

INTERPUBLIC GROUP OF COMPANIES, INC.

Form 10-Q

October 28, 2011

Table of Contents

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 September 30, 2011

or

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

Commission file number: 1-6686

THE INTERPUBLIC GROUP OF COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1024020

(I.R.S. Employer Identification No.)

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  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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

The number of shares of the registrant's common stock outstanding as of October 17, 2011 was 461,172,626.

Table of Contents

## INDEX

Page No.

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	
	<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010</u>	<u>2</u>
	<u>Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010</u>	<u>3</u>
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010</u>	<u>4</u>
	<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the Nine Months Ended September 30, 2011 and 2010</u>	<u>5</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>32</u>
Item 4.	<u>Controls and Procedures</u>	<u>32</u>
<u>PART II. OTHER INFORMATION</u>		
Item 1.	<u>Legal Proceedings</u>	<u>33</u>
Item 1A.	<u>Risk Factors</u>	<u>33</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
Item 6.	<u>Exhibits</u>	<u>34</u>
	<u>SIGNATURES</u>	<u>35</u>
	<u>INDEX TO EXHIBITS</u>	<u>36</u>

## 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 intended to identify 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.



Table of Contents

## 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 September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
REVENUE	\$1,726.5	\$1,553.4	\$4,942.0	\$4,502.1
OPERATING EXPENSES:				
Salaries and related expenses	1,088.0	1,007.1	3,263.8	2,977.4
Office and general expenses	465.5	444.7	1,375.5	1,304.4
Restructuring and other reorganization-related (reversals) charges, net	(0.2 )	1.4	0.8	2.3
Total operating expenses	1,553.3	1,453.2	4,640.1	4,284.1
OPERATING INCOME	173.2	100.2	301.9	218.0
EXPENSES AND OTHER INCOME:				
Interest expense	(32.9 )	(34.7 )	(97.9 )	(102.3 )
Interest income	9.7	6.8	27.7	19.4
Other income (expense), net	137.1	(3.1 )	136.3	(4.7 )
Total (expenses) and other income	113.9	(31.0 )	66.1	(87.6 )
Income before income taxes	287.1	69.2	368.0	130.4
Provision for income taxes	70.4	24.4	96.5	72.4
Income of consolidated companies	216.7	44.8	271.5	58.0
Equity in net income of unconsolidated affiliates	0.8	0.8	1.7	0.4
NET INCOME	217.5	45.6	273.2	58.4
Net (income) loss attributable to noncontrolling interests	(6.5 )	(0.3 )	(2.8 )	4.8
NET INCOME ATTRIBUTABLE TO IPG	211.0	45.3	270.4	63.2
Dividends on preferred stock	(2.9 )	(2.9 )	(8.7 )	(12.7 )
Benefit from preferred stock repurchased	0.0	0.0	0.0	25.7
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	\$208.1	\$42.4	\$261.7	\$76.2
Earnings per share available to IPG common stockholders:				
Basic	\$0.45	\$0.09	\$0.56	\$0.16
Diluted	\$0.40	\$0.08	\$0.50	\$0.11
Weighted-average number of common shares outstanding:				
Basic	464.7	474.7	471.3	473.0
Diluted	537.6	533.6	527.8	526.4
Dividends declared per common share	\$0.06	\$0.00	\$0.18	\$0.00

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



Table of ContentsTHE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Amounts in Millions)

(Unaudited)

	September 30, 2011	December 31, 2010
<b>ASSETS:</b>		
Cash and cash equivalents	\$1,785.0	\$2,675.7
Marketable securities	13.8	13.7
Accounts receivable, net of allowance of \$62.0 and \$63.1	3,654.4	4,317.6
Expenditures billable to clients	1,525.3	1,217.1
Other current assets	250.8	229.4
Total current assets	7,229.3	8,453.5
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$1,180.1 and \$1,147.1	441.5	454.3
Deferred income taxes	309.2	334.2
Goodwill	3,405.4	3,368.5
Other non-current assets	440.5	460.3
<b>TOTAL ASSETS</b>	<b>\$11,825.9</b>	<b>\$13,070.8</b>
<b>LIABILITIES:</b>		
Accounts payable	\$5,934.2	\$6,806.7
Accrued liabilities	624.0	780.5
Short-term borrowings	149.9	114.8
Current portion of long-term debt	408.5	38.9
Total current liabilities	7,116.6	7,740.9
Long-term debt	1,166.2	1,583.3
Deferred compensation	447.3	486.1
Other non-current liabilities	424.6	402.4
<b>TOTAL LIABILITIES</b>	<b>9,154.7</b>	<b>10,212.7</b>
Redeemable noncontrolling interests (see Note 4)	257.7	291.2
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock	221.5	221.5
Common stock	48.2	47.5
Additional paid-in capital	2,397.4	2,456.8
Retained earnings (accumulated deficit)	176.2	(63.7 )
Accumulated other comprehensive loss, net of tax	(181.6 )	(119.0 )
	2,661.7	2,543.1
Less: Treasury stock	(283.1 )	(14.1 )
Total IPG stockholders' equity	2,378.6	2,529.0
Noncontrolling interests	34.9	37.9
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,413.5</b>	<b>2,566.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$11,825.9</b>	<b>\$13,070.8</b>

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



Table of ContentsTHE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

(Unaudited)

	Nine months ended September 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$273.2	\$58.4
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	109.5	111.5
Provision for uncollectible receivables	7.7	8.6
Amortization of restricted stock and other non-cash compensation	42.1	38.5
Net amortization of bond premiums and deferred financing costs	(6.3	) (3.0
Deferred income tax provision (benefit)	24.7	(7.5
Gain on sale of an investment	(132.2	) 0.0
Other	15.9	26.1
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	565.8	(82.7
Expenditures billable to clients	(315.2	) (225.8
Other current assets	(36.9	) (14.9
Accounts payable	(817.4	) 51.2
Accrued liabilities	(99.2	) (104.1
Other non-current assets and liabilities	(75.6	) (18.1
Net cash used in operating activities	(443.9	) (161.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of an investment	133.5	0.0
Acquisitions, including deferred payments, net of cash acquired	(50.3	) (63.0
Capital expenditures	(83.3	) (49.7
Other investing activities	9.2	29.1
Net cash provided by (used in) investing activities	9.1	(83.6
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchase of common stock	(269.0	) 0.0
Common stock dividends	(84.4	) 0.0
Exercise of stock options	11.9	1.0
Repurchase of preferred stock	0.0	(265.9
Purchase of long-term debt	(38.3	) (24.2
Issuance costs and fees	0.0	(9.8
Net increase in short term bank borrowings	48.0	25.9
Acquisition-related payments	(70.4	) (25.8
Distributions to noncontrolling interests	(17.4	) (18.2
Preferred stock dividends	(8.7	) (16.7
Other financing activities	5.6	6.0
Net cash used in financing activities	(422.7	) (327.7
Effect of foreign exchange rate changes on cash and cash equivalents	(33.2	) 5.6
Net decrease in cash and cash equivalents	(890.7	) (567.5
Cash and cash equivalents at beginning of period	2,675.7	2,495.2
Cash and cash equivalents at end of period	\$1,785.0	\$1,927.7



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

4

---

Table of Contents

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)  
(Amounts in Millions)  
(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at December 31, 2010	\$221.5	489.5	\$47.5	\$2,456.8	\$(63.7 )	\$(119.0 )	\$(14.1 )	\$2,529.0	\$37.9	\$2,566.9
Net income					270.4			270.4	2.8	273.2
Foreign currency translation adjustments, net of tax						(70.1 )		(70.1 )	(1.7 )	(71.8 )
Changes in market value of securities available-for-sale, net of tax						0.1		0.1		0.1
Recognition of previously unrealized loss on securities available-for-sale, net of tax						0.2		0.2		0.2
Unrecognized losses, transition obligation and prior service cost, net of tax						7.2		7.2		7.2
Total comprehensive income								\$207.8	\$1.1	\$208.9
Reclassifications related to redeemable noncontrolling interests									15.8	15.8
Noncontrolling interest transactions				0.2				0.2	(2.9 )	(2.7 )
Distributions to noncontrolling interests									(17.4 )	(17.4 )
Change in redemption value of redeemable noncontrolling interests				(20.7 )				(20.7 )		(20.7 )

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

Repurchase of common stock							(269.0 )	(269.0 )	(269.0 )	
Common stock dividends			(56.8 )	(27.6 )			(84.4 )	(84.4 )	(84.4 )	
Preferred stock dividends			(5.8 )	(2.9 )			(8.7 )	(8.7 )	(8.7 )	
Stock-based compensation			36.5				36.5		36.5	
Exercise of stock options	1.2	0.1	11.9				12.0		12.0	
Restricted stock, net of forfeitures	0.4	0.6	(28.9 )				(28.3 )		(28.3 )	
Other	0.3	0.0	4.2				4.2	0.4	4.6	
Balance at September 30, 2011	\$221.5	491.4	\$48.2	\$2,397.4	\$176.2	\$(181.6 )	\$(283.1)	\$2,378.6	\$34.9	\$2,413.5

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

Table of Contents

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS) –  
 (CONTINUED)

(Amounts in Millions)

(Unaudited)

	Preferred Stock	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings (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 income (loss)					63.2			63.2	(4.8)	58.4
Foreign currency translation adjustments, net of tax						8.3		8.3	0.9	9.2
Changes in market value of securities available-for-sale, net of tax						0.2		0.2		0.2
Recognition of previously unrealized gain on securities available-for-sale, net of tax						(0.2)		(0.2)		(0.2)
Unrecognized losses, transition obligation and prior service cost, net of tax						6.5		6.5		6.5
Total comprehensive income (loss)								\$78.0	\$(3.9)	\$74.1
Reclassifications related to redeemable noncontrolling interests									18.6	18.6
Noncontrolling interest transactions				(26.0)				(26.0)	1.1	(24.9)
Distributions to noncontrolling interests									(18.2)	(18.2)
Change in redemption value of redeemable				(5.6)				(5.6)		(5.6)

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

noncontrolling interests										
Repurchase of preferred stock	(303.5 )		35.9				(267.6 )		(267.6 )	
Preferred stock dividends			(12.7 )				(12.7 )		(12.7 )	
Stock-based compensation			41.2				41.2		41.2	
Restricted stock, net of forfeitures	2.3	0.3	(11.4 )				(11.1 )		(11.1 )	
Other	0.3	0.0	2.3			(0.1 )	2.2	(0.8 )	1.4	
Balance at September 30, 2010	\$221.5	489.1	\$47.4	\$2,464.7	\$ (261.6)	\$ (161.8)	\$ (14.1)	\$2,296.1	\$ 35.4	\$2,331.5

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

Table of Contents

## 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 "Company," "IPG," "we," "us" or "our") in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") 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 U.S. GAAP 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 2010 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 period financial statements to conform to the current period presentation. During the third quarter of 2011, we combined media and production liabilities that were previously reflected in accrued liabilities with accounts payable in our Consolidated Balance Sheets to better reflect all media and production related liabilities in one caption. As a result of this change, which was applied retrospectively, accounts payable includes all media and production liabilities. As of September 30, 2011 and December 31, 2010, accounts payable increased and accrued liabilities decreased by \$2,316.2 and \$2,332.2, respectively. This change does not impact net working capital movements, operating cash flows or total current liabilities.

