INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-K
February 24, 2012
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Notes to Consolidated Financial Statements
(Amounts in Millions, Except Per Share Amounts)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011
Commission file number: 1-6686

THE INTERPUBLIC GROUP OF COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-1024020
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1114 Avenue of the Americas, New York, New York 10036
(Address of principal executive offices) (Zip Code)
(212) 704-1200
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No ý
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 ý 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
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	ý	Accelerated filer	¨

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý

As of June 30, 2011, the aggregate market value of the shares of registrant's common stock held by non-affiliates was approximately $6.0 billion. The number of shares of the registrant's common stock outstanding as of February 15, 2012 was 446,111,507.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 24, 2012 are incorporated by reference in Part III: "Election of Directors," "Director Selection Process," "Code of Conduct," "Principal Committees of The Board of Directors," "Audit Committee," "Section 16(a) Beneficial Ownership Reporting Compliance," "Compensation of Executive Officers," "Non-Management Director Compensation," "Compensation Discussion and Analysis," "Compensation and Leadership Talent Committee Report," "Outstanding Shares," "Review and Approval of Transactions with Related Persons," "Director Independence" and "Appointment of Independent Registered Public Accounting Firm."

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STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

This annual report on Form 10-K 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," "cou "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 this report. 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 this report.

PART I

Item 1. Business

The Interpublic Group of Companies, Inc. (“Interpublic,” “IPG,” “we,” “us,” or “our”) was incorporated in Delaware in September 1930 under the name of McCann-Erickson Incorporated as the successor to the advertising agency businesses founded in 1902 by A.W. Erickson and in 1911 by Harrison K. McCann. The company has operated under the Interpublic name since January 1961.

About Us

We are one of the world’s premier global advertising and marketing services companies. Through our 42,000 employees in all major world markets, our companies specialize in consumer advertising, digital marketing, communications planning and media buying, public relations and specialized communications disciplines. Our agencies create customized marketing programs for many of the world's largest companies. 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.

The work we produce for our clients is specific to their unique needs. Our solutions vary from project-based activity involving one agency to long-term, fully integrated campaigns created by multiple IPG agencies working together. With offices in over 100 countries, we can operate in a single region, or deliver global integrated programs.

The role of our holding company is to provide resources and support to ensure that our agencies can best meet clients’ needs. Based in New York City, our holding company sets company-wide financial objectives and corporate strategy, establishes financial management and operational controls, guides personnel policy, directs collaborative inter-agency programs, conducts investor relations, provides enterprise risk management and oversees mergers and acquisitions. In addition, we provide limited centralized functional services that offer our companies operational efficiencies, including accounting and finance, executive compensation management and recruitment assistance, employee benefits, marketing information retrieval and analysis, internal audit, legal services, real estate expertise and travel services.

Our Brands

Interpublic is home to some of the world’s best-known and most innovative communications specialists. We have three global networks, McCann Worldgroup ("McCann"), Draftfcb and Lowe & Partners ("Lowe"), that provide integrated, large-scale advertising and marketing solutions for clients, and two global media services companies, UM and Initiative, operating under the Mediabrands umbrella. We also have premier domestic integrated and interactive agencies that are industry leaders as well as a range of best-in-class specialized communications assets.

- McCann offers a full range of communications tools and resources to many of the world's top companies and most famous brands, positioning McCann to meet client demands in all regions of the world and in all marketing disciplines. McCann Erickson Advertising has operations in over 100 countries. MRM Worldwide is among our industry's largest global digital and customer relationship management ("CRM") networks. Momentum Worldwide is a leader in experiential marketing and promotions, as is McCann Healthcare Worldwide in healthcare communications.
- Draftfcb is a modern agency model for clients seeking creative and accountable marketing programs delivered in a media-neutral manner under a unified, integrated business. The company has its roots in both consumer advertising and behavioral, data-driven direct marketing. We believe the agency is the first global, behavior-based, creative and accountable marketing communications organization operating as a financially and structurally integrated business unit.
- Lowe is a premier creative agency that operates in the world’s most dynamic growth markets. Lowe's core strength is developing high-value ideas that connect with popular culture and drive business results. This is evident in the agency's global creative rankings and strong local operations in major key markets, such as Deutsch (U.S.), DLKW/Lowe (U.K.), Lowe Lintas (India) and BorghiErh/Lowe (Brazil).
- Mediabrands delivers on the scale and breadth of our media capabilities, making investment decisions for tens of billions of dollars of client marketing budgets, yet retains a nimble, collaborative culture. UM and Initiative seek to deliver business results by advising clients on how to navigate an increasingly complex and digital marketing

landscape. Specialist brands within Mediabrands focus on areas such as the targeting and aggregation of audiences in the digital space, hyper-local marketing, media barter and a range of other capabilities.

- Our domestic integrated independent agencies include some of advertising's most recognizable and storied agency brands, including Campbell-Ewald, Hill Holliday, The Martin Agency and Mullen. The marketing programs created by this group incorporate all media channels, CRM, public relations and other marketing activities and have helped build some of the most powerful brands in the U.S., across all sectors and industries.

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- We also have exceptional marketing specialists across a range of disciplines. These include Jack Morton (experiential marketing), Octagon (sports marketing), industry-leading public relations agencies such as Weber Shandwick and GolinHarris, FutureBrand (corporate branding), and our digital specialist agencies, led by R/GA and HUGE, which are among the industry's most award-winning digital agencies. Our healthcare communications specialists reside within our three global brands, McCann, Draftfcb and Lowe.

We list approximately 85 of our companies on our website's "Company Finder" tool, with descriptions and office locations for each. To learn more about our broad range of capabilities, visit our website at http://www.interpublic.com.

Market Strategy

We operate in a media landscape that is evolving at a rapid pace. Media channels continue to fragment, and clients face an increasingly complex consumer environment. To stay ahead of these challenges and to achieve our objectives, we have made and continue to make significant investments in creative and strategic talent in fast-growth digital marketing channels and high-growth geographic regions and world markets. In addition, we consistently review opportunities within our company to enhance our operations through mergers and strategic alliances, as well as the development of internal programs that encourage intra-company collaboration. As appropriate, we also develop relationships with technology and emerging media companies that are building leading-edge marketing tools that complement our agencies' skill sets and capabilities.

In recent years, we have taken several major strategic steps to position our agencies as leaders in the global advertising and communications market. These include:

- We re-organized our media operations under a single management structure, Mediabrands, to reinvent how we plan, buy and measure media investment on behalf of our clients. We have also aligned a spectrum of specialist media companies under this structure. Additionally, we have invested in technology and analytics, including the launch of the IPG Media Lab in New York in 2011, a highly advanced resource for our clients. Since launch in 2008, Mediabrands has delivered industry-leading performance and growth.
- We moved Lowe to a hub model, focused on a smaller and more strategic global footprint, and significantly revamped its management team in an effort to turn around its operating performance. Once this approach began to yield positive results, we strengthened Lowe's capabilities in the key Brazil and U.K. markets through acquisitions and in the U.S. by aligning Deutsch and Lowe in North America to create a more powerful offering from which to service and source multinational clients.
- Five years ago, we combined accountable marketing and consumer advertising agencies in the unique global offering of Draftfcb, which is now operational throughout all world markets.
- At our marketing services division, Constituency Management Group ("CMG"), we continue to strengthen our market leading public relations and events marketing specialists. In recent years, we built out significant social media practices across CMG agencies and expanded our operations in Latin America, China and the Middle East.
- Our McCann unit continues the transformation of its offering under new global leadership with the delivery of best-in-class integrated marketing communications solutions in all geographic regions for the world's largest multinational advertisers.

Digital Growth

Demand for our digital marketing services continues to evolve rapidly. In order to meet this need and provide high-value resources to clients, we have in recent years focused our investment in embedding digital talent and technology throughout the organization. This reflects our belief that digital marketing cannot be treated as a stand-alone function, but should, instead, be integrated within all of our companies, mirroring the way in which consumers incorporate digital media into their other media habits, and, ultimately, their day-to-day life. Recruiting and developing digital expertise at all our agencies and in all marketing disciplines is an area in which we continue to invest.

To meet the changing needs of the marketplace, we have acquired or incubated specialty digital assets, such as Reprise Media (search engine marketing), HUGE (e-commerce solutions), Cadreon (demand-side platform) and The IPG Media Lab. We have also continued to invest in existing digital assets such as R/GA, a digital agency and industry

leader in the development of award-winning interactive campaigns for global clients, as well as MRM, a leading global digital agency. These companies have unique capabilities and service their own client rosters, while also serving as key digital partners to many of the agencies within IPG.

Fast-Growth Regions

We continue to evaluate strategic opportunities to invest and grow in fast-growth geographic regions. In recent years, we have made significant investments in India and Brazil, further strengthening our leadership position in these high-growth, developing markets. Transactions completed in Brazil include the 2011 acquisition of S2 Publicom, a leading public relations

company and the 2010 acquisition of CuboCC, a new media and digital marketing services company. Further, our operations in India continue to be best-in-class as we support our strong growth in the region with partnerships and talent investment, giving us a leadership position in this important market. We also hold a majority stake in the Middle East Communication Networks ("MCN"), among the region's premier marketing services companies. MCN is headquartered in Dubai, with 60 offices across 14 countries. Our partner in Russia is an acknowledged leader in that country. In China, where we operate with all of our global networks and across the full spectrum of marketing services, we continue to invest organically in talent and behind our agency brands. Additional areas of investment in 2011 included key Asia Pacific markets.

Acquisition Strategy

We feel that our company has the appropriate set of assets, capabilities and geographic coverage to succeed in today's media landscape. However, when an outstanding resource or a strong tactical fit becomes available, IPG has been opportunistic in making tuck-in, niche acquisitions to enhance our offerings. Our focus has been and will continue to be predominantly on digital and international growth markets.

During the course of 2011, IPG acquired multiple agencies across the marketing spectrum, including firms specializing in digital and social media, healthcare communications, and public relations, as well as agencies with full service capabilities. All acquired agencies have been integrated into one of our global networks or existing agencies.

Financial Objectives

Our long-term financial goals include maintaining competitive organic revenue growth and continuing to improve our operating margins, which we expect will further strengthen our liquidity profile and increase value to our shareholders. Accordingly, we remain focused on meeting the evolving needs of our clients while concurrently managing our cost structure. 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 allow us more timely and actionable insights from our global operations, while our conservative approach to our balance sheet and liquidity position provides us with a solid financial foundation and financial flexibility to manage our business.

We believe that our strategy and execution position us to be fully competitive in key growth areas such as digital services and emerging markets, with the talent and creativity to thrive in a content-driven media world, to meet our financial goals and to deliver long-term shareholder value.

Financial Reporting Segments

We have two reportable segments, which are Integrated Agency Networks ("IAN") and CMG. IAN is comprised of McCann, Draftfcb, Lowe, Mediabrands and our domestic integrated agencies. CMG is comprised of a number of our specialist marketing services offerings. We also report results for the "Corporate and other" group. See Note 13 to the Consolidated Financial Statements for further information.

Principal Markets

Our agencies are located in over 100 countries, including every significant world market. Our geographic revenue breakdown is listed below.

	% of Total Revenue					
	2011		2010		2009	
Domestic	55.4	%	57.0	%	56.1	%
United Kingdom	7.7	%	7.2	%	7.6	%
Continental Europe	13.0	%	13.3	%	15.4	%
Asia Pacific	10.6	%	9.8	%	9.6	%
Latin America	6.3	%	5.6	%	4.8	%
Other	7.0	%	7.1	%	6.5	%

For further information regarding revenues and long-lived assets on a geographical basis for each of the last three years, see Note 13 to the Consolidated Financial Statements.

Sources of Revenue

Our revenues are primarily derived from the planning and execution of multi-channel advertising, marketing and communications programs around the world. Our revenue is directly dependent upon our ability to win new clients and the advertising, marketing and corporate communications requirements of our existing clients. Most of our client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which we earn commissions and fees vary significantly. As is customary in the industry, our contracts generally provide for termination by either party on relatively short notice, usually 90 days.

Revenues for the creation, planning and placement of advertising are determined primarily on a negotiated fee basis and, to a lesser extent, on a commission basis. Fees are usually calculated to reflect hourly rates plus proportional overhead and a mark-up. Many clients include an incentive compensation component in their total compensation package. This provides added revenue based on achieving mutually agreed-upon qualitative or quantitative metrics within specified time periods. Commissions are earned based on services provided and are usually derived from a percentage or fee over the total cost to complete the assignment. Commissions can also be derived when clients pay us the gross rate billed by media and we pay for media at a lower net rate; the difference is the commission that we earn, which we either retain in full or share with the client depending on the nature of the applicable services agreement. We also generate revenue in negotiated fees from our public relations, sales promotion, event marketing, sports and entertainment marketing and corporate and brand identity services.

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. Generally, we act as the client's agent rather than the primary obligor. In some instances we agree with the provider that we will only be liable to pay the production and media costs after the client has paid us for the charges.

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. Fee revenue recognized on a completed contract basis also contributes to the higher seasonal revenues experienced in the fourth quarter because the majority of our contracts end at December 31.

	Consolidated Revenues for the Three Months Ended								
	2011			2010			2009		
(Amounts in Millions)									
March 31	$1,474.8	21.0	%	$1,337.0	20.5	%	$1,322.2	22.0	%
June 30	1,740.7	24.8	%	1,611.7	24.8	%	1,469.5	24.4	%
September 30	1,726.5	24.6	%	1,553.4	23.9	%	1,421.5	23.7	%
December 31	2,072.6	29.6	%	2,005.2	30.8	%	1,794.2	29.9	%
	$7,014.6			$6,507.3			$6,007.4		

See Note 1 to the Consolidated Financial Statements for further information on our revenue recognition accounting policies.

Clients

Our large and diverse client base includes many of the most recognizable companies and brands throughout the world. Our holding company structure allows us to maintain a diversified client base across and within a full range of industry sectors. In the aggregate, our top ten clients based on revenue accounted for approximately 22% and 24% of revenue in 2011 and 2010, respectively. Our largest client accounted for approximately 4% and 5% of revenue for 2011 and 2010, respectively. Based on revenue for the year ended December 31, 2011, our five largest clients (in alphabetical order) were General Motors, Johnson & Johnson, Microsoft, Unilever and Verizon. We represent several different brands or divisions of each of these clients in a number of geographic markets, as well as provide services across multiple advertising and marketing disciplines, in each case through more than one of our agency systems. Representation of a client rarely means that we handle advertising for all brands or product lines of the client in all geographical locations. Any client may transfer its business from one of our agencies to another one of our agencies or to a competing agency, and a client may reduce its marketing budget at any time.

We operate in a highly competitive advertising and marketing communications industry. Our operating companies compete against other large multinational advertising and marketing communications companies as well as numerous

independent and niche agencies to win new clients and maintain existing client relationships.

Personnel

As of December 31, 2011, we employed approximately 42,000 people, of whom approximately 18,000 were employed in the United States. Because of the service character of the advertising and marketing communications business, the quality of personnel

is of crucial importance to our continuing success. We conduct extensive employee training and development throughout our agencies, and benchmark our compensation programs against those of our industry for their competitiveness and effectiveness in recruitment and retention. There is keen competition for qualified employees.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports are available free of charge in the Investors section of our website at http://www.interpublic.com as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the Securities and Exchange Commission.

Our Corporate Governance Guidelines, Interpublic Group Code of Conduct and the charters for each of the Audit Committee, Compensation Committee and the Corporate Governance Committee are available free of charge in the Corporate Governance subsection of the Corporate Citizenship section of our website at http://www.interpublic.com, or by writing to The Interpublic Group of Companies, Inc., 1114 Avenue of the Americas, New York, New York 10036, Attention: Secretary. Information on our website is not part of this report.

Item 1A. Risk Factors

We are subject to a variety of possible risks that could adversely impact our revenues, results of operations or financial condition. Some of these risks relate to general economic and financial conditions, while others are more specific to us and the industry in which we operate. The following factors set out potential risks we have identified that could adversely affect us. The risks described below may not be the only risks we face. Additional risks that we do not yet know of, or that we currently think are immaterial, could also have a negative impact on our business operations or financial condition. See also “Statement Regarding Forward-Looking Disclosure.”

- We operate in a highly competitive industry.

The marketing communications business is highly competitive. Our agencies and media services compete with other agencies, and with other providers of creative, marketing or media services, to maintain existing client relationships and to win new business. Our competitors include not only other large multinational advertising and marketing communications companies, but also smaller entities that operate in local or regional markets. New market participants include database marketing and modeling companies, telemarketers and internet companies.

The client’s perception of the quality of our agencies’ creative work and its relationships with key personnel at the Company or our agencies are important factors that affect our competitive position. An agency’s ability to serve clients, particularly large international clients, on a broad geographic basis and across a range of services may also be important competitive considerations. On the other hand, because an agency’s principal asset is its people, freedom of entry into the business is almost unlimited and a small agency is, on occasion, able to take all or some portion of a client’s account from a much larger competitor.

Many companies put their advertising and marketing communications business up for competitive review from time to time, and clients may choose to terminate their contracts on a relatively short timeframe. We have won and lost client accounts in the past as a result of such periodic competitions. In the aggregate, our top ten clients based on revenue accounted for approximately 22% of revenue in 2011. A substantial decline in a large client’s advertising and marketing spending, or the loss of a significant part of its business, could have a material adverse effect upon our business and results of operations.

Our ability to attract new clients and to retain existing clients may also, in some cases, be limited by clients’ policies or perceptions about conflicts of interest. These policies can, in some cases, prevent one agency, or even different agencies under our ownership, from performing similar services for competing products or companies.

- As a marketing services company, our revenues are highly susceptible to declines as a result of unfavorable economic conditions.

While we have seen economic recovery in most of our key markets during 2011, the strength and duration of the recovery has varied across geographic regions, and areas of uncertainty about the prospects for continued improvements in the global economy and a degree of caution on the part of some marketers continue to have an effect

on the demand for advertising and marketing services. In particular, the uneven pace of recovery in certain European markets has contributed to concerns over future growth in these markets. In 2011, Continental Europe and the United Kingdom accounted for 13.0% and 7.7% of our revenue, respectively. The marketing services industry can be affected more severely than other sectors by an economic downturn and can recover more slowly than the economy generally. In the past, some clients have responded to weak economic and financial conditions by reducing their marketing budgets, which include discretionary components that are easier to reduce in the short term than other operating expenses. For example, we experienced a 10.8% organic revenue decline during 2009. This pattern may recur in the future. If our business is significantly adversely affected by unfavorable economic conditions, a decrease in our revenue could pose a challenge to our cash generation from operations.

- We may lose or fail to attract and retain key employees and management personnel.

Our employees, including creative, digital, research, media and account specialists, and their skills and relationships with clients, are among our most valuable assets. An important aspect of our competitiveness is our ability to attract and retain key employees and management personnel. Our ability to do so is influenced by a variety of factors, including the compensation we award and other factors which may be beyond our control. In addition, the advertising and marketing services industry is characterized by a high degree of employee mobility. If we were to fail to attract key personnel or lose them to competitors or clients, our business and results of operations could be adversely affected.

- We may not be able to meet our performance targets and milestones.

From time to time, we communicate to the public certain targets and milestones for our financial and operating performance that are intended to provide metrics against which to evaluate our performance. They should not be understood as predictions or guidance about our expected performance. Our ability to meet any target or milestone is subject to inherent risks and uncertainties, and we caution investors against placing undue reliance on them. Similarly, we may not realize the intended advantages of past or future investments or acquisitions of businesses because we may incorrectly evaluate risks and benefits from these transactions, or have unforeseen difficulties integrating them into our organization. See “Statement Regarding Forward-Looking Disclosure.”

- Our financial condition could be adversely affected if our available liquidity is insufficient.

We maintain a committed credit facility to increase our financial flexibility (as amended and restated as of May 31, 2011, the “Credit Agreement”). The Credit Agreement contains financial covenants, and events like a material economic downturn could adversely affect our ability to comply with them. For example, compliance with the financial covenants would be more difficult to achieve if we were to experience substantially lower revenues, a substantial increase in client defaults or sizable asset impairment charges. If we were unable to comply with any of the financial covenants contained in the Credit Agreement, we could be required to seek an amendment or waiver from our lenders, and our costs under the Credit Agreement could increase. If we were unable to obtain a necessary amendment or waiver, the Credit Agreement could be terminated. Furthermore, the Credit Agreement includes commitments from a syndicate of financial institutions, and if any of them were unable to perform and no other bank assumed that institution’s commitment, the availability of credit under that agreement would be correspondingly reduced. If credit under the Credit Agreement were unavailable or insufficient, our liquidity could be adversely affected.

If our business or financial needs lead us to seek new or additional sources of liquidity, there can be no guarantee that we would be able to access any new sources of liquidity on commercially reasonable terms or at all. For further discussion of our liquidity profile and outlook, see “Liquidity and Capital Resources” in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

- International business risks could adversely affect our operations.

We are a global business. Operations outside the United States represent a significant portion of our revenues, approximately 45% in 2011. These operations are exposed to risks that include local legislation, currency variation, exchange control restrictions, and difficult local political or economic conditions. In developing countries or regions, we may face further risks, such as slower receipt of payments, nationalization, social and economic instability, currency repatriation restrictions and undeveloped or inconsistently enforced commercial laws. These risks may limit our ability to grow our business and effectively manage our operations in those countries.

In addition, because a significant portion of our business is denominated in currencies other than the U.S. dollar, such as the Australian Dollar, Brazilian Real, Canadian Dollar, Chinese Yuan Renminbi, Euro, Japanese Yen and Pound Sterling, fluctuations in exchange rates between the U.S. dollar and such currencies may materially affect our financial results. Concerns persist in Europe in particular over the debt burdens of certain countries that use the Euro as their currency and the overall stability of the Euro. Possible consequences, such as the re-introduction of individual currencies in countries currently employing the Euro or the dissolution of the Euro as a common currency, or market perceptions and uncertainties about the possibility and impact of such events, could adversely affect the value of our Euro-denominated assets and results of operations.

- If our clients experience financial distress, their weakened financial position could negatively affect our own financial position and results.

We have a large and diverse client base, and at any given time, one or more of our clients may experience financial difficulty, file for bankruptcy protection or go out of business. Unfavorable economic and financial conditions could result in an increase in client financial difficulties that affect us. The direct impact on us could include reduced revenues and write-offs of accounts receivable and expenditures billable to clients, and if these effects were severe, the indirect impact could include impairments of intangible assets, credit facility covenant violations and reduced liquidity. For a description of our client base, see “Clients” in Item 1, Business.

- We are subject to regulations and other legal or reputational risks that could restrict our activities or negatively impact our performance or our financial condition.

Our industry is subject to government regulation and other governmental action, both domestic and foreign. Advertisers and consumer groups may challenge advertising through legislation, regulation, judicial actions or otherwise, for example on the grounds that the advertising is false and deceptive or injurious to public welfare. Our business is also subject to specific rules, prohibitions, media restrictions, labeling disclosures and warning requirements applicable to advertising for certain products. Existing and proposed laws and regulations, in particular in the European Union and the United States, concerning user privacy, use of personal information and on-line tracking technologies could affect the efficacy and profitability of internet-based and digital marketing. Legislators, agencies and other governmental units may also continue to initiate proposals to ban the advertising of specific products, such as alcohol or tobacco, and to impose taxes on or deny deductions for advertising, which, if successful, may hinder our ability to accomplish our clients' goals and have an adverse effect on advertising expenditures and, consequently, on our revenues. Furthermore, we could suffer reputational risk as a result of governmental or legal action or from undertaking controversial work that may be challenged by consumer groups.

- We rely extensively on information technology systems.

We rely extensively and increasingly on information technologies and infrastructure to manage our business, including recording marketing strategies and client information, developing new business opportunities and processing business transactions. We operate in many respects on a decentralized basis, with a large number of agencies and legal entities, and the resulting size, diversity and disparity of our technology systems and complications in implementing standardized technologies and procedures could increase the potential vulnerability of our systems to breakdown, malicious intrusion or random attack. Likewise, data privacy breaches, as well as improper use of social media, by employees and others may pose a risk that sensitive data could be exposed to third parties or to the public generally. Any such breakdowns or breaches in our systems or data-protection policies could adversely affect our reputation or business.

- Our earnings would be adversely affected if we were required to recognize asset impairment charges or increase our deferred tax valuation allowances.

We evaluate all of our long-lived assets (including goodwill, other intangible assets and fixed assets), investments and deferred tax assets for possible impairment or realizability annually or whenever there is an indication that they are impaired or not realizable. If certain criteria are met, we are required to record an impairment charge or valuation allowance.

As of December 31, 2011, we have substantial amounts of long-lived assets, deferred tax assets and investments on our Consolidated Balance Sheet, including approximately $3.4 billion of goodwill. Future events, including our financial performance, market valuation of us or market multiples of comparable companies, loss of a significant client's business or strategic decisions, could cause us to conclude that impairment indicators exist and that the asset values associated with long-lived assets, deferred tax assets and investments may have become impaired. For further discussion of goodwill and other intangible assets, and our sensitivity analysis of our valuation of these assets, see "Critical Accounting Estimates" in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Any significant impairment loss would have an adverse impact on our reported earnings in the period in which the charge is recognized.

- Downgrades of our credit ratings could adversely affect us.

We can be adversely affected if our credit ratings are downgraded or if they are significantly weaker than those of our competitors, because ratings are an important factor influencing our ability to access capital and the terms of any new indebtedness, including covenants and interest rates. Our clients and vendors may also consider our credit profile when negotiating contract terms, and if they were to change the terms on which they deal with us, it could have an adverse effect on our liquidity.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Substantially all of our office space is leased from third parties. Certain leases are subject to rent reviews or contain escalation clauses, and certain of our leases require the payment of various operating expenses, which may also be subject to escalation. Physical properties include leasehold improvements, furniture, fixtures and equipment located in our offices. We believe that facilities leased or owned by us are adequate for the purposes for which they are currently used and are well maintained. See Note 14 to the Consolidated Financial Statements for further information on our lease commitments.

Item 3. Legal Proceedings

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.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of IPG

Name	Age	Office
Michael I. Roth[1]	66	Chairman of the Board and Chief Executive Officer
Nicolas Brien	50	Chairman and Chief Executive Officer of McCann Worldgroup
Nicholas J. Camera	65	Senior Vice President, General Counsel and Secretary
Christopher F. Carroll	45	Senior Vice President, Controller and Chief Accounting Officer
Julie M. Connors	40	Senior Vice President, Audit and Chief Risk Officer
Philippe Krakowsky	49	Executive Vice President, Chief Strategy and Talent Officer
Frank Mergenthaler	51	Executive Vice President and Chief Financial Officer

[1] Also a Director

There is no family relationship among any of the executive officers.

Mr. Roth became our Chairman of the Board and Chief Executive Officer in January 2005. Prior to that time, Mr. Roth served as our Chairman of the Board from July 2004 to January 2005. Mr. Roth served as Chairman and Chief Executive Officer of The MONY Group Inc. from February 1994 to June 2004. Mr. Roth has been a member of the Board of Directors of IPG since February 2002. He is also a director of Pitney Bowes Inc. and Gaylord Entertainment Company.

Mr. Brien was named Chairman and Chief Executive Officer of the McCann Worldgroup in April 2010. Prior to that time, Mr. Brien served as President and Chief Executive Officer of Mediabrands from February 2008 to February 2010 and as President and Chief Executive Officer of Universal McCann from August 2005 until February 2008.

Mr. Camera was hired in May 1993. He was elected Vice President, Assistant General Counsel and Assistant Secretary in June 1994, Vice President, General Counsel and Secretary in December 1995, and Senior Vice President, General Counsel and Secretary in February 2000.

Mr. Carroll was named Senior Vice President, Controller and Chief Accounting Officer in April 2006. Mr. Carroll served as Senior Vice President and Controller of McCann Worldgroup from November 2005 to March 2006. Prior to joining us, Mr. Carroll served as Chief Accounting Officer and Controller at Eyetech Pharmaceuticals from June 2004 to October 2005. Prior to that time, Mr. Carroll served as Chief Accounting Officer and Controller at MIM Corporation from January 2003 to June 2004 and served as a Financial Vice President at Lucent Technologies, Inc. from July 2001 to January 2003.

Ms. Connors was hired in February 2010 as Senior Vice President, Audit and Chief Risk Officer. Prior to joining us, she served as a partner at Deloitte & Touche, LLP from September 2003 to January 2010.

Mr. Krakowsky was hired in January 2002 as Senior Vice President, Director of Corporate Communications. He was elected Executive Vice President, Strategy and Corporate Relations in December 2005 and in February 2011 was elected Executive Vice President, Chief Strategy and Talent Officer. Prior to joining us, he served as Senior Vice President, Communications Director for Young & Rubicam from August 1996 to December 2000. During 2001, Mr. Krakowsky was complying with the terms of a non-competition agreement entered into with Young & Rubicam.

Mr. Mergenthaler was hired in August 2005 as Executive Vice President and Chief Financial Officer. Prior to joining us, he served as Executive Vice President and Chief Financial Officer for Columbia House Company from July 2002 to July 2005. Mr. Mergenthaler served as Senior Vice President and Deputy Chief Financial Officer for Vivendi Universal from December 2001 to March 2002. Prior to that time Mr. Mergenthaler was an executive at Seagram Company Ltd. from November 1996 to December 2001. Mr. Mergenthaler is a director of Express Scripts, Inc.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is listed and traded on the New York Stock Exchange (“NYSE”) under the symbol “IPG.” The following table provides the high and low closing sales prices per share for the periods shown below as reported on the NYSE. As of February 15, 2012, there were approximately 19,900 registered holders of our outstanding common stock.

	NYSE Sale Price		
Period	High	Low	Cash Dividends Declared
2011:			
Fourth Quarter	$ 9.92	$ 6.95	$ 0.06
Third Quarter	$ 12.84	$ 7.20	$ 0.06
Second Quarter	$ 12.63	$ 11.15	$ 0.06
First Quarter	$ 13.20	$ 10.47	$ 0.06
2010:			
Fourth Quarter	$ 11.11	$ 9.98	$ 0.00
Third Quarter	$ 10.17	$ 6.93	$ 0.00
Second Quarter	$ 9.87	$ 7.13	$ 0.00
First Quarter	$ 8.79	$ 6.35	$ 0.00

Dividend Policy

In the first quarter of 2011, we initiated regular quarterly cash dividends on our common stock, and we paid our most recent cash dividend on December 15, 2011. On February 24, 2012, we announced that our Board of Directors (the “Board”) had declared a common stock cash dividend of $0.06 per share, payable on March 23, 2012 to holders of record as of the close of business on March 9, 2012. As of the applicable December 2011 record date, we had approximately 445 million shares outstanding (excluding restricted shares), which corresponded to an aggregate dividend payment of $26.7 million. Assuming a quarterly dividend of $0.06 per share and no significant change in the number of outstanding shares, we expect to pay approximately $107.0 million in 2012. We also pay regular quarterly dividends of $2.9 million, or $11.6 million annually, on our Series B Preferred Stock.

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 have been or are contemporaneously declared and paid or provision for the payment thereof has been made. As of February 24, 2012, there were no accumulated and unpaid preferred stock dividends.

Equity Compensation Plans

See Item 12 for information about our equity compensation plans.

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for our common stock is:

Computershare Shareowner Services LLC
480 Washington Boulevard
29th Floor
Jersey City, New Jersey 07310
Telephone: (877) 363-6398

Sales of Unregistered Securities

Not applicable.

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Repurchase of Equity Securities

The following table provides information regarding our purchases of equity securities during the fourth quarter of 2011.

	Total Number of Shares (or Units) Purchased [1]	Average Price Paid per Share (or Unit) [2]	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs [3]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 - 31	3,079,844	$9.88	3,034,134	$ 151,573,905
November 1 - 30	6,520,459	$8.25	6,510,295	$ 97,888,614
December 1 - 31	5,139,629	$9.33	5,134,394	$ 49,999,734
Total	14,739,932	$8.97	14,678,823	

1 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 45,710 Withheld Shares in October 2011, 10,164 Withheld Shares in November 2011 and 5,235 Withheld Shares in December 2011, for a total of 61,109 Withheld Shares during the three-month period.

2 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 of the applicable period of the aggregate value of the tax withholding obligations and the aggregate amount we paid for shares acquired under our stock repurchase program, described in Note 6 to the Consolidated Financial Statements, by the sum of the number of Withheld Shares and the number of shares acquired in our stock repurchase program.

3 On February 25, 2011, we announced in a press release that our Board had approved a program to repurchase from time to time up to $300.0 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. On February 24, 2012, we announced that our Board had approved a new share repurchase program to repurchase from time to time up to $300.0 million of our common stock. The new authorization is in addition to any amounts remaining available for repurchase under the program we announced in 2011. There is no expiration date associated with the programs.

Item 6. Selected Financial Data
THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
Selected Financial Data
(Amounts in Millions, Except Per Share Amounts and Ratios)
(Unaudited)

Years ended December 31,	2011	2010	2009	2008	2007
Statement of Operations Data					
Revenue	$7,014.6	$6,507.3	$6,007.4	$6,938.8	$6,536.7
Salaries and related expenses	4,402.1	4,117.0	3,961.2	4,342.6	4,139.2
Office and general expenses	1,924.3	1,837.7	1,700.3	1,989.4	2,027.3
Operating income	687.2	548.7	341.3	589.7	344.3
Provision for income taxes	190.2	171.3	90.1	156.6	58.9
Net income [1]	551.5	281.2	143.4	318.0	184.3
Net income available to IPG common stockholders [1]	520.7	271.2	93.6	265.2	131.3
Earnings per share available to IPG common stockholders:					
Basic	$1.12	$0.57	$0.20	$0.57	$0.29
Diluted	$0.99	$0.47	$0.19	$0.52	$0.26
Weighted-average number of common shares outstanding:					
Basic	465.5	473.6	468.2	461.5	457.7
Diluted	540.6	542.1	508.1	518.3	503.1
Dividends declared per common share	$0.24	$0.00	$0.00	$0.00	$0.00
Other Financial Data					
Net cash provided by operating activities	$273.5	$817.3	$540.8	$865.3	$298.1
Ratios of earnings to fixed charges	3.4	2.4	1.7	2.2	1.6

As of December 31,	2011	2010	2009	2008	2007
Balance Sheet Data					
Cash and cash equivalents and marketable securities	$2,315.6	$2,689.4	$2,506.1	$2,274.9	$2,037.4
Total assets	12,876.6	13,070.8	12,263.1	12,125.2	12,458.1
Total debt	1,769.2	1,737.0	1,946.6	2,119.7	2,349.2
Total liabilities	10,135.9	10,212.7	9,449.0	9,592.6	10,081.8
Preferred stock – Series B	221.5	221.5	525.0	525.0	525.0
Total stockholders' equity	2,497.3	2,566.9	2,536.3	2,244.2	2,275.1

[1] The year ended 2011, includes a pre-tax gain of $132.2 related to the sale of approximately half of our holdings in Facebook, Inc.

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Item 7. 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 Consolidated Financial Statements and the accompanying notes included in this report. 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.

CRITICAL ACCOUNTING ESTIMATES provides a discussion of our accounting policies that require critical judgment, assumptions and estimates.

RESULTS OF OPERATIONS provides an analysis of the consolidated and segment results of operations for 2011 compared to 2010 and 2010 compared to 2009.

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

RECENT ACCOUNTING STANDARDS, by reference to Note 15 to the 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

During 2011, we had strong revenue and profit growth. Our revenue grew at all major businesses and client sectors, and in nearly every major region of the world. We continued to build our businesses by making investments in talent and acquisitions that emphasize our growth priorities: fast-growth digital marketing channels, high-growth regions and the largest world markets. We greatly improved our operating profitability again in 2011, as seen in the progress of our operating margin for the full year. Early in the year, as a direct result of improvements in our operating performance and financial strength, we initiated both a dividend on our common shares and a program of share repurchases that we expanded during the year.

Overall demand for our services by clients remains solid. With challenging economic conditions in some parts of the world, marketers continue to show a measure of caution as well. In this complex global environment, we find that we continue to derive substantial benefit from our diversified client base, our global footprint and the broad range and strength of our professional offerings. We believe the investment in tools, technology and process improvements we have made in recent years, and which continue, will allow us to grow increasingly more efficient in the delivery of our services. As we continue to evolve our services at a rapid pace, we believe we are positioned for revenue growth and continued strong margin expansion. The following tables present a summary of financial performance for the year ended December 31, 2011, as compared with the same periods in 2010 and 2009.

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

	Years ended December 31,			
	2011		2010	
% Increase	Total	Organic	Total	Organic
Revenue	7.8 %	6.1 %	8.3 %	7.0 %
Salaries and related expenses	6.9 %	5.1 %	3.9 %	2.9 %
Office and general expenses	4.7 %	3.1 %	8.1 %	6.5 %

	Years ended December 31,		
	2011	2010	2009
Operating margin	9.8 %	8.4 %	5.7 %
Expenses as % of revenue:			
Salaries and related expenses	62.8 %	63.3 %	65.9 %
Office and general expenses	27.4 %	28.2 %	28.3 %
Net income available to IPG common stockholders	$520.7	$271.2	$93.6
Earnings per share available to IPG common stockholders:			
Basic	$1.12	$0.57	$0.20
Diluted	$0.99	$0.47	$0.19
Net cash provided by operating activities	$273.5	$817.3	$540.8

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 evaluate 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 constitutes 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. Our exposure is mitigated as the majority of our revenues and expenses in any given market are generally denominated in the same currency. 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 2011 include the Australian Dollar, Brazilian Real, Euro, Japanese Yen and Pound Sterling. During 2011, the U.S. Dollar was weaker as compared to 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 operating income. For 2011, foreign currency fluctuations resulted in net increases of approximately 2% in revenues and operating expenses, which had no impact on our operating margin percentage. For 2010, foreign

currency fluctuations resulted in net increases of approximately 1% in revenues and operating expenses, which also had no impact on our operating margin percentage. In recent months, the U.S. Dollar has strengthened against certain currencies, and at current exchange rates, the result would be a slight negative impact on our 2012 revenue and operating income.

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 offerings and disposed of businesses that are not consistent with our strategic plan. For 2011 and 2010, the net effect of acquisitions and divestitures had a minimal impact on revenue and operating expenses compared to the respective prior-year period. See Note 5 to the Consolidated Financial Statements for additional information on our acquisitions.

CRITICAL ACCOUNTING ESTIMATES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of the Consolidated Financial Statements and related disclosures requires us to make judgments, assumptions and estimates that affect the amounts reported and disclosed in the accompanying financial statements and footnotes. Our significant accounting policies are discussed in Note 1 to the Consolidated Financial Statements. We believe that of our significant accounting policies, the following critical accounting estimates involve management's most difficult, subjective or complex judgments. We consider these accounting estimates to be critical because changes in the underlying assumptions or estimates have the potential to materially impact our Consolidated Financial Statements. Management has discussed with our Audit Committee the development, selection, application and disclosure of these critical accounting estimates. We regularly evaluate our judgments, assumptions and estimates based on historical experience and various other factors that we believe to be relevant under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Our revenues are primarily derived from the planning and execution of advertising, marketing and communications programs in various media around the world. Most of our client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which we earn commissions and fees vary significantly. Our client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits. Our largest clients are multinational entities and, as such, we often provide services to these clients out of multiple offices and across many of our agencies. In arranging for such services, it is possible that we will enter into global, regional and local agreements. Agreements of this nature are reviewed by legal counsel to determine the governing terms to be followed by the offices and agencies involved. Critical judgments and estimates are involved in determining both the amount and timing of revenue recognition under these arrangements.

Revenue for our services is recognized when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) services have been performed. Depending on the terms of a client contract, fees for services performed can be recognized in three principal ways: proportional performance (input or output), straight-line (or monthly basis) or completed contract.

Depending on the terms of the client contract, revenue is derived from diverse arrangements involving fees for services performed, commissions, performance incentive provisions and combinations of the three. Commissions are generally earned on the date of the broadcast or publication. Contractual arrangements with clients may also include performance incentive provisions designed to link a portion of our revenue to our performance relative to either qualitative or quantitative goals, or both. Performance incentives are recognized as revenue for quantitative targets when the target has been achieved and for qualitative targets when confirmation of the incentive is received from the client. The classification of client arrangements to determine the appropriate revenue recognition involves judgments. If the judgments change there can be a material impact on our Consolidated Financial Statements, and particularly on the allocation of revenues between periods.

The majority of our revenue is recorded as the net amount of our gross billings less pass-through expenses charged to a client. In most cases, the amount that is billed to clients significantly exceeds the amount of revenue that is earned and reflected in our Consolidated Financial Statements because of various pass-through expenses, such as production and media costs. We assess whether our agency or the third-party supplier is the primary obligor, and we evaluate the terms of our client agreements as part of this assessment. In addition, we give appropriate consideration to other key indicators such as latitude in establishing price, discretion in supplier selection and credit risk to the vendor. Because

we operate broadly as an advertising agency, based on our primary lines of business and given the industry practice to generally record revenue on a net versus gross basis, we believe that there must be strong evidence in place to overcome the presumption of net revenue accounting. Accordingly, we generally record revenue net of pass-through charges as we believe the key indicators of the business suggest we generally act as an agent on behalf of our clients in our primary lines of business. In those businesses where the key indicators suggest we act as a principal (primarily sales promotion and event, sports and entertainment marketing), we record the gross amount billed to the client as revenue and the related incremental direct costs incurred as office and general expenses. In general, we also report revenue net of taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions.

The determination as to whether revenue in a particular line of business should be recognized net or gross involves complex judgments. If we make these judgments differently it could significantly affect our financial performance. If it were determined that we must recognize a significant portion of revenues on a gross basis rather than a net basis it would positively impact revenues, have no impact on our operating income and have an adverse impact on operating margin.

We receive credits from our vendors and media outlets for transactions entered into on behalf of our clients that, based on the terms of our contracts and local law, are either remitted to our clients or retained by us. If amounts are to be passed through to clients, they are recorded as liabilities until settlement or, if retained by us, are recorded as revenue when earned. Income or

expense may also be realized in connection with settling vendor discount or credit liabilities that were established as part of the restatement we presented in our 2004 Annual Report on Form 10-K (the "2004 Restatement"). In these situations, and given the historical nature of these liabilities, we generally record such items as other income or expense as we do not consider these to be part of current operating results.

Income Taxes

The provision for income taxes includes U.S. federal, state, local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes.

We are required to evaluate the realizability of our deferred tax assets, which is primarily dependent on future earnings. A valuation allowance shall be recognized when, based on available evidence, it is "more likely than not" that all or a portion of the deferred tax assets will not be realized due to the inability to generate sufficient taxable income in future periods. In circumstances where there is negative evidence, establishment of a valuation allowance must be considered. We believe that cumulative losses in the most recent three-year period represent significant negative evidence when evaluating a decision to establish a valuation allowance. Conversely, a pattern of sustained profitability represents significant positive evidence when evaluating a decision to reverse a valuation allowance. Further, in those cases where a pattern of sustained profitability exists, projected future taxable income may also represent positive evidence, to the extent that such projections are determined to be reliable given the current economic environment. Accordingly, the increase and decrease of valuation allowances has had and could have a significant negative or positive impact on our current and future earnings. In 2011 and 2010, we recorded a net reversal of valuation allowances of $32.9 and $2.4, respectively. In 2009, we recorded a net charge for the establishment of valuation allowances of $12.4.

The authoritative guidance for uncertainty in income taxes prescribes a recognition threshold and measurement criteria for the financial statement reporting of a tax position that an entity takes or expects to take in a tax return. Additionally, guidance is provided for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The assessment of recognition and measurement requires critical estimates and the use of complex judgments. We evaluate our tax positions using the prescribed "more likely than not" recognition threshold and then apply a measurement assessment to those positions that meet the recognition threshold. We have established tax reserves that we believe to be 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 adjust our reserves as additional information or events require.

Goodwill and Other Intangible Assets

We have accounted for our business combinations using the acquisition accounting method beginning in 2009, while we utilized the purchase accounting method in prior years. Both accounting methods require us to determine the fair value of net assets acquired and the related goodwill and other intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and involves the use of significant estimates, including projections of future cash inflows and outflows, discount rates, asset lives and market multiples. Considering the characteristics of advertising, specialized marketing and communication services companies, our acquisitions usually 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 is allocated to goodwill and other intangible

assets.

We review goodwill and other intangible assets with indefinite lives not subject to amortization as of October 1st each year and whenever events or significant changes in circumstances indicate that the carrying value may not be recoverable. We evaluate the recoverability of goodwill at a reporting unit level. We have 11 reporting units that were subject to the 2011 annual impairment testing. Our reporting unit structure did not change during 2011. Our annual impairment reviews as of October 1, 2011 did not result in an impairment charge at any of our reporting units.

We review intangible assets with definite lives subject to amortization whenever events or circumstances indicate that a carrying amount of an asset may not be recoverable. Recoverability of these assets is determined by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to be generated by these assets. These assets are impaired when their carrying value exceeds their fair value. Impaired intangible assets with definite lives subject to amortization are written down to their fair value with a charge to expense in the period the impairment is identified. Intangible assets with definite lives are amortized on a straight-line basis with estimated useful lives generally between 7 and 15 years. Events or circumstances that might require impairment testing include the loss of a significant client, the identification of other impaired assets within a reporting unit, loss of key personnel, the disposition of a significant portion of a reporting unit, significant decline in stock price or a significant adverse change in business climate or regulations.

We have adopted new authoritative guidance for goodwill which permits an entity to first assess qualitative factors to determine whether the fair value of a reporting unit is less than its carrying value. Qualitative factors to consider may include macroeconