (71.5)	$ (73.9)
Loss per share available to IPG common stockholders basic and diluted	$ (0.15)	$ (0.16)

Weighted-average number of common shares outstanding basic and diluted	471.3	464.0

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Millions)

(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS:		
Cash and cash equivalents	$ 1,928.8	$ 2,495.2
Marketable securities	12.7	10.9
Accounts receivable, net of allowance of $63.5 and $66.0	3,411.5	3,756.5
Expenditures billable to clients	1,127.6	1,100.1
Other current assets	296.1	275.0
Total current assets	6,776.7	7,637.7
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $1,118.2 and $1,119.1	460.6	490.1
Deferred income taxes	428.1	398.3
Goodwill	3,306.1	3,321.0
Other assets	417.9	416.0
TOTAL ASSETS	$ 11,389.4	$ 12,263.1
LIABILITIES:		
Accounts payable	$ 3,607.3	$ 4,003.9
Accrued liabilities	2,265.6	2,593.1
Short-term borrowings	86.3	93.4
Current portion of long-term debt	215.5	215.2
Total current liabilities	6,174.7	6,905.6
Long-term debt	1,634.5	1,638.0
Deferred compensation	485.5	503.2
Other non-current liabilities	375.1	402.2
TOTAL LIABILITIES	8,669.8	9,449.0
Redeemable noncontrolling interests (see Note 3)	255.1	277.8
STOCKHOLDERS EQUITY:		
Preferred stock	525.0	525.0
Common stock	47.2	47.1
Additional paid-in capital	2,445.9	2,441.0
Accumulated deficit	(389.4)	(324.8)
Accumulated other comprehensive loss, net of tax	(190.7)	(176.6)
	2,438.0	2,511.7
Less: Treasury stock	(14.1)	(14.0)
Total IPG stockholders equity	2,423.9	2,497.7

Noncontrolling interests	40.6	38.6
TOTAL STOCKHOLDERS EQUITY	2,464.5	2,536.3
TOTAL LIABILITIES AND EQUITY	$ 11,389.4	$ 12,263.1

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Millions)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (70.3)	$ (73.6)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	37.4	41.8
Provision for uncollectible receivables	1.1	3.9
Amortization of restricted stock and other non-cash compensation	13.7	9.3
Amortization of bond discounts and deferred financing costs	(1.0)	7.6
Deferred income tax benefit	(38.7)	(48.2)
Other	10.9	(7.3)
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	271.6	520.9
Expenditures billable to clients	(39.1)	17.2
Prepaid expenses and other current assets	(26.5)	(22.0)
Accounts payable	(347.8)	(612.5)
Accrued liabilities	(340.7)	(388.6)
Other non-current assets and liabilities	(26.1)	(5.8)
Net cash used in operating activities	(555.5)	(557.3)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of businesses and investments, net of cash sold	30.1	
Acquisitions, including deferred payments, net of cash acquired	(5.6)	(13.6)
Capital expenditures	(9.4)	(11.7)
Net (purchases) sales and maturities of short-term marketable securities	(1.6)	150.7
Other investing activities	(0.5)	0.4
Net cash provided by investing activities	13.0	125.8
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to noncontrolling interests	(4.5)	(6.5)
Preferred stock dividends	(6.9)	(6.9)
Other financing activities	(4.8)	(2.5)
Net cash used in financing activities	(16.2)	(15.9)
Effect of foreign exchange rate changes on cash and cash equivalents	(7.7)	(17.8)
Net decrease in cash and cash equivalents	(566.4)	(465.2)
Cash and cash equivalents at beginning of period	2,495.2	2,107.2
Cash and cash equivalents at end of period	$ 1,928.8	$ 1,642.0

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and Comprehensive Loss

(Amounts in Millions)

(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
Balance at December 31, 2009	$ 525.0	486.5	$ 47.1	$ 2,441.0	$ (324.8)	$ (176.6)	$ (14.0)	$ 2,497.7	$ 38.6	$ 2,536.3
Net loss					(64.6)			(64.6)	(5.7)	(70.3)
Foreign currency translation adjustment, net of tax						(15.2)		(15.2)	(0.1)	(15.3)
Changes in market value of securities available-for-sale, net of tax						0.1		0.1		0.1
Unrecognized losses, transition obligation and prior service cost, net of tax						1.0		1.0		1.0
Total comprehensive loss								$ (78.7)	$ (5.8)	$ (84.5)
Reclassifications related to redeemable noncontrolling interests									12.8	12.8
Noncontrolling interest transactions				(0.2)				(0.2)	(0.1)	(0.3)
Distributions to noncontrolling interests									(4.5)	(4.5)
Change in redemption value of redeemable noncontrolling interests				(2.3)				(2.3)		(2.3)
Preferred stock dividends				(6.9)				(6.9)		(6.9)
Stock-based compensation				15.7				15.7		15.7
Restricted stock, net of forfeitures		(0.4)	0.1	(3.3)				(3.2)		(3.2)
Other		0.1		1.9			(0.1)	1.8	(0.4)	1.4
Balance at March 31, 2010	$ 525.0	486.2	$ 47.2	$ 2,445.9	$ (389.4)	$ (190.7)	$ (14.1)	$ 2,423.9	$ 40.6	$ 2,464.5

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and Comprehensive Loss (Continued)

(Amounts in Millions)

(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
Balance at December 31, 2008	$ 525.0	477.1	$ 46.4	$ 2,413.5	$ (446.1)	$ (318.5)	$ (14.0)	$ 2,206.3	$ 37.9	$ 2,244.2
Net loss					(67.0)			(67.0)	(6.6)	(73.6)
Foreign currency translation adjustment, net of tax						(26.4)		(26.4)		(26.4)
Changes in market value of securities available-for-sale, net of tax						(0.3)		(0.3)		(0.3)
Unrecognized losses, transition obligation and prior service cost, net of tax						2.2		2.2		2.2
Total comprehensive loss								$ (91.5)	$ (6.6)	$ (98.1)
Reclassifications related to redeemable noncontrolling interests									6.0	6.0
Noncontrolling interest transactions				(1.5)				(1.5)	(0.7)	(2.2)
Distributions to noncontrolling interests									(6.5)	(6.5)
Change in redemption value of redeemable noncontrolling interests				4.3				4.3		4.3
Preferred stock dividends				(6.9)				(6.9)		(6.9)
Stock-based compensation				9.5				9.5		9.5
Restricted stock, net of forfeitures		1.7	0.3	(5.6)				(5.3)		(5.3)
Other		0.1	(0.1)	2.6				2.5	0.6	3.1
Balance at March 31, 2009	$ 525.0	478.9	$ 46.6	$ 2,415.9	$ (513.1)	$ (343.0)	$ (14.0)	$ 2,117.4	$ 30.7	$ 2,148.1

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

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Notes to Consolidated Financial Statements

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. and subsidiaries (the IPG, we, us or our) in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC or the Commission) for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported and disclosed. Actual results could differ from these estimates and assumptions. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our 2009 Annual Report on Form 10-K.

In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments of a normal and recurring nature necessary for a fair statement of the information for each period contained therein. Certain reclassifications have been made to prior periods to conform to the current period presentation.

Note 2: Loss Per Share

Loss per basic and diluted common share available to IPG common stockholders equals net loss available to IPG common stockholders divided by the weighted-average number of common shares outstanding for the applicable period.

We may be required to calculate loss per basic share using the two-class method, pursuant to authoritative guidance for earnings per share, as a result of our redeemable noncontrolling interests. Each reporting period, redeemable noncontrolling interests are reported at their estimated redemption value, but not less than their initial fair value. Any adjustment to the redemption value will also impact additional paid-in capital, but will not impact net loss. Adjustments as a result of currency translation will affect the redeemable noncontrolling interest balance, but do not impact additional paid-in capital. To the extent that the redemption value increases and exceeds the then-current fair value of a redeemable noncontrolling interest, net loss available to IPG common stockholders (used to calculate loss per share) could be negatively impacted by that increase, subject to certain limitations. The partial or full recovery of these reductions to net loss available to IPG common stockholders (used to calculate loss per share) is limited to cumulative prior-period reductions. The following sets forth basic and diluted loss per common share available to IPG common stockholders.

	Three months ended March 31,	
	2010	**2009**
Net loss available to IPG common stockholders	$ (71.5)	$ (73.9)
Weighted-average number of common shares outstanding basic and diluted	471.3	464.0
Loss per share available to IPG common stockholders basic and diluted	$ (0.15)	$ (0.16)

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Basic and diluted shares outstanding and loss per share are equal for the three months ended March 31, 2010 and 2009 because our potentially dilutive securities are antidilutive as a result of the net loss available to IPG common stockholders in each period presented. The following table presents the potential shares excluded from diluted loss per share because the effect of including these potential shares would be antidilutive.

	Three months ended March 31, 2010	Three months ended March 31, 2009
Stock options and non-vested restricted stock awards	10.8	9.9
4.75% Notes	16.1	16.1
4.25% Notes	32.2	32.2
4.50% Notes		0.7
Series B Preferred Stock	38.4	38.4
Total	97.5	97.3
Securities excluded from the diluted loss per share calculation because the exercise price was greater than the average market price:		
Stock options [1]	20.7	26.6
Warrants [2]		67.9

1 These options are outstanding at the end of the respective periods. In any period in which the exercise price is less than the average market price, these options have the potential to be dilutive and application of the treasury stock method would reduce this amount.

2 The potential dilutive impact of the warrants was based upon the difference between the market price of one share of our common stock and the stated exercise prices of the warrants, adjusted to reflect the period during which the warrants were outstanding. The warrants expired in June 2009.

Note 3: Supplementary Data

Accrued Liabilities

	March 31, 2010	December 31, 2009
Media and production expenses	$ 1,724.7	$ 1,936.1
Salaries, benefits and related expenses	288.5	405.7
Office and related expenses	58.0	59.5
Professional fees	20.6	20.4
Interest	25.1	46.6
Acquisition obligations	51.9	16.6
Other	96.8	108.2
Total accrued liabilities	$ 2,265.6	$ 2,593.1

2004 Restatement Liabilities

As part of the restatement we presented in our 2004 Annual Report on Form 10-K (the 2004 Restatement), we recognized liabilities related to vendor discounts and credits where we had a contractual or legal obligation to rebate such amounts to our clients or vendors. Reductions to these liabilities are achieved through settlements with clients and vendors, but also may occur if the applicable statute of limitations in a jurisdiction has lapsed. Also, as part of the 2004 Restatement, we recognized liabilities related to internal investigations and international compensation arrangements. As of March 31, 2010 and December 31, 2009 we had total 2004 Restatement liabilities of $104.3 and $109.2, respectively, of which vendor discounts and credits represented $101.4 and $106.4, respectively.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Redeemable Noncontrolling Interests

Many of our acquisitions include provisions under which the noncontrolling equity owners can require us to purchase additional interests in a subsidiary at their discretion. Payments for these redeemable noncontrolling interests are contingent upon achieving projected operating performance targets and satisfying other conditions specified in the related agreements and are subject to revisions as the earn-out periods progress. The following table presents changes in our redeemable noncontrolling interests.

	Three months ended March 31,	
	2010	**2009**
Balance at beginning of period	$ 277.8	$ 288.4
Noncontrolling interest balance related to redeemable noncontrolling interests	(12.8)	(6.0)
Changes in redemption value of redeemable noncontrolling interests:		
Redeemable noncontrolling interests related to current year transactions	2.4	2.1
Redemptions and reclassifications	(16.7)	(2.3)
Redemption value adjustments [1]	4.4	(3.3)
Balance at end of period	$ 255.1	$ 278.9

1 Redeemable noncontrolling interests are reported at their estimated redemption value in each reporting period, but not less than their initial fair value. Any adjustment to the redemption value impacts additional paid-in capital, except adjustments as a result of currency translation.

Note 4: Debt and Credit Arrangements

Long-Term Debt

A summary of the carrying amounts and fair values of our long-term debt is as follows.

		March 31, 2010		December 31, 2009	
	Effective Interest Rate	**Book Value**	**Fair Value [2]**	**Book Value**	**Fair Value [2]**
Floating Rate Senior Unsecured Notes due 2010 (less unamortized discount of $1.4)	8.65%	$ 212.4	$ 211.0	$ 211.7	$ 210.5
7.25% Senior Unsecured Notes due 2011	7.25% [1]	36.3	36.0	36.3	36.2
6.25% Senior Unsecured Notes due 2014 (less unamortized discount of $0.5) [3]	6.29% [1]	353.9	350.9	351.5	332.5
10.00% Senior Unsecured Notes due 2017 (less unamortized discount of $11.4)	10.38%	588.6	681.0	588.3	666.0
4.75% Convertible Senior Notes due 2023 (plus unamortized premium of $6.6)	3.50%	206.6	215.4	207.2	213.3
4.25% Convertible Senior Notes due 2023 (plus unamortized premium of $28.3)	0.58%	428.3	419.4	431.9	416.4
Other notes payable and capitalized leases		23.9		26.3	
Total long-term debt		1,850.0		1,853.2	

Less: current portion	215.5	215.2
Long-term debt, excluding current portion	$ 1,634.5	$ 1,638.0

1 Excludes the effect of related gains/losses on interest rate swaps.

2 Fair values are derived from trading quotes by institutions making a market in the securities and estimations of value by those institutions using proprietary models.

3 As of December 31, 2009, the book value includes an increase of $1.3, resulting from fair value adjustments to the hedged debt related to interest rate swap agreements outstanding during 2009. In February 2010, we terminated all of these interest rate swaps agreements. See Interest Rate Swaps below for further information.

In April 2010, we repurchased $21.4 aggregate principal amount of our Floating Rate Senior Unsecured Notes due 2010 that were scheduled to mature in November 2010 for $21.5 in cash, which includes accrued and unpaid interest.

Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Interest Rate Swaps

In February 2010, we terminated all of the interest rate swaps related to our 6.25% Senior Unsecured Notes due 2014. We received a total of $5.4 in cash, which included accrued and unpaid interest. The related gain of $3.9 will be amortized as a reduction to interest expense over the remaining term of the notes, resulting in an annual effective interest rate of 6.0%.

Credit Facilities

On April 23, 2010 we amended and restated our credit agreement originally dated as of July 18, 2008, (the Credit Agreement), which increased commitments of the lenders to $650.0 from $335.0. The Credit Agreement is a revolving facility expiring July 18, 2013, under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of $650.0 or the equivalent in other currencies. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a limit on letters of credit of $200.0 or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured.

We were in compliance with all applicable restrictive and financial covenants in the Credit Agreement as of March 31, 2010, which was prior to the April 23, 2010 amendment and restatement. The revised financial covenants in the Credit Agreement require that we maintain, as of the end of each fiscal quarter: (i) an interest coverage ratio (EBITDA to net interest expense plus cash dividends on convertible preferred stock) for the four quarters then ended of not less than 3.75 to 1 for the second and third quarters of 2010, 4.00 to 1 for the fourth quarter of 2010, 4.25 to 1 for the first quarter of 2011, and stepping up gradually until we reach 5.75 to 1 for the third quarter of 2012 and thereafter; (ii) a leverage ratio (debt as of such date to EBITDA) for the four quarters then ended of not greater than 3.75 to 1 for the second and third quarters of 2010, 3.25 to 1 for the fourth quarter of 2010 and the first two quarters of 2011 and stepping down gradually until we reach 2.50 to 1 for the second quarter of 2012 and thereafter; and (iii) minimum EBITDA for the four quarters then ended of not less than $550.0 through the third quarter of 2011 and $600.0 thereafter. For purposes of the leverage ratio and interest coverage ratio calculated for any date in 2010, we may exclude from our total debt up to $300.0 of any new senior notes we issue in 2010 with a minimum maturity of five years, less the amount of proceeds of such new indebtedness that are applied to reduce the principal amount of certain of our debt that is currently outstanding. Under certain circumstances, up to $85.0 in principal amount of such new senior notes may be permanently excluded from total debt for purposes of such covenant calculations.

Note 5: Income Taxes

For the three months ended March 31, 2010, the difference between the effective tax rate and the statutory rate of 35% is primarily due to losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances, the establishment of valuation allowances in Europe and the loss from the devaluation of the Venezuelan currency, for which we received no tax benefit.

We have various tax years under examination by tax authorities in various countries, such as the United Kingdom, and in various states, such as New York, in which we have significant business operations. It is not yet known whether these examinations will, in the aggregate, result in our paying additional taxes. We believe our tax reserves are adequate in relation to the potential for additional assessments in each of the jurisdictions in which we are subject to taxation. We regularly assess the likelihood of additional tax assessments in those jurisdictions and, if necessary, adjust our reserves as additional information or events require.

With respect to all tax years open to examination by U.S. federal and various state, local and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between $50.0 and $60.0 in the next twelve months, a portion of which will affect the effective tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statutes of limitations. This net decrease is related to various items of income and expense, including transfer pricing adjustments and adjustments in various state and local jurisdictions.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

We are effectively settled with respect to U.S. federal income tax audits for years prior to 2007. With limited exceptions, we are no longer subject to state and local income tax audits for years prior to 1999, or non-U.S. income tax audits for years prior to 2000.

On March 18, 2010, the Hiring Incentives to Restore Employment (HIRE) Act was signed into law. This Act primarily provides employers with tax incentives to hire and retain new employees. There was no material impact on us in the first quarter of 2010. While we continue to assess the future impact of the Act on us, we do not expect a material impact to our effective or cash tax rates.

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed into law, amending the Patient Protection and Affordable Care Act, the comprehensive health care reform legislation that was enacted on March 23, 2010. These Acts include significant tax law changes, including a decrease in the deduction for retiree health care costs, the codification of the economic substance doctrine and a provision to increase tax information reporting. There was no material impact on us in the first quarter of 2010. While we continue to assess the future impact of these Acts on us, we do not expect a material impact to our effective or cash tax rates.

Note 6: Incentive Compensation Plans

We issue stock-based compensation and cash awards to our employees under a plan established by the Compensation and Leadership Talent Committee of the Board of Directors (the Compensation Committee) and approved by our shareholders.

Stock-Based Compensation

We issued the following stock-based awards under the 2009 Performance Incentive Plan (the 2009 PIP) during the three months ended March 31, 2010.

	Awards	Weighted-average grant-date fair value (per award)
Stock options	0.5	$ 3.88
Stock-settled awards	3.4	$ 8.43
Cash-settled awards	0.6	$ 8.45
Total stock-based compensation awards	4.5	

Cash Awards

During the three months ended March 31, 2010, the Compensation Committee granted cash awards under the Interpublic Restricted Cash Plan and performance cash awards under the 2009 PIP with a total target value of $28.1 and $18.1, respectively, which will be amortized over the vesting period. Additional performance cash awards of $19.0 were granted under the 2009 PIP and are expected to be settled in shares upon vesting and therefore fall within the scope of authoritative guidance for stock compensation.

Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 7: Employee Benefits

We have a defined benefit plan which covers substantially all regular U.S. employees employed through March 31, 1998. Some of our agencies have additional domestic plans which are closed to new participants. We also have numerous plans outside of the U.S., some of which are funded, while others provide payments at the time of retirement or termination under applicable labor laws or agreements. Some of our domestic and foreign subsidiaries also provide postretirement health benefits to eligible employees and their dependents. Additionally, some of our domestic subsidiaries provide postretirement life insurance to eligible employees. Certain immaterial foreign pension plans have been excluded from the table below. The components of net periodic cost for the domestic pension plans, the principal foreign pension plans and the postretirement benefit plans are listed below.

	Domestic Pension Plans		Foreign Pension Plans		Postretirement Benefit Plans	
Three months ended March 31,	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Service cost	$	$	$ 3.2	$ 2.6	$ 0.1	$ 0.1
Interest cost	1.8	2.0	5.9	5.4	0.8	0.8
Expected return on plan assets	(1.6)	(1.9)	(4.4)	(3.2)		
Settlement losses			0.4			
Amortization of:						
Prior service cost			0.1			
Unrecognized actuarial losses	2.3	2.5	0.5	0.6		
Net periodic cost	$ 2.5	$ 2.6	$ 5.7	$ 5.4	$ 0.9	$ 0.9

For the three months ended March 31, 2010, we contributed $6.5 to our foreign pension plans, while contributions to our domestic pension plans were $9.6. For the remainder of 2010, we expect to contribute approximately $17.0 to our foreign pension plans, while contributions to our domestic pension plans are expected to be negligible. A significant portion of our contributions to the foreign pension plans relates to the Interpublic Pension Plan in the U.K. (the U.K. Pension Plan). Additionally, we are in the process of modifying the schedule of employer contributions for the U.K. Pension Plan, which we expect to finalize in 2010. As a result, our contributions to our foreign pension plans may increase in 2010 and subsequent years.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 8: Segment Information

We have two reportable segments: Integrated Agency Networks (IAN), which is comprised of Draftfcb, Lowe, McCann Worldgroup, Mediabrands and our domestic integrated agencies, and Constituency Management Group (CMG), which is comprised of a number of our specialist marketing service offerings. We also report results for the Corporate and other group. The profitability measure employed by our chief operating decision maker for allocating resources to operating divisions and assessing operating division performance is operating income (loss), excluding the impact of restructuring and other reorganization-related charges (reversals) and long-lived asset impairment and other charges, if applicable. Segment information is presented consistently with the basis described in our 2009 Annual Report on Form 10-K. Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended March 31,	
	2010	**2009**
Revenue:		
IAN	$ 1,119.5	$ 1,114.9
CMG	221.8	210.4
Total	$ 1,341.3	$ 1,325.3
Segment operating loss:		
IAN	$ (34.1)	$ (57.5)
CMG	8.5	4.5
Corporate and other	(33.5)	(29.1)
Total	(59.1)	(82.1)
Restructuring and other reorganization-related (charges) reversals	(0.3)	0.2
Interest expense	(32.6)	(34.8)
Interest income	6.5	12.3
Other income, net	0.5	4.9
Loss before income taxes	$ (85.0)	$ (99.5)
Depreciation and amortization of fixed assets and intangible assets:		
IAN	$ 28.9	$ 32.6
CMG	3.4	3.6
Corporate and other	5.1	5.6
Total	$ 37.4	$ 41.8
Capital expenditures:		
IAN	$ 8.6	$ 8.4

CMG	0.3	0.9
Corporate and other	0.5	2.4
Total	$ 9.4	$ 11.7

	March 31, 2010	December 31, 2009
Total assets:		
IAN	$ 9,235.6	$ 9,763.9
CMG	891.1	897.8
Corporate and other	1,262.7	1,601.4
Total	$ 11,389.4	$ 12,263.1

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 9: Fair Value Measurements

Authoritative guidance for fair value measurements establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We primarily apply the market approach for recurring fair value measurements. There are three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no changes to the our valuation techniques used to measure the fair value of assets and liabilities on a recurring basis during the three months ended March 31, 2010. The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	March 31, 2010				
	Level 1	**Level 2**	**Level 3**	**Total**	**Balance Sheet Classification**
Assets					
Cash equivalents	$ 1,239.1	$	$	$ 1,239.1	Cash and cash equivalents
Short-term marketable securities	12.7			12.7	Marketable securities
Long-term investments	1.3	13.8		15.1	Other assets
Foreign currency derivatives [1]			0.6	0.6	Other assets
Total	$ 1,253.1	$ 13.8	$ 0.6	$ 1,267.5	
As a percentage of total assets	11.0%	0.1%		11.1%	
Liabilities					
Mandatorily redeemable noncontrolling interests [2]	$	$	$ 63.5	$ 63.5	[3]

1 Fair value is derived from changes in market value of obligations denominated in foreign currency based on an internal valuation model.

2 Relates to obligations to purchase noncontrolling equity shares of consolidated subsidiaries, valued pursuant to authoritative guidance on mandatorily redeemable financial instruments. Fair value measurement of the obligation was based upon the amount payable as if the forward contracts were settled as of March 31, 2010.

3 The amount redeemable within the next twelve months is classified in accrued liabilities; any interests redeemable thereafter are classified in other non-current liabilities.

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we utilize Level 3 inputs to determine fair value.

	Assets	Liabilities
	Foreign currency derivatives	Mandatorily redeemable noncontrolling interests
Balance as of December 31, 2009	$ 0.6	$ 47.8
Level 3 additions		15.8
Realized gains included in net loss		0.1
Balance as of March 31, 2010	$ 0.6	$ 63.5

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Level 3 additions relate to unconditional obligations to purchase additional equity interests in previous acquisitions for cash, which is considered to be a mandatorily redeemable financial instrument. Realized gains for mandatorily redeemable noncontrolling interests are reported as a component of interest expense in the unaudited Consolidated Statements of Operations.

Note 10: Commitments and Contingencies

Legal Matters

We are involved in legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, we do not believe that the outcome of such proceedings will have a material adverse effect on our financial condition, results of operations or cash flows.

Guarantees

As discussed in our 2009 Annual Report on Form 10-K, we have guarantees of certain obligations of our subsidiaries relating principally to credit facilities, certain media payables and operating leases of certain subsidiaries. The amount of such parent company guarantees was approximately $769.0 as of March 31, 2010 and December 31, 2009.

Note 11: Recent Accounting Standards

In March 2010, the Emerging Issues Task Force (EITF) reached a final consensus related to guidance when applying the milestone method of revenue recognition. The guidance will be effective for us beginning in January 1, 2011. The final consensus provides criteria for indentifying those deliverables in an arrangement that meet the definition of a milestone. In addition, the guidance includes enhanced quantitative and qualitative disclosure about the arrangements when an entity recognizes revenue using the milestone method. We do not expect the adoption of this guidance to have a significant impact on our Consolidated Financial Statements.

In February 2010, the Financial Accounting Standards Board (FASB) issued amended guidance for subsequent events, which is effective for us in February 2010. In accordance with the revised guidance, an SEC filer no longer will be required to disclose the date through which subsequent events have been evaluated in issued and revised financial statements. The adoption of the revised guidance did not have a material impact on our unaudited Consolidated Financial Statements.

In January 2010, the FASB issued amended guidance to enhance disclosure requirements related to fair value measurements. The amended guidance for Level 1 and Level 2 fair value measurements is effective for us January 1, 2010. The amended guidance for Level 3 fair value measurements will be effective for us January 1, 2011. The guidance requires disclosures of amounts and reasons for transfers in and out of Level 1 and Level 2 recurring fair value measurements as well as additional information related to activities in the reconciliation of Level 3 fair value measurements. The guidance expanded the disclosures related to the level of disaggregation of assets and liabilities and information about inputs and valuation techniques. The adoption of the guidance for Level 1 and Level 2 fair value measurements did not have a material impact on our unaudited Consolidated Financial Statements. We do not expect the adoption of the guidance related to Level 3 fair value measurements to have a significant impact on our Consolidated Financial Statements.

In January 2010, the FASB issued amended authoritative guidance related to consolidations when there is a decrease in ownership. The guidance is effective for us January 1, 2010. Specifically, the amendment clarifies the scope of the existing guidance and increases the disclosure requirements when a subsidiary is deconsolidated or when a group of assets is de-recognized. The adoption of the amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

In December 2009, the FASB amended authoritative guidance related to accounting for transfers and servicing of financial assets and extinguishments of liabilities. The guidance is effective for us January 1, 2010. The guidance eliminates

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(Amounts in Millions, Except Per Share Amounts)

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the concept of a qualifying special-purpose entity and changes the criteria for derecognizing financial assets. In addition, the guidance requires additional disclosures related to a company s continued involvement with financial assets that have been transferred. The adoption of this amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

In December 2009, the FASB amended authoritative guidance for consolidating variable interest entities. The guidance is effective for us January 1, 2010. Specifically, the guidance revises factors that should be considered by a reporting entity when determining whether an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance also includes revised financial statement disclosures regarding the reporting entity s involvement, including significant risk exposures as a result of that involvement, and the impact the relationship has on the reporting entity s financial statements. The adoption of this amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

In September 2009, the EITF reached a consensus related to revenue arrangements with multiple deliverables. The consensus was issued by the FASB as an update to authoritative guidance for revenue recognition and will be effective for us January 1, 2011. The updated guidance revises how the estimated selling price of each deliverable in a multiple element arrangement is determined when the deliverables do not have stand-alone value. In addition, the guidance requires additional disclosures about the methods and assumptions used to evaluate multiple element arrangements and to identify the significant deliverables within those arrangements. We are currently evaluating the potential impact of the amended guidance on our Consolidated Financial Statements.

Note 12: Subsequent Events

On April 29, 2010, we launched a tender offer to purchase up to 370,000 shares (actual number) of our outstanding Series B Preferred Stock, with the price per share to be determined based on a formula taking into account the average trading price of our common shares over a reference period. We plan to use available cash to pay the aggregate purchase price of up to $400.0 (inclusive of accrued dividends) for the shares tendered.

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