During the first quarter of 2011, we changed the classification of taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions from a gross to a net basis in a country. This change, which was applied retrospectively and does not change previously reported operating income or net income, decreased revenue and office and general expense by \$7.4 for the three months ended September 30, 2010, and by \$17.8 for the nine months ended September 30, 2010. A comparable amount is included as a reduction to revenue and office and general expense for the three and nine months ended September 30, 2011. We believe this presentation better aligns the Company's internal financial and operational management reporting as well as increases consistency in our external reporting across the countries in which we operate.

## Note 2: Debt, Credit Arrangements and Preferred Stock

## Long-Term Debt

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

	Effective		September 30,		December 31,	
	Interest Rate		2011		2010	
			Book	Fair	Book	Fair
			Value	Value <sup>2</sup>	Value	Value <sup>2</sup>
7.25% Senior Unsecured Notes due 2011	7.25	% <sup>1</sup>	\$0.0	\$0.0	\$36.3	\$37.0
6.25% Unsecured Notes due 2014 (less unamortized discount of \$0.3)	6.29	% <sup>1</sup>	354.6	370.1	353.3	378.0
10.00% Senior Unsecured Notes due 2017 (less unamortized discount of \$9.7)	10.38	%	590.3	681.0	589.4	705.0
4.75% Convertible Senior Notes due 2023 (plus unamortized premium of \$3.3)	3.50	%	203.3	213.8	205.0	235.0
4.25% Convertible Senior Notes due 2023 (plus unamortized)	0.58	%	406.6	404.5	417.4	444.4

premium of \$6.6)		
Other notes payable and capitalized leases	19.9	20.8
Total long-term debt	1,574.7	1,622.2
Less: current portion <sup>3</sup>	408.5	38.9
Long-term debt, excluding current portion	\$1,166.2	\$1,583.3

<sup>1</sup> Excludes the effect of related interest rate swaps.

<sup>2</sup> 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.

<sup>3</sup> On March 15, 2012, holders of our 4.25% Convertible Senior Notes due 2023 (the "4.25% Notes") may require us to repurchase their notes for cash at par and as such, we included these notes in the current portion of long-term debt on our September 30, 2011 unaudited Consolidated Balance Sheet. Any 4.25% Notes not repurchased on March 15, 2012 will be reclassified to long-term debt.

7

---

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

7.25% Senior Unsecured Notes due 2011

In August 2011, the remaining \$36.3 aggregate principal amount of our 7.25% Senior Unsecured Notes due 2011 matured, and we paid \$37.6 in cash, including accrued and unpaid interest.

Interest Rate Swaps

In March 2011, we entered into an interest rate swap agreement related to our 6.25% Senior Unsecured Notes due 2014 (the "2014 Notes") to effectively convert \$100.0 notional amount of our \$350.0 2014 Notes from fixed rate to floating rate debt. In April 2011, we entered into an additional interest rate swap agreement related to the 2014 Notes to effectively convert an additional \$100.0 notional amount of our 2014 Notes from fixed to floating rate debt. In May 2011, we terminated all of the interest rate swaps related to the 2014 Notes, which were settled for a total of \$2.7, received in cash, which included accrued and unpaid interest. Upon termination of these swaps, a debt premium equal to the swaps' fair value of \$2.3 was recorded as an adjustment to the carrying value of the debt and will be amortized as a reduction to interest expense over the remaining term of the 2014 Notes, resulting in an annual effective interest rate of 5.8%.

Credit Facilities

On May 31, 2011, we entered into an amendment and restatement of our credit agreement originally dated as of July 18, 2008 (the "Credit Agreement"), increasing the commitments of the lenders to \$1,000.0 from \$650.0, and extending the Credit Agreement's expiration to May 31, 2016. Additionally, the amendments modified our financial covenants, and provided additional flexibility with respect to, or eliminated, certain covenants such as restrictions on acquisitions, capital expenditures and restricted payments. In addition, the cost structure was reduced.

We were in compliance with all of our covenants in the Credit Agreement as of September 30, 2011. The financial covenants in the Credit Agreement require that we maintain, as of the end of each fiscal quarter, certain financial measures for the four quarters then ended. Because we had received investment-grade ratings from two of the major credit ratings agencies as of June 2011, we are not required to satisfy a minimum EBITDA financial covenant and do not have limitations on restricted payments. The table below sets forth the financial covenants in effect as of September 30, 2011 and thereafter.

	Q3 2011	Q4 2011 & Thereafter
Interest coverage ratio (not less than): <sup>1</sup>	5.00x	5.00x
Leverage ratio (not greater than): <sup>2</sup>	3.00x	2.75x

<sup>1</sup> The interest coverage ratio is defined as EBITDA, as defined in the Credit Agreement, to net interest expense plus cash dividends on convertible preferred stock for the four quarters then ended.

<sup>2</sup> The leverage ratio is defined as debt as of the last day of such fiscal quarter to EBITDA, as defined in the Credit Agreement, for the four quarters then ended.

Convertible Senior Notes

The conversion rates of our 4.25% Notes and 4.75% Convertible Senior Notes due 2023 (the "4.75% Notes," and, together with the 4.25% Notes, the "Convertible Notes") are subject to adjustment in specified circumstances, including the payment of cash dividends on our common stock. During the second quarter of 2011, the conversion rate for our Convertible Notes was adjusted from 80.5153 to 81.3289 as a result of the cumulative effect of the cash dividends declared and paid on our common stock during the first half of 2011, resulting in a corresponding adjustment of the conversion price from \$12.42 to \$12.30. There were no additional adjustments required to the



conversion rate in the third quarter of 2011.

#### Capped Call

In November 2010 we purchased capped call options to hedge the risk of price appreciation on the shares of our common stock into which our 4.75% Notes are convertible. During the second quarter of 2011, the strike price and cap price related to the capped call options were adjusted due to the payment of cash dividends on our common stock. There was no additional adjustment required to the strike price and cap price in the third quarter of 2011. As of September 30, 2011, the options give us the right to purchase up to 16.3 shares of our common stock at a strike price of \$12.30 per share (previously \$12.42), except that the economic value of the net proceeds of exercising the options will not exceed the difference between the strike price and the adjusted cap price of \$18.08 per share (previously \$18.26).

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

## Convertible Preferred Stock

The conversion rate of our 5 1/4% Series B Cumulative Convertible Perpetual Preferred Stock (the "Series B Preferred Stock") is also subject to adjustment in specified circumstances, including the payment of cash dividends on our common stock. During the third quarter of 2011, the conversion rate for our Series B Preferred Stock was adjusted from 73.1904 to 74.4500 as a result of the cumulative effect of the cash dividends declared and paid on our common stock during the first nine months of 2011, resulting in a corresponding adjustment of the conversion price from \$13.66 to \$13.43.

## Note 3: Earnings Per Share

The following sets forth basic and diluted earnings per common share available to IPG common stockholders.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income available to IPG common stockholders - basic	\$208.1	\$42.4	\$261.7	\$76.2
Adjustments: Effect of dilutive securities				
Interest on 4.25% Notes	0.4	0.3	1.0	1.0
Interest on 4.75% Notes	1.0	1.0	3.1	0.0
Preferred stock dividends	2.9	0.0	0.0	0.0
Benefit from preferred stock repurchased <sup>1</sup>	0.0	0.0	0.0	(21.7)
Net income available to IPG common stockholders - diluted	\$212.4	\$43.7	\$265.8	\$55.5
Weighted-average number of common shares outstanding - basic	464.7	474.7	471.3	473.0
Add: Effect of dilutive securities				
Restricted stock, stock options and other equity awards	7.6	10.6	7.7	9.3
4.25% Notes	32.5	32.2	32.5	32.2
4.75% Notes	16.3	16.1	16.3	0.0
Preferred stock outstanding	16.5	0.0	0.0	0.0
Preferred stock repurchased	0.0	0.0	0.0	11.9
Weighted-average number of common shares outstanding - diluted	537.6	533.6	527.8	526.4
Earnings per share available to IPG common stockholders - basic	\$0.45	\$0.09	\$0.56	\$0.16
Earnings per share available to IPG common stockholders - diluted	\$0.40	\$0.08	\$0.50	\$0.11

For the nine months ended September 30, 2010, the benefit from the preferred stock repurchased is excluded from net income available to IPG common stockholders for purposes of calculating diluted earnings per share since the associated common shares, if converted, were dilutive. In addition, the benefit is also net of \$4.0 of preferred dividends that were declared during the first quarter of 2010 and associated with the preferred stock repurchased.

The following table presents the potential shares excluded from the diluted earnings per share calculation because the effect of including these potential shares would be antidilutive.

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
4.75% Notes	0.0	0.0	0.0	16.1
Preferred stock outstanding	0.0	16.2	16.5	16.2
Total	0.0	16.2	16.5	32.3

Securities excluded from the diluted earnings per share calculation because the exercise price was greater than the average market price:

Stock options <sup>1</sup>	12.6	16.6	9.1	19.5
----------------------------	------	------	-----	------

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

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

## Note 4: Acquisitions

We continue to evaluate strategic opportunities to grow and to increase our ownership interests in current investments, particularly in our digital and marketing services offerings, and to expand our presence in high-growth and key strategic world markets. Our acquisitions typically provide for an initial payment at the time of closing, and certain of these acquisitions include additional contingent purchase payments based on the future performance of the acquired entity. Due to the characteristics of advertising, specialized marketing and communication services companies, our acquisitions typically do not have significant amounts of tangible assets, as the principal asset we typically acquire is creative talent. As a result, a substantial portion of the purchase price of these acquisitions is allocated to identifiable intangible assets, primarily customer lists and trade names, and goodwill.

During the first nine months of 2011, we completed fifteen acquisitions, which included a public relations company in Brazil, digital marketing agencies in Australia and the United Kingdom, and a social media agency in the United States. Of our fifteen acquisitions, thirteen are included in the Integrated Agency Networks (“IAN”) operating segment and two are included in the Constituency Management Group (“CMG”) operating segment. During the first nine months of 2011, we recorded approximately \$75.0 of goodwill and intangible assets related to these acquisitions during this period.

During the first nine months of 2010, we completed five acquisitions, which included a premier full-service communications agency in the United Kingdom and a media and digital marketing service company in Brazil. Of our five acquisitions, four were included in the IAN operating segment and one was included in the CMG operating segment. During the first nine months of 2010, we recorded approximately \$58.0 of goodwill and intangible assets related to these acquisitions during this period.

The results of operations of our acquired companies were included in our consolidated results from the closing date of each acquisition. Details of cash paid for current and prior years' acquisitions are listed below.

	Nine months ended September 30,	
	2011	2010
Cost of investment - current year acquisitions	\$23.0	\$47.1
Cost of investment - prior year acquisitions	103.6	47.1
Less: net cash acquired	(5.9	) (5.4
Total cost of investment <sup>1</sup>	120.7	88.8
Operating expense <sup>2</sup>	0.2	3.0
Total cash paid for acquisitions	\$120.9	\$91.8

Of the total cash paid, \$70.4 and \$25.8 for the nine months ended September 30, 2011 and 2010, respectively, are classified under the financing section of the unaudited Consolidated Statements of Cash Flows within acquisition-related payments. These transactions relate to increases in our ownership interests in our consolidated subsidiaries as well as deferred payments for acquisitions that closed on or after January 1, 2009. Of the total cash paid, \$50.3 and \$63.0 for the nine months ended September 30, 2011 and 2010, respectively, are classified under the investing section of the unaudited Consolidated Statements of Cash Flows within acquisitions, including deferred payments, net of cash acquired. These transactions relate to initial payments for new transactions and deferred payments for acquisitions that closed prior to January 1, 2009.

<sup>2</sup> Represents cash payments made that were either in excess of the contractual value or contingent upon the future employment of the former owners of acquired companies.



Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Many of our acquisitions also include provisions under which the noncontrolling equity owners can require us to purchase additional interests in a subsidiary at their discretion. The following table presents changes in our redeemable noncontrolling interests.

	Nine months ended	
	September 30,	
	2011	2010
Balance at beginning of period	\$291.2	\$277.8
Change in related noncontrolling interest balance	(15.8	) (18.6
Changes in redemption value of redeemable noncontrolling interests:		
Additions	5.8	31.7
Redemptions and reclassifications	(43.5	) (28.5
Redemption value adjustments <sup>1</sup>	20.0	7.1
Balance at end of period	\$257.7	\$269.5

Redeemable noncontrolling interests are reported at their estimated redemption value in each reporting period, but <sup>1</sup> 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 5: Supplementary Data

## Accrued Liabilities

The following table presents the components of accrued liabilities.

	September 30,	December 31,
	2011	2010
Salaries, benefits and related expenses	\$420.1	\$470.0
Office and related expenses	51.7	62.0
Acquisition obligations	10.1	63.5
Interest	24.2	41.5
Professional fees	17.3	24.6
Other	100.6	118.9
Total accrued liabilities	\$624.0	\$780.5

## 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. As of September 30, 2011, and December 31, 2010, we had vendor discounts and credit liabilities of \$68.7 and \$82.5, respectively, related to the 2004 Restatement.

## Other Income (Expense), net

Results of operations for the three and nine months ended September 30, 2011 and 2010 include certain items which are not directly associated with our revenue-producing operations.

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Gains (losses) on sales of businesses and investments	\$132.0	\$0.3	\$125.8	\$(2.8)
Vendor discounts and credit adjustments	4.8	0.3	7.7	2.4
Other income (expense), net	0.3	(3.7)	2.8	(4.3)
Total other income (expense), net	\$137.1	\$(3.1)	\$136.3	\$(4.7)

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

**Sales of Businesses and Investments** – During the third quarter of 2011, we received net proceeds of \$133.5 from the sale of approximately half of our holdings in Facebook, Inc. (the "Facebook transaction"), a cost-method investment, and recorded a pre-tax gain of \$132.2. Additionally, during the first nine months of 2011, we recognized a loss relating to the sale of a business in the domestic market within our IAN segment. During the first nine months of 2010, we recognized a loss primarily related to the sale of one of our European businesses within our IAN segment.

**Vendor Discounts and Credit Adjustments** – We are in the process of settling our liabilities related to vendor discounts and credits established as part of the 2004 Restatement. These adjustments reflect the reversal of certain of these liabilities as a result of settlements with clients or vendors or where the statute of limitations has lapsed.

**Share Repurchase Program**

In February 2011 our Board of Directors (the "Board") authorized a program to repurchase from time to time up to \$300.0 of our common stock. In August 2011, the Board authorized an increase in the amount available under our share repurchase program up to \$450.0 of our common stock. We may effect such repurchases through open market purchases, trading plans established in accordance with SEC rules, derivative transactions or other means. We expect to continue to repurchase our common stock in future periods, although the timing and amount of the repurchases will depend on market conditions and our other funding requirements. The share repurchase program has no expiration date.

Since the inception of our share repurchase program we have repurchased 27.0 shares that have settled through September 30, 2011, at an average price of \$9.97 per share and an aggregate cost of \$269.0, including fees.

**Note 6: Income Taxes**

For the three months ended September 30, 2011, our effective tax rate of 24.5% was positively impacted primarily by the ability to utilize capital losses to offset nearly all of the \$132.2 capital gain realized from the Facebook transaction. The capital gain enabled us to utilize capital loss carryforwards, on which a 100% valuation allowance had been previously established, and capital losses attributable to worthless securities in a consolidated subsidiary. In addition to the positive factors noted above, the effective tax rate for the nine months ended September 30, 2011 of 26.2% was positively impacted primarily by the recognition of previously unrecognized tax benefits as a result of the settlement of the 2007-2008 IRS audit cycle, tax efficiencies from entity consolidation in the Asia Pacific region and the loss relating to the sale of a business in the domestic market. The effective tax rate was negatively impacted by state and local taxes, losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances and the net establishment of valuation allowances, primarily in Europe.

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, various state and local, and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between \$3.0 and \$13.0 in the next twelve months, a portion of which will affect our 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, primarily transfer pricing adjustments.

We are effectively settled with respect to U.S. income tax audits for years prior to 2009. 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 2004.

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

## Note 7: Comprehensive Income

	Three months ended	
	September 30,	
	2011	2010
Net income	\$217.5	\$45.6
Foreign currency translation adjustment, net of tax	(137.8	) 77.1
Adjustments to pension and other postretirement plans, net of tax	1.2	3.0
Net unrealized holding losses on securities, net of tax	(0.5	) (0.1
Total comprehensive income	80.4	125.6
Comprehensive income attributable to noncontrolling interests	4.4	1.3
Comprehensive income attributable to IPG	\$76.0	\$124.3

Comprehensive income (loss) for the nine months ended September 30, 2011 and 2010 is displayed in the unaudited Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss).

## Note 8: 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.

We issued the following stock-based awards under the 2009 Performance Incentive Plan (the “2009 PIP”) during the nine months ended September 30, 2011.

	Awards	Weighted-average grant-date fair value (per award)
Stock options	0.8	\$4.63
Stock-settled awards	0.8	\$12.13
Performance-based awards	1.8	\$11.42
Total stock-based compensation awards	3.4	

During the nine months ended September 30, 2011, the Compensation Committee granted performance cash awards under the 2009 PIP with a total target value of \$71.1. Of this amount, awards with a total target value of \$31.8 will be settled in shares upon vesting. The number of shares to be settled on the vesting date will be calculated as the cash value adjusted for performance divided by our stock price on the vesting date. Additionally, during the nine months ended September 30, 2011, the Compensation Committee granted cash awards under the Interpublic Restricted Cash Plan with a total target value of \$3.2. Cash awards will be amortized over the vesting period, typically three years.



Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

## Note 9: Employee Benefits

We have a domestic pension plan which covers certain U.S. employees. We also have numerous foreign pension plans outside 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 agencies also provide postretirement benefits to eligible employees and their dependents. Certain immaterial foreign pension and postretirement plans have been excluded from the table below. The components of net periodic cost for the domestic pension plan, the principal foreign pension plans and the postretirement benefit plan are listed below.

Three months ended September 30,	Domestic Pension Plan		Foreign Pension Plans		Postretirement Benefit Plan	
	2011	2010	2011	2010	2011	2010
Service cost	\$0.0	\$0.0	\$2.8	\$3.2	\$0.1	\$0.1
Interest cost	1.7	1.9	5.9	5.7	0.7	0.7
Expected return on plan assets	(1.9	) (1.8	) (4.8	) (4.3	) 0.0	0.0
Settlement losses	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of:						
Transition obligation	0.0	0.0	0.0	0.0	0.0	0.0
Prior service cost	0.0	0.0	0.0	0.1	(0.1	) 0.0
Unrecognized actuarial losses	1.7	2.1	0.3	0.5	0.0	0.0
Net periodic cost	\$1.5	\$2.2	\$4.2	\$5.2	\$0.7	\$0.8

Nine months ended September 30,	Domestic Pension Plan		Foreign Pension Plans		Postretirement Benefit Plan	
	2011	2010	2011	2010	2011	2010
Service cost	\$0.0	\$0.0	\$7.9	\$8.8	\$0.2	\$0.2
Interest cost	5.1	5.5	17.6	17.3	2.0	2.1
Expected return on plan assets	(5.6	) (5.2	) (14.3	) (12.8	) 0.0	0.0
Settlement losses	0.0	0.0	0.0	1.0	0.0	0.0
Amortization of:						
Transition obligation	0.0	0.0	0.0	0.0	0.1	0.1
Prior service cost	0.0	0.0	0.1	0.2	(0.1	) 0.0
Unrecognized actuarial losses	5.0	6.5	0.6	1.4	0.0	0.0
Net periodic cost	\$4.5	\$6.8	\$11.9	\$15.9	\$2.2	\$2.4

During the nine months ended September 30, 2011, we contributed \$13.3 of cash to our domestic pension plan and \$17.6 of cash to our foreign pension plans. In the fourth quarter of 2011, we expect to contribute approximately \$0.8 and \$6.4 of cash to our domestic and foreign pension plans, respectively.

## Note 10: Segment Information

We have two reportable segments: IAN, which is comprised of McCann Worldgroup, Draftfcb, Lowe, Mediabrands and our domestic integrated agencies, and CMG, which is comprised of a number of our specialist marketing services 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, excluding the impact of restructuring and other reorganization-related (reversals) charges, net and

long-lived asset impairment and other charges, if applicable. Other than certain reclassifications, the segment information is presented consistently with the basis described in our 2010 Annual Report on Form 10-K.

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended September 30, 2011		Nine months ended September 30, 2011		September 30, 2010	
Revenue:						
IAN	\$1,432.7	\$1,284.7	\$4,140.3	\$3,757.1		
CMG	293.8	268.7	801.7	745.0		
Total	\$1,726.5	\$1,553.4	\$4,942.0	\$4,502.1		
Segment operating income:						
IAN	\$180.6	\$111.5	\$343.9	\$268.2		
CMG	27.9	23.8	66.6	53.3		
Corporate and other	(35.5	) (33.7	) (107.8	) (101.2	)	)
Total	173.0	101.6	302.7	220.3		
Restructuring and other reorganization-related reversals (charges), net	0.2	(1.4	) (0.8	) (2.3	)	)
Interest expense	(32.9	) (34.7	) (97.9	) (102.3	)	)
Interest income	9.7	6.8	27.7	19.4		
Other income (expense), net	137.1	(3.1	) 136.3	(4.7	)	)
Income before income taxes	\$287.1	\$69.2	\$368.0	\$130.4		
Depreciation and amortization of fixed assets and intangible assets:						
IAN	\$29.9	\$29.4	\$90.6	\$86.8		
CMG	3.1	3.7	9.5	10.7		
Corporate and other	3.2	4.2	9.4	14.0		
Total	\$36.2	\$37.3	\$109.5	\$111.5		
Capital expenditures:						
IAN	\$19.3	\$18.0	\$56.1	\$42.3		
CMG	3.3	1.8	7.5	3.7		
Corporate and other	7.6	1.6	19.7	3.7		
Total	\$30.2	\$21.4	\$83.3	\$49.7		
			September 30, December 31, 2011	2010		
Total assets:						
IAN	\$9,957.9	\$10,481.7				
CMG	1,000.4	930.5				
Corporate and other	867.6	1,658.6				
Total	\$11,825.9	\$13,070.8				



Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

## Note 11: 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 our valuation techniques used to measure the fair value of assets and liabilities on a recurring basis during the nine months ended September 30, 2011. The following tables present information about our assets and liabilities measured at fair value on a recurring basis as of September 30, 2011, and September 30, 2010, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	September 30, 2011			Total	Balance Sheet Classification
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash equivalents	\$1,226.5	\$0.0	\$0.0	\$1,226.5	Cash and cash equivalents
Short-term marketable securities	13.8	0.0	0.0	13.8	Marketable securities
Long-term investments	1.4	9.1	0.0	10.5	Other assets
Total	\$1,241.7	\$9.1	\$0.0	\$1,250.8	
As a percentage of total assets	10.5	% 0.1	% 0.0	% 10.6	%

**Liabilities**

Mandatorily redeemable noncontrolling interests <sup>1</sup>	\$0.0	\$0.0	\$25.4	\$25.4	
--	-------	-------	--------	--------	--

	September 30, 2010			Total	Balance Sheet Classification
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash equivalents	\$1,205.7	\$0.0	\$0.0	\$1,205.7	Cash and cash equivalents
Short-term marketable securities	11.3	0.0	0.0	11.3	Marketable securities
Long-term investments	1.3	13.7	0.0	15.0	Other assets
Foreign currency derivatives <sup>2</sup>	0.0	0.0	0.2	0.2	Other assets
Total	\$1,218.3	\$13.7	\$0.2	\$1,232.2	



As a percentage of total assets	10.2	% 0.1	% 0.0	% 10.3	%
---------------------------------	------	-------	-------	--------	---

Liabilities

Mandatorily redeemable noncontrolling interests <sup>1</sup>	\$0.0	\$0.0	\$48.1	\$48.1
--	-------	-------	--------	--------

Relates to unconditional obligations to purchase additional noncontrolling equity shares of consolidated subsidiaries.

<sup>1</sup> Fair value measurement of the obligation was based upon the amount payable as if the forward contracts were settled. The amount redeemable within the next twelve months is classified in accrued liabilities; any interests redeemable thereafter are classified in other non-current liabilities.

<sup>2</sup> Fair value is derived from changes in market value of obligations denominated in foreign currency based on an internal valuation model.

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

The following tables present 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.

	Three months ended September 30, 2011		Three months ended September 30, 2010
	Liabilities		Liabilities
	Mandatorily redeemable noncontrolling interests		Mandatorily redeemable noncontrolling interests
Balance at beginning of period	\$27.0	Assets	\$61.8
Level 3 additions	0.3	Foreign currency derivatives	\$0.3
Level 3 reductions	(2.0)		0.0
Realized losses included in net income	(0.1)		0.0
Balance at end of period	\$25.4		(0.1)
			(0.3)
			\$48.1

	Nine months ended September 30, 2011		Nine months ended September 30, 2010
	Liabilities		Liabilities
	Mandatorily redeemable noncontrolling interests		Mandatorily redeemable noncontrolling interests
Balance at beginning of period	\$52.0	Assets	\$47.8
Level 3 additions	0.8	Foreign currency derivatives	\$0.6
Level 3 reductions	(28.0)		0.0
Realized losses included in net income	(0.5)		0.0
Foreign currency translation	0.1		(0.4)
Balance at end of period	\$25.4		(1.1)
			0.0
			\$48.1

Level 3 reductions primarily consist of cash payments made related to unconditional obligations to purchase additional equity interests in previous acquisitions, which are classified within the financing section of the unaudited Consolidated Statements of Cash Flows. Level 3 additions relate to unconditional obligations to purchase additional equity interests in previous acquisitions for cash in future periods. Realized losses included in net income for mandatorily redeemable noncontrolling interests and foreign currency derivatives are reported as a component of interest expense and other income (expense), net, respectively, in the unaudited Consolidated Statements of Operations.

## Note 12: Commitments and Contingencies

## Legal Matters

We are involved in legal proceedings, and subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities, arising in the normal course of our business. While any litigation or such governmental proceeding 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 2010 Annual Report on Form 10-K, we have guaranteed certain obligations of our subsidiaries relating principally to operating leases and credit facilities of certain subsidiaries. The amount of parent company guarantees on lease obligations was \$399.0 and \$376.8 as of September 30, 2011 and December 31, 2010, respectively, and the amount of parent company guarantees primarily relating to credit facilities was \$323.0 and \$395.0 as of September 30, 2011 and December 31, 2010, respectively.

Note 13: Recent Accounting Standards

Goodwill

In September 2011, the Financial Accounting Standards Board ("FASB") issued amended guidance for performing goodwill impairment tests, which is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, and we expect to adopt this guidance for our 2011 annual goodwill impairment test, which is performed as of October 1, 2011. The guidance amends the two-step goodwill impairment test by permitting an entity to first assess qualitative factors in determining whether the fair value of a reporting unit is less than its carrying amount.

Table of Contents

Notes to Consolidated Financial Statements – (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

We do not expect the adoption of the amended guidance to have a significant impact on our Consolidated Financial Statements.

In December 2010, the FASB issued amended guidance for performing goodwill impairment tests, which was effective for us January 1, 2011. The amended guidance requires reporting units with zero or negative carrying amounts to be assessed to determine if it is more likely than not that goodwill impairment exists. As part of this assessment, entities should consider all qualitative factors that could impact the carrying value. The adoption of this amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

Multiemployer Pension Plans

In September 2011, the FASB issued amended guidance to enhance disclosure requirements related to an employer's participation in multiemployer pension plans, which is effective for fiscal years ending after December 15, 2011. The amended guidance requires additional quantitative and qualitative disclosures for entities with significant pension plans that multiple employers may contribute to. We do not expect the adoption of the amended guidance to have a significant impact on our Consolidated Financial Statements.

Comprehensive Income

In June 2011, the FASB issued amended guidance for presenting comprehensive income, which will be effective for us beginning January 1, 2012. The amended guidance eliminates the option to present other comprehensive income and its components in the statement of stockholders' equity. We may elect to present the items of net income and other comprehensive income in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. Under either method the statement would need to be presented with equal prominence as the other primary financial statements. We do not expect the adoption of the amended guidance to have a significant impact on our Consolidated Financial Statements.

Fair Value Measurements

In May 2011, the FASB issued amended guidance for measuring fair value and required disclosure information about such measures, which will be effective for us beginning January 1, 2012, and applied prospectively. The amended guidance requires an entity to disclose all transfers between Level 1 and Level 2 of the fair value hierarchy as well as provide quantitative and qualitative disclosures related to Level 3 fair value measurements. Additionally, the amended guidance requires an entity to disclose the fair value hierarchy level which was used to determine the fair value of financial instruments that are not measured at fair value, but for which fair value information must be disclosed. We do not expect the adoption of the amended guidance to have a significant impact on our 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 was effective for us January 1, 2010. The amended guidance for Level 3 fair value measurements was 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 this amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

Revenue Recognition

In March 2010, the Emerging Issues Task Force (“EITF”) reached a consensus related to guidance when applying the milestone method of revenue recognition. The consensus was issued by the FASB as an update to authoritative guidance for revenue recognition and was effective for us January 1, 2011. The amended guidance provides criteria for identifying those deliverables in an arrangement that meet the definition of a milestone. In addition, the amended guidance includes enhanced quantitative and qualitative disclosures about the arrangements when an entity recognizes revenue using the milestone method. 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 was 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. The amended guidance did not have a significant impact on our unaudited Consolidated Financial Statements.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand The Interpublic Group of Companies, Inc. and its subsidiaries ("IPG," "we," "us" or "our").

MD&A should be read in conjunction with our unaudited Consolidated Financial Statements and the accompanying notes included in this report, our 2010 Annual Report on Form 10-K, as well as our other reports on Form 8-K and other Securities and Exchange Commission ("SEC") filings. Our Annual Report includes additional information about our significant accounting policies and practices as well as details about our most significant risks and uncertainties associated with our financial and operating results. Our MD&A includes the following sections:

EXECUTIVE SUMMARY provides a discussion about our strategic outlook, factors influencing our business and an overview of our results of operations and liquidity.

RESULTS OF OPERATIONS provides an analysis of the consolidated and segment results of operations for the periods presented.

LIQUIDITY AND CAPITAL RESOURCES provides an overview of our cash flows, funding requirements, financing and sources of funds and debt credit ratings.

CRITICAL ACCOUNTING ESTIMATES provides an update to the discussion of our accounting policies that require critical judgment, assumptions and estimates in our 2010 Annual Report on Form 10-K.

RECENT ACCOUNTING STANDARDS, by reference to Note 13 to the unaudited Consolidated Financial Statements, provides a discussion of certain accounting standards that have been adopted during 2011 or that have not yet been required to be implemented and may be applicable to our future operations.

EXECUTIVE SUMMARY

We are one of the world's premier global advertising and marketing services companies. Our companies specialize in consumer advertising, digital marketing, media planning and buying, public relations and specialized communications disciplines, and create customized marketing programs for many of the world's largest advertisers. Comprehensive global services are critical to effectively serve our multinational and local clients in markets throughout the world, as they seek to build brands, increase sales of their products and services and gain market share.

Our business objective is to continue to strengthen our full range of marketing expertise and competitive positioning in the marketplace. To support our objectives, we develop and invest in a range of talent, tools and businesses that are highly relevant to the needs of our clients and offer us strong financial returns. These include investments in rapidly growing marketing channels and geographic regions as well as key strategic world markets. We operate in a media landscape that is constantly changing. Accordingly, we remain focused on meeting the evolving needs of our clients in an increasingly complex consumer environment.

Our financial priorities include maintaining competitive organic revenue growth, improving our operating margins, continuing to strengthen our liquidity profile and increasing value to our shareholders, which includes our common stock dividend and share repurchase program initiated earlier this year. We continually seek greater efficiency in the delivery of our services, focusing on more effective resource utilization, including the productivity of our employees, real estate and information technology. The improvements we have made in our financial reporting and business information systems during recent years allow us more timely and actionable insights from our global operations. We continue to derive benefits from our diversified client base, global footprint and the broad range and strength of our professional offerings. Additionally, our conservative approach to our balance sheet and liquidity provides us with a solid financial foundation and financial flexibility to manage our business.



Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

The following tables present a summary of financial performance for the three and nine months ended September 30, 2011, as compared with the same periods in 2010.

% Increase	Three months ended September 30, 2011		Nine months ended September 30, 2011		
	Total	Organic	Total	Organic	
Revenue	11.1	% 8.7	% 9.8	% 7.5	%
Salaries and related expenses	8.0	% 5.4	% 9.6	% 7.2	%
Office and general expenses	4.7	% 2.5	% 5.5	% 3.2	%
	Three months ended September 30, 2011		Nine months ended September 30, 2011		
	2010		2010		%
Operating margin	10.0	% 6.5	% 6.1	% 4.8	%
Expenses as % of revenue:					
Salaries and related expenses	63.0	% 64.8	% 66.0	% 66.1	%
Office and general expenses	27.0	% 28.6	% 27.8	% 29.0	%
Net income available to IPG common stockholders	\$208.1	\$42.4	\$261.7	\$76.2	
Earnings per share available to IPG common stockholders:					
Basic	\$0.45	\$0.09	\$0.56	\$0.16	
Diluted	\$0.40	\$0.08	\$0.50	\$0.11	

When we analyze period-to-period changes in our operating performance we determine the portion of the change that is attributable to foreign currency rates and the net effect of acquisitions and divestitures, and the remainder we call organic change, which indicates how our underlying business performed. The performance metrics that we use to analyze our results include the organic change in revenue, salaries and related expenses and office and general expenses, and the components of operating expenses, expressed as a percentage of total consolidated revenue. Additionally, in certain of our discussions we analyze revenue by business sector, where we focus on our top 100 clients, which typically constitute approximately 55%-60% of our annual consolidated revenues. We also analyze revenue by geographic region.

The change in our operating performance attributable to foreign currency rates is determined by converting the prior-period reported results using the current-period exchange rates and comparing these prior-period adjusted amounts to the prior-period reported results. Although the U.S. Dollar is our reporting currency, a substantial portion of our revenues and expenses are generated in foreign currencies. Therefore, our reported results are affected by fluctuations in the currencies in which we conduct our international businesses. We do not use derivative financial instruments to manage this translation risk. As a result, both positive and negative currency fluctuations against the U.S. Dollar affect our consolidated results of operations, and the magnitude of the foreign currency impact on us related to each geographic region depends on the significance and operating performance of the region. The primary foreign currencies that impacted our results during the first nine months of 2011 include the Australian Dollar, Brazilian Real, Euro and Pound Sterling. During the first nine months of 2011, the U.S. Dollar weakened against all foreign currencies in regions where we primarily conduct our business as compared to the prior-year period, which had a positive impact on our revenue and a negative impact on our operating expenses. For the third quarter and first nine months of 2011, foreign currency fluctuations resulted in increases of approximately 3% in revenues, salaries and related expenses and office and general expenses, which had virtually no impact on our operating margin percentages.



For purposes of analyzing changes in our operating performance attributable to the net effect of acquisitions and divestitures, transactions are treated as if they occurred on the first day of the quarter during which the transaction occurred. During the past few years we have acquired companies that we believe will enhance our offering and disposed of businesses that are not consistent with our strategic plan. For the third quarter and first nine months of 2011, the net effect of acquisitions and divestitures had a minimal impact on revenue and operating expenses compared to the respective prior-year periods.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

## RESULTS OF OPERATIONS

Consolidated Results of Operations – Three and Nine Months Ended September 30, 2011 Compared to Three and Nine Months Ended September 30, 2010

## REVENUE

	Three months ended September 30, 2010	Components of Change			Three months ended September 30, 2011	Change			
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total		
Consolidated	\$1,553.4	\$48.3	\$(10.9)	\$135.7	\$1,726.5	8.7	%	11.1	%
Domestic	916.9	0.0	(14.4)	93.0	995.5	10.1	%	8.6	%
International	636.5	48.3	3.5	42.7	731.0	6.7	%	14.8	%
United Kingdom	108.2	5.5	1.6	4.7	120.0	4.3	%	10.9	%
Continental Europe	169.8	18.9	1.6	(3.1)	187.2	(1.8)	%	10.2	%
Asia Pacific	154.5	13.1	0.1	23.7	191.4	15.3	%	23.9	%
Latin America	93.4	6.0	0.2	20.3	119.9	21.7	%	28.4	%
Other	110.6	4.8	0.0	(2.9)	112.5	(2.6)	%	1.7	%

During the third quarter of 2011, our revenue increased by \$173.1, or 11.1%, compared to the third quarter of 2010, primarily consisting of an organic revenue increase of \$135.7, or 8.7%, and a favorable foreign currency rate impact of \$48.3. Our organic increase was attributable to higher spending from existing clients and net client wins in nearly all sectors of our business and throughout most geographic regions, led by the domestic market. The sectors which primarily contributed to the organic revenue increase were health and personal care, and retail. In the international markets, the most notable organic revenue increases occurred in the Latin America region, primarily in Brazil, and in the Asia Pacific region, primarily in China and Japan.

Our revenue is directly impacted by our ability to win new clients and the retention and spending levels of existing clients. Most of our expenses are recognized ratably throughout the year and are therefore less seasonal than revenue. Our revenue is typically lowest in the first quarter and highest in the fourth quarter. This reflects the seasonal spending of our clients, incentives earned at year end on various contracts and project work completed that is typically recognized during the fourth quarter. Additionally, revenues can fluctuate due to the timing of completed projects in the events marketing business, as revenue is typically recognized when the project is complete. We generally act as principal for these projects and as such record the gross amount billed to the client as revenue and the related costs incurred as pass-through costs in office and general expenses.

	Nine months ended September 30, 2010	Components of Change			Nine months ended September 30, 2011	Change			
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total		
Consolidated	\$4,502.1	\$119.0	\$(15.9)	\$336.8	\$4,942.0	7.5	%	9.8	%
Domestic	2,681.0	0.0	(36.8)	204.4	2,848.6	7.6	%	6.3	%
International	1,821.1	119.0	20.9	132.4	2,093.4	7.3	%	15.0	%
United Kingdom	301.1	15.6	14.4	28.0	359.1	9.3	%	19.3	%
Continental Europe	559.2	40.1	1.3	8.6	609.2	1.5	%	8.9	%
Asia Pacific	428.0	34.3	0.1	53.4	515.8	12.5	%	20.5	%
Latin America	242.6	15.7	1.3	27.9	287.5	11.5	%	18.5	%
Other	290.2	13.3	3.8	14.5	321.8	5.0	%	10.9	%

During the first nine months of 2011, our revenue increased by \$439.9, or 9.8%, compared to the first nine months of 2010, primarily consisting of an organic revenue increase of \$336.8, or 7.5%, and a favorable foreign currency rate impact of \$119.0. The organic increase was attributable to higher spending from existing clients and net client wins in most sectors of our business and throughout all geographic regions, led by the domestic market. The sectors that primarily contributed to our organic revenue increase were health and personal care, auto and transportation, and technology and telecom. These increases were partially offset by decreases in the packaged goods sector due to a reduction in spending from existing clients. The international organic revenue increase occurred primarily in the Asia Pacific region, most notably in India and China, and, to a lesser extent, in the Latin America region, primarily in Brazil, and in the United Kingdom.

Refer to the segment discussion later in this MD&A for information on changes in revenue by segment.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

## OPERATING EXPENSES

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Salaries and related expenses	\$1,088.0	\$1,007.1	\$3,263.8	\$2,977.4
Office and general expenses	465.5	444.7	1,375.5	1,304.4
Restructuring and other reorganization-related (reversals) charges, net	(0.2 )	1.4	0.8	2.3
Total operating expenses	\$1,553.3	\$1,453.2	\$4,640.1	\$4,284.1
Operating income	\$173.2	\$100.2	\$301.9	\$218.0

## Salaries and Related Expenses

	2010	Components of Change			2011	Change			
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total		
Three months ended September 30,	\$1,007.1	\$30.9	\$(4.6 )	\$54.6	\$1,088.0	5.4	%	8.0	%
Nine months ended September 30,	2,977.4	77.6	(6.0 )	214.8	3,263.8	7.2	%	9.6	%

Our staff cost ratio, defined as salaries and related expenses as a percentage of total consolidated revenue, decreased in the third quarter of 2011 to 63.0% from 64.8% when compared to the prior-year period. Salaries and related expenses in the third quarter of 2011 increased by \$80.9 compared to the third quarter of 2010, primarily consisting of an organic increase of \$54.6 and an adverse foreign currency rate impact of \$30.9. The organic increase was primarily attributable to increases in our workforce, which mainly occurred in prior quarters beginning in 2010 to support business growth, which resulted in an increase in base salaries, benefits and temporary help of \$41.9. The organic increase occurred across all regions, primarily in our domestic market.

Our staff cost ratio decreased slightly in the first nine months of 2011 to 66.0% from 66.1% when compared to the prior-year period. Salaries and related expenses in the first nine months of 2011 increased by \$286.4 compared to the first nine months of 2010, primarily consisting of an organic increase of \$214.8 and an adverse foreign currency rate impact of \$77.6. The organic increase was primarily attributable to increases in our workforce to support business growth, which resulted in an increase in base salaries, benefits and temporary help of \$169.8. Also contributing to the organic increase, but to a lesser extent, was an increase in incentive award expense and severance expense.

The following table details our staff cost ratio.

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2011	2010	2011	2010	
Salaries and related expenses	63.0	% 64.8	% 66.0	% 66.1	%
Base salaries, benefits and tax	51.5	% 53.4	% 54.3	% 55.1	%
Incentive expense	4.1	% 4.3	% 4.0	% 3.9	%
Severance expense	1.1	% 1.0	% 1.3	% 1.0	%
Temporary help	3.7	% 3.8	% 3.9	% 3.6	%
All other salaries and related expenses	2.6	% 2.3	% 2.5	% 2.5	%

## Office and General Expenses

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

	2010	Components of Change			2011	Change		Total	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic			
Three months ended September 30,	\$444.7	\$13.8	\$(3.9 )	\$10.9	\$465.5	2.5	%	4.7	%
Nine months ended September 30,	1,304.4	35.5	(5.5 )	41.1	1,375.5	3.2	%	5.5	%

Our office and general expense ratio, defined as office and general expenses as a percentage of total consolidated revenue, decreased in the third quarter of 2011 to 27.0% from 28.6% when compared to the prior-year period. Office and general expenses

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

in the third quarter of 2011 increased by \$20.8 compared to the third quarter of 2010, primarily consisting of an adverse foreign currency rate impact of \$13.8 and an organic increase of \$10.9. The organic increase was primarily attributable to business growth that began in 2010, which resulted in higher production expenses related to pass-through costs for certain projects where we acted as a principal that increased in size or were new during the third quarter of 2011. Also contributing to the organic increase was higher discretionary spending to support business growth.

Our office and general expense ratio decreased in the first nine months of 2011 to 27.8% from 29.0% when compared to the prior-year period. Office and general expenses in the first nine months of 2011 increased by \$71.1 compared to the first nine months of 2010, primarily consisting of an organic increase of \$41.1 and an adverse foreign currency rate impact of \$35.5. The organic increase was primarily due to the factors noted above for the third quarter of 2011. The following table details our office and general expense ratio. All other office and general expenses primarily include production expenses, and, to a lesser extent, depreciation and amortization, bad debt expense, foreign currency gains (losses) and other expenses.

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2011	2010	2011	2010	
Office and general expenses	27.0	% 28.6	% 27.8	% 29.0	%
Professional fees	1.5	% 1.7	% 1.7	% 1.8	%
Occupancy expense (excluding depreciation and amortization)	7.4	% 8.0	% 7.7	% 8.2	%
Travel & entertainment, office supplies and telecommunications	3.5	% 3.7	% 3.8	% 3.8	%
All other office and general expenses	14.6	% 15.2	% 14.6	% 15.2	%

## EXPENSES AND OTHER INCOME

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Cash interest on debt obligations	\$(35.2 )	\$(35.5 )	\$(103.8 )	\$(104.2 )
Non-cash interest	2.3	0.8	5.9	1.9
Interest expense	(32.9 )	(34.7 )	(97.9 )	(102.3 )
Interest income	9.7	6.8	27.7	19.4
Net interest expense	(23.2 )	(27.9 )	(70.2 )	(82.9 )
Other income (expense), net	137.1	(3.1 )	136.3	(4.7 )
Total (expenses) and other income	\$113.9	\$(31.0 )	\$66.1	\$(87.6 )

## Net Interest Expense

For the three and nine months ended September 30, 2011, net interest expense decreased by \$4.7 and \$12.7, respectively, as compared to the respective prior-year periods, primarily due to an increase in interest income. Interest income increased primarily due to an increase in average cash and cash equivalent balances as well as an increase in average interest rates in certain countries compared to the prior-year periods.

## Other Income (Expense), net

Results of operations for the three and nine months ended September 30, 2011 and 2010 include certain items which are not directly associated with our revenue-producing operations.

Edgar Filing: INTERPUBLIC GROUP OF COMPANIES, INC. - Form 10-Q

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Gains (losses) on sales of businesses and investments	\$132.0	\$0.3	\$125.8	\$(2.8)
Vendor discounts and credit adjustments	4.8	0.3	7.7	2.4
Other income (expense), net	0.3	(3.7)	) 2.8	(4.3)
Total other income (expense), net	\$137.1	\$(3.1)	) \$136.3	\$(4.7)

23

---

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

Sales of Businesses and Investments – During the third quarter of 2011 we received net proceeds of \$133.5 from the sale of approximately half of our holdings in Facebook, Inc. (the "Facebook transaction") and recorded a pre-tax gain of \$132.2. Additionally during the first nine months of 2011, we recognized a loss relating to the sale of a business in the domestic market within our Integrated Agency Networks ("IAN") segment. During the first nine months of 2010, we recognized a loss primarily related to the sale of one of our European businesses within our IAN segment.

Vendor Discounts and Credit Adjustments – We are in the process of settling our liabilities related to vendor discounts and credits established as part of the restatement we presented in our 2004 Annual Report on Form 10-K. These adjustments reflect the reversal of certain of these liabilities as a result of settlements with clients or vendors or where the statute of limitations has lapsed.

## INCOME TAXES

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2011	2010	2011	2010	
Income before income taxes	\$287.1	\$69.2	\$368.0	\$130.4	
Provision for income taxes	\$70.4	\$24.4	\$96.5	\$72.4	
Effective tax rate	24.5	% 35.3	% 26.2	% 55.5	%

Our tax rates are affected by many factors, including our worldwide earnings from various countries, changes in legislation and tax characteristics of our income. For the three months ended September 30, 2011 our effective tax rate of 24.5% was positively impacted primarily by the ability to utilize capital losses to offset nearly all of the \$132.2 capital gain realized from the Facebook transaction. The capital gain enabled us to utilize capital loss carryforwards, on which a 100% valuation allowance had been previously established, and capital losses attributable to worthless securities in a consolidated subsidiary.

In addition to the positive factors noted above, the effective tax rate for the nine months ended September 30, 2011 of 26.2% was positively impacted primarily by the recognition of previously unrecognized tax benefits as a result of the settlement of the 2007-2008 IRS audit cycle, tax efficiencies from entity consolidation in the Asia Pacific region and the loss relating to the sale of a business in the domestic market. The effective tax rate was negatively impacted by state and local taxes, losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances and the net establishment of valuation allowances, primarily in Europe.

For the three months ended September 30, 2010, the effective tax rate was comparable to the statutory rate of 35% primarily due to losses in certain foreign locations for which we receive no benefit due to 100% valuation allowances and an increase in unrecognized tax benefits offset by the reversal of valuation allowances in Europe and tax benefits from the exercise of stock options. For the nine months ended September 30, 2010, the difference between the effective tax rate and the statutory rate of 35% was primarily due to factors similar to those noted above as well as the impact of state and local taxes.

## EARNINGS PER SHARE

Basic earnings per share available to IPG common stockholders for the three and nine months ended September 30, 2011 was \$0.45 and \$0.56 per share, respectively, compared to \$0.09 and \$0.16 per share for the three and nine months ended September 30, 2010, respectively. Diluted earnings per share was \$0.40 and \$0.50 per share for the three and nine months ended September 30, 2011, respectively, compared to \$0.08 and \$0.11 per share for the three and nine months ended September 30, 2010, respectively.



Basic and diluted earnings per share includes \$0.28 and \$0.24 per share, respectively, for the three and nine months ended September 30, 2011 as a result of the gain recorded from the Facebook transaction. Basic earnings per share for the nine months ended September 30, 2010 includes a benefit of \$0.05 per share from the repurchase of a portion of our 5 1/4% Series B Cumulative Convertible Perpetual Preferred Stock (the "Series B Preferred Stock") that occurred in the second quarter of 2010. Basic earnings per share for the three months ended September 30, 2010 and diluted earnings per share for the three and nine months ended September 30, 2010 were not impacted by this benefit.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

Segment Results of Operations – Three and Nine Months Ended September 30, 2011 Compared to Three and Nine Months Ended September 30, 2010

As discussed in Note 10 to the unaudited Consolidated Financial Statements, we have two reportable segments as of September 30, 2011: IAN and Constituency Management Group (“CMG”). We also report results for the Corporate and other group.

	Three months ended September 30, 2010	Components of Change			Three months ended September 30, 2011	Change			
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total		
Consolidated	\$1,284.7	\$42.7	\$(1.2 )	\$106.5	\$1,432.7	8.3	%	11.5	%
Domestic	719.7	0.0	(4.5 )	67.8	783.0	9.4	%	8.8	%
International	565.0	42.7	3.3	38.7	649.7	6.8	%	15.0	%

During the third quarter of 2011, IAN revenue increased by \$148.0 compared to the third quarter of 2010, primarily consisting of an organic revenue increase of \$106.5 and a favorable foreign currency rate impact of \$42.7. The increase in revenue at our IAN segment represented approximately 78% of the total organic revenue increase. The organic revenue increase was attributable to higher spending from existing clients and net client wins across most sectors and in most geographic regions, led by the domestic market. The sectors which primarily contributed to the organic revenue increase were retail, health and personal care, and technology and telecom. The international organic increase occurred predominantly in the Asia Pacific region, primarily in China, Japan and India, and in the Latin America region, primarily in Brazil.

	Nine months ended September 30, 2010	Components of Change			Nine months ended September 30, 2011	Change			
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total		
Consolidated	\$3,757.1	\$105.3	\$10.6	\$267.3	\$4,140.3	7.1	%	10.2	%
Domestic	2,134.0	0.0	(9.0 )	163.1	2,288.1	7.6	%	7.2	%
International	1,623.1	105.3	19.6	104.2	1,852.2	6.4	%	14.1	%

During the first nine months of 2011, IAN revenue increased by \$383.2 compared to the first nine months of 2010, primarily consisting of an organic revenue increase of \$267.3 and a favorable foreign currency rate impact of \$105.3. The increase in revenue at our IAN segment represented approximately 79% of the total organic revenue increase and occurred throughout all geographic regions, driven by factors similar to those noted above for the third quarter of 2011.

## SEGMENT OPERATING INCOME

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2011	2010			2011	2010		
Segment operating income	\$180.6	\$111.5	62.0	%	\$343.9	\$268.2	28.2	%
Operating margin	12.6	% 8.7	%		8.3	% 7.1	%	

Operating income increased during the third quarter of 2011 when compared to the third quarter of 2010 due to an increase in revenue of \$148.0, partially offset by increases in salaries and related expenses of \$59.4 and office and general expenses of \$19.5. The increase in salaries and related expenses was primarily attributable to an increase in our workforce, which mainly occurred in prior quarters beginning in 2010 to support business growth, which resulted in an increase in base salaries, benefits and temporary help across nearly all agencies within IAN. Additionally, office and general expenses increased primarily due to an increase in occupancy costs, higher discretionary spending and, to a lesser extent, higher production expenses due to business growth.

Operating income increased during the first nine months of 2011 when compared to the first nine months of 2010 due to an increase in revenue of \$383.2, partially offset by increases in salaries and related expenses of \$237.6 and office and general expenses of \$69.9. The increase in salaries and related expenses was driven by factors similar to those noted above for the third quarter of 2011. Office and general expenses increased due to business growth, which resulted in higher production expenses, an increase in occupancy costs and higher discretionary spending.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

## CMG

## REVENUE

	Three months ended September 30, 2010	Components of Change			Three months ended September 30, 2011	Change		
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total	
Consolidated	\$268.7	\$5.6	\$(9.7)	\$29.2	\$293.8	10.9	% 9.3	%
Domestic	197.2	0.0	(9.9)	25.2	212.5	12.8	% 7.8	%
International	71.5	5.6	0.2	4.0	81.3	5.6	% 13.7	%

During the third quarter of 2011, CMG revenue increased by \$25.1 compared to the third quarter of 2010, consisting of an organic revenue increase of \$29.2 and a favorable foreign currency rate impact of \$5.6, partially offset by the effect of net divestitures of \$9.7. The organic revenue increase was primarily due to higher spending from existing clients and net client wins which occurred in all disciplines, primarily in our public relations, events marketing and branding businesses, and predominantly in our domestic market. The international organic increase was most significant in the Asia Pacific region, primarily in Australia. Revenues in the events marketing business can fluctuate due to timing of completed projects where we act as principal, as revenue is typically recognized when the project is complete. The reduction in revenue due to net divestitures primarily relates to the sale of a business in our domestic market in the fourth quarter of 2010.

	Nine months ended September 30, 2010	Components of Change			Nine months ended September 30, 2011	Change		
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total	
Consolidated	\$745.0	\$13.7	\$(26.5)	\$69.5	\$801.7	9.3	% 7.6	%
Domestic	547.0	0.0	(27.8)	41.3	560.5	7.6	% 2.5	%
International	198.0	13.7	1.3	28.2	241.2	14.2	% 21.8	%

During the first nine months of 2011, CMG revenue increased by \$56.7 compared to the first nine months of 2010, consisting of an organic revenue increase of \$69.5 and a favorable foreign currency rate impact of \$13.7, partially offset by the effect of net divestitures of \$26.5. The organic revenue increase occurred in most disciplines and was driven by factors similar to those noted above for the third quarter of 2011. The international organic increase was predominately in the Asia Pacific region, primarily in Australia and China, and in the United Kingdom.

## SEGMENT OPERATING INCOME

	Three months ended September 30, 2011			Change	Nine months ended September 30, 2011			Change
	2011	2010			2011	2010		
Segment operating income	\$27.9	\$23.8	17.2	%	\$66.6	\$53.3	25.0	%
Operating margin	9.5	% 8.9	%		8.3	% 7.2	%	

Operating income increased during the third quarter of 2011 when compared to the third quarter of 2010 due to an increase in revenue of \$25.1, partially offset by increases in salaries and related expenses of \$14.1 and office and general expenses of \$6.9. Salaries and related expenses increased across all disciplines primarily due to business growth, which resulted in an increase in base salaries, benefits and temporary help. Additionally, office and general expenses increased due to higher production expenses and, to a lesser extent, an increase in discretionary spending to support business growth.

Operating income increased during the first nine months of 2011 when compared to the first nine months of 2010 due to an increase in revenue of \$56.7, partially offset by increases in salaries and related expenses of \$31.4, and office and general expenses of \$12.0, driven by factors similar to those noted above for the third quarter of 2011.

#### CORPORATE AND OTHER

Certain corporate and other charges are reported as a separate line item within total segment operating income and include corporate office expenses and shared service center expenses, as well as certain other centrally managed expenses that are not fully allocated to operating divisions. Salaries and related expenses include salaries, long-term incentives, annual bonuses and other miscellaneous benefits for corporate office employees. Office and general expenses primarily include professional fees related to internal control compliance, financial statement audits and legal, information technology and other consulting services,

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

which are engaged and managed through the corporate office. In addition, office and general expenses also include rental expense and depreciation of leasehold improvements for properties occupied by corporate office employees. A portion of these expenses are allocated to operating divisions based on a formula that uses the planned revenues of each of the operating units. Amounts allocated also include specific charges for information technology-related projects, which are allocated based on utilization.

Corporate and other expenses increased during the third quarter of 2011 by \$1.8 to \$35.5 compared to the third quarter of 2010, and increased by \$6.6 to \$107.8 during the first nine months of 2011 compared to the first nine months of 2010, due to an increase in salaries and related expenses, partially offset by lower office and general expenses.

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

## LIQUIDITY AND CAPITAL RESOURCES

## CASH FLOW OVERVIEW

The following tables summarize key financial data relating to our liquidity, capital resources and uses of capital.

Cash Flow Data	Nine months ended September 30,	
	2011	2010
Net income, adjusted to reconcile net income to net cash used in operating activities <sup>1</sup>	\$334.6	\$232.6
Net cash used in working capital <sup>2</sup>	(702.9)	(376.3)
Changes in other non-current assets and liabilities using cash	(75.6)	(18.1)
Net cash used in operating activities	\$(443.9)	\$(161.8)
Net cash provided by (used in) investing activities	9.1	(83.6)
Net cash used in financing activities	(422.7)	(327.7)

Reflects net income adjusted primarily for depreciation and amortization of fixed assets and intangible assets,  
<sup>1</sup> amortization of restricted stock and other non-cash compensation, deferred income taxes and gain on sale of an investment.

<sup>2</sup> Reflects changes in accounts receivable, expenditures billable to clients, other current assets, accounts payable and accrued liabilities.

Balance Sheet Data	September 30, 2011	December 31, 2010	September 30, 2010
Cash, cash equivalents and marketable securities	\$1,798.8	\$2,689.4	\$1,939.0
Short-term borrowings	\$149.9	\$114.8	\$124.3
Current portion of long-term debt	408.5	38.9	231.0
Long-term debt	1,166.2	1,583.3	1,588.9
Total debt	\$1,724.6	\$1,737.0	\$1,944.2

## Operating Activities

Net cash used in operating activities during the first nine months of 2011 was \$443.9, which is an increase of \$282.1 as compared to the first nine months of 2010, primarily as a result of an increase in working capital usage of \$326.6. Due to the seasonality of our business, we typically generate cash from working capital in the second half of a year and use cash from working capital in the first half of a year, with the largest impacts in the first and fourth quarters. The net working capital usage in the first nine months of 2011 was primarily impacted by our media businesses. The timing of media buying on behalf of our clients affects our working capital and operating cash flow. In most of our businesses, our agencies enter into commitments to pay production and media costs on behalf of clients. To the extent possible we pay production and media charges after we have received funds from our clients. The amounts involved substantially exceed our revenues, and primarily affect the level of accounts receivable, expenditures billable to clients and accounts payable. Our assets include both cash received and accounts receivable from clients for these pass-through arrangements, while our liabilities include amounts owed on behalf of clients to media and production suppliers.

Our accrued liabilities are also affected by the timing of certain other payments. For example, while annual cash incentive awards are accrued throughout the year, they are generally paid during the first quarter of the subsequent year.

#### Investing Activities

Net cash provided by investing activities during the first nine months of 2011 primarily reflects net proceeds of \$133.5 from the Facebook transaction, partially offset by capital expenditures and payments for acquisitions. Capital expenditures of \$83.3 relate primarily to computer software and hardware, and leasehold improvements. Payments for acquisitions of \$50.3 relate to new acquisitions and deferred payments on prior acquisitions.

#### Financing Activities

Net cash used in financing activities during the first nine months of 2011 primarily relates to the repurchase of 27.0 shares of our common stock for an aggregate cost of \$269.0, including fees. Additionally, net cash used in financing activities includes dividend payments of \$84.4 on our common stock and acquisition related payments of \$70.4, primarily related to transactions with consolidated subsidiaries where we have increased our ownership interests.



Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

Foreign Exchange Rate Changes

The effect of foreign exchange rate changes on cash and cash equivalents included in the unaudited Consolidated Statements of Cash Flows resulted in a decrease of \$33.2 during the first nine months of 2011. This decrease primarily reflects the strengthening of the U.S. Dollar against several foreign currencies, including the Australian Dollar and Brazilian Real as of September 30, 2011, as compared to December 31, 2010.

LIQUIDITY OUTLOOK

We expect our cash flow from operations, cash and cash equivalents to be sufficient to meet our anticipated operating requirements at a minimum for the next twelve months. We also have a committed corporate credit facility available to support our operating needs. We continue to maintain a conservative approach to liquidity, with flexibility over significant uses of cash, including our capital expenditures, cash used for new acquisitions, our common stock repurchase program and our common stock dividends.

From time to time we evaluate market conditions and financing alternatives for opportunities to raise additional financing or otherwise improve our liquidity profile, enhance our financial flexibility and manage market risk. Our ability to access the capital markets depends on a number of factors, which include those specific to us, such as our credit rating, and those related to the financial markets, such as the amount or terms of available credit. There can be no guarantee that we would be able to access new sources of liquidity on commercially reasonable terms, or at all.

Funding Requirements

Our most significant funding requirements include: our operations, non-cancelable operating lease obligations, capital expenditures, acquisitions, dividends, taxes, debt service and contributions to pension and postretirement plans. Additionally, we may be required to make payments to minority shareholders in certain subsidiaries if they exercise their options arising from prior acquisitions to sell us their interests. Notable funding requirements include:

Acquisitions – We will continue to evaluate strategic opportunities to grow and to increase our ownership interests in current investments, particularly in our digital and marketing services offerings, and to expand our presence in high-growth and key strategic world markets. In addition to potential cash expenditures for new acquisitions, we expect to pay approximately \$2.0 in the fourth quarter of 2011 and approximately \$7.0 in 2012 related to prior acquisitions. We may also be required to pay approximately \$24.0 over the next twelve months related to put options held by minority shareholders if exercised.

Dividends – In the first quarter of 2011 we initiated regular quarterly cash dividends on our common stock. Most recently, we paid a cash dividend of \$0.06 per share on our common stock on September 23, 2011. As of the applicable record date, we had 459.4 shares outstanding (excluding restricted shares), which corresponded to an aggregate dividend payment of \$27.6. Assuming a quarterly dividend of \$0.06 per share and no significant change in the number of outstanding shares, we expect to pay approximately \$110.0 over the next twelve months. We also pay regular quarterly dividends of \$2.9, or \$11.6 annually, on our Series B Preferred Stock.

Debt service – During the third quarter of 2011 we paid \$37.6 in cash when the remainder of our 7.25% Senior Unsecured Notes due 2011 matured. On March 15, 2012, holders of our \$400.0 4.25% Convertible Senior Notes due 2023 may require us to repurchase their notes for cash at par. The remainder of our debt is primarily long-term, with maturities scheduled through 2023.

•

Contributions to pension plans – Our funding policy regarding our pension plans is to make contributions necessary to satisfy minimum pension funding requirements, plus such additional contributions as we consider appropriate to improve the plans' funded status. During the nine months ended September 30, 2011, we contributed \$13.3 of cash to our domestic pension plan and \$17.6 of cash to our foreign pension plans. In the fourth quarter of 2011, we expect to contribute approximately \$0.8 and \$6.4 of cash to our domestic and foreign pension plans, respectively.

#### Share Repurchase Program

In February 2011, our Board authorized a program to repurchase from time to time up to \$300.0 of our common stock. In August 2011, our Board authorized an increase in the amount available under our share repurchase program up to \$450.0 of our common stock. We may effect such repurchases through open market purchases, trading plans established in accordance with SEC rules, derivative transactions or other means. The share repurchase program has no expiration date. We expect to continue

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
(Amounts in Millions, Except Per Share Amounts)  
(Unaudited)

to repurchase our common stock in future periods, although the timing and amount of the repurchases will depend on market conditions and our other funding requirements. As of September 30, 2011, there remains approximately \$182.0 available for future repurchases under the program.

**FINANCING AND SOURCES OF FUNDS**

Substantially all of our operating cash flow is generated by our agencies. Our cash balances are held in numerous jurisdictions throughout the world, primarily at the holding company level and at our largest subsidiaries. Below is a summary of our sources of liquidity.

	September 30, 2011			
	Total Facility	Amount Outstanding	Letters of Credit <sup>1</sup>	Total Available
Cash, cash equivalents and marketable securities				\$1,798.8
Committed credit agreement	\$1,000.0	\$0.0	\$15.1	\$984.9
Uncommitted credit arrangements	\$456.0	\$149.9	\$0.1	\$306.0

<sup>1</sup> We are required from time to time to post letters of credit, primarily to support obligations of our subsidiaries. These letters of credit have historically not been drawn upon.

**Credit Facilities**

We maintain a committed corporate credit facility to increase our financial flexibility. On May 31, 2011, we entered into an amendment and restatement of our credit agreement originally dated as of July 18, 2008 (the "Credit Agreement"), increasing the commitments of the lenders to \$1,000.0 from \$650.0, and extending the Credit Agreement's expiration to May 31, 2016. Additionally, the amendments modified our financial covenants, and provided additional flexibility with respect to, or eliminated, certain covenants such as restrictions on acquisitions, capital expenditures and restricted payments. In addition, the cost structure was reduced.

We were in compliance with all of our covenants in the Credit Agreement as of September 30, 2011. The financial covenants in the Credit Agreement require that we maintain, as of the end of each fiscal quarter, certain financial measures for the four quarters then ended. The table below sets forth the financial covenants in effect as of September 30, 2011.

Financial Covenants	Four Quarters Ended September 30, 2011	EBITDA Reconciliation	Four Quarters Ended September 30, 2011
Interest coverage ratio (not less than)	5.00x	Operating income	\$632.6
Actual interest coverage ratio	7.84x	Add:	
		Depreciation and amortization	200.0
Leverage ratio (not greater than)	3.00x	Other non-cash amounts	(0.8)
Actual leverage ratio	2.07x	EBITDA	\$831.8

If we were unable to comply with our covenants in the future, we would seek an amendment or waiver from our lenders, but there is no assurance that our lenders would grant an amendment or waiver. If we were unable to obtain the necessary amendment or waiver, the credit facility could be terminated and our lenders could accelerate payments of any outstanding principal. In addition, under those circumstances we could be required to deposit funds with one of our lenders in an amount equal to any outstanding letters of credit under the credit facility.

We also have uncommitted credit facilities with various banks that permit borrowings at variable interest rates. We use our uncommitted credit lines for working capital needs at some of our operations outside the United States. We have guaranteed the repayment of some of these borrowings made by certain subsidiaries. If we lose access to these credit lines, we would have to provide funding directly to some of our international operations. As of September 30, 2011, the weighted-average interest rate on outstanding balances under the uncommitted credit facilities was approximately 5.0%.

#### Investments

From time to time, we make investments in privately held companies that we believe may be of interest to the advertising and marketing sectors. These investments are recorded on our Consolidated Balance Sheets at cost. Certain of these investments, the most significant of which is in Facebook, have significantly appreciated compared to their cost, but there can be no assurance as to the terms on which we would be able to dispose of any such investments.

Table of Contents

Management’s Discussion and Analysis of Financial Condition and Results of Operations - (continued)  
 (Amounts in Millions, Except Per Share Amounts)  
 (Unaudited)

In August 2011, we sold approximately half of our holdings in Facebook resulting in a pre-tax gain of \$132.2, which was reported as a component of other income (expense), net in our unaudited Consolidated Statements of Operations.

**Cash Pooling**

We aggregate our net domestic cash position on a daily basis. Outside the United States we use cash pooling arrangements with banks to help manage our liquidity requirements. In these pooling arrangements, several IPG agencies agree with a single bank that the cash balances of any of the agencies with the bank will be subject to a full right of set-off against amounts the other agencies owe the bank, and the bank provides for overdrafts as long as the net balance for all the agencies does not exceed an agreed-upon level. Typically, each agency pays interest on outstanding overdrafts and receives interest on cash balances. Our unaudited Consolidated Balance Sheets reflect cash, net of bank overdrafts, under all of our pooling arrangements, and as of September 30, 2011 the amount netted was \$1,043.0.

**DEBT CREDIT RATINGS**

Our long-term debt credit ratings as of October 17, 2011 are listed below.

	Moody’s Investor Service	Standard and Poor’s	Fitch Ratings
Rating	Baa3	BB+	BBB
Outlook	Stable	Stable	Stable

We are investment-grade rated by both Moody's Investor Services ("Moody's") and Fitch Ratings. The most recent update to our credit ratings occurred in June 2011 when Moody's upgraded our rating from Ba2 to Baa3 and changed our outlook from positive to stable. Additionally, in May 2011 Standard and Poor’s upgraded our credit rating from BB to BB+, and changed our outlook from positive to stable. Previously, in October 2010, Fitch Ratings upgraded our rating from BB+ to BBB and changed our outlook from positive to stable. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning credit rating agency. The rating of each credit rating agency should be evaluated independently of any other rating. Credit ratings could have an impact on liquidity, either adverse or favorable, including, among other things, because they could affect funding costs in the capital markets or otherwise. For example, our credit facility fees and borrowing rates are based on a credit ratings grid.

**CRITICAL ACCOUNTING ESTIMATES**

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2010, included in our 2010 Annual Report on Form 10-K. As summarized in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report, we believe that certain of these policies are critical because they are important to the presentation of our financial condition and results of operations, and they require management’s most difficult, subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. These critical estimates relate to revenue recognition, income taxes, goodwill and other intangible assets, and pension and postretirement benefits. We base our estimates on historical experience and various other factors that we believe to be relevant under the circumstances. Estimation methodologies are applied consistently from year to year, and there have been no significant changes in the application of critical accounting estimates since December 31, 2010. Actual results may differ from these estimates under different assumptions or conditions.

**RECENT ACCOUNTING STANDARDS**

See Note 13 to the unaudited Consolidated Financial Statements for further information on certain accounting standards that have been adopted during 2011 or that have not yet been required to be implemented and may be applicable to our future operations.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to market risks related to interest rates, foreign currency rates and certain balance sheet items. During the first nine months of 2011, we entered into and exited interest rate swap agreements, which we use to manage our exposure to changes in interest rates. We do not expect these swap agreements to materially alter our exposure to market risk. See Note 2 to the unaudited Consolidated Financial Statements for further information on our interest rate swap agreements. For a further discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our 2010 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2011, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting

There has been no change in internal control over financial reporting in the quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

## PART II – OTHER INFORMATION

## Item 1. Legal Proceedings

Information about our current legal proceedings is set forth in Note 12 to the unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

In the third quarter of 2011, there have been no material changes in the risk factors we have previously disclosed in Item 1A, Risk Factors, in our 2010 Annual Report on Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information regarding our purchases of our equity securities during the period from July 1, 2011 to September 30, 2011.

	Total Number of Shares (or Units) Purchased <sup>1</sup>	Average Price Paid per Share (or Unit) <sup>2</sup>	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>3</sup>	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs <sup>3</sup>
July 1 – 31	1,057,431	\$12.34	1,053,500	\$ 148,272,372
August 1 – 31	7,044,010	\$8.88	7,041,700	\$ 235,725,246
September 1 – 30	6,914,322	\$7.84	6,910,478	\$ 181,573,905
Total <sup>1</sup>	15,015,763	\$8.64	15,005,678	

<sup>1</sup> Includes restricted shares of our common stock, par value \$0.10 per share, withheld under the terms of grants under employee stock-based compensation plans to offset tax withholding obligations that occurred upon vesting and release of restricted shares (the "Withheld Shares"). We repurchased 3,931 Withheld Shares in July 2011, 2,310 Withheld Shares in August 2011 and 3,844 Withheld Shares in September 2011, for a total of 10,085 Withheld Shares during the three-month period.

<sup>2</sup> The average price per share for each of the months in the fiscal quarter and for the three-month period was calculated by dividing the sum for the applicable period of the aggregate value of the tax withholding obligations and the aggregate amount we paid for shares acquired under our program to repurchase our common stock, described in Note 5 to the unaudited Consolidated Financial Statements, by the sum of the number of Withheld Shares and the number of shares acquired in our stock repurchase program.

<sup>3</sup> On February 25, 2011 we announced in a press release that on February 24, 2011 our Board of Directors ("Board") approved a program to repurchase from time to time up to \$300 million of our common stock. On August 15, 2011 we announced in a press release that our Board had authorized an increase in our existing share repurchase program to \$450.0 million of our common stock. There is no expiration date associated with the program.

## Working Capital Restrictions and Other Limitations on the Payment of Dividends

The terms of our outstanding series of preferred stock do not permit us to pay dividends on our common stock unless all accumulated and unpaid dividends on our preferred stock have been or contemporaneously are declared and paid or provision for the payment thereof has been made.





Table of Contents

Item 6.

Exhibits

All exhibits required pursuant to Item 601 of Regulation S-K to be filed as part of this report or incorporated herein by reference to other documents, are listed in the Exhibit Index that immediately precedes the exhibits filed with this Report on Form 10-Q and the exhibits transmitted to the Securities and Exchange Commission as part of the electronic filing of this report.

Table of Contents

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.

By /s/ Michael I. Roth  
Michael I. Roth  
Chairman and Chief Executive Officer

Date: October 28, 2011

By /s/ Christopher F. Carroll  
Christopher F. Carroll  
Senior Vice President, Controller and  
Chief Accounting Officer  
(Principal Accounting Officer)

Date: October 28, 2011

Table of Contents

INDEX TO EXHIBITS

EXHIBIT NO. DESCRIPTION

12.1	Computation of Ratios of Earnings to Fixed Charges.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32	Certification of the Chief Executive Officer and the Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
101	Interactive Data File, for the period ended September 30, 2011.
36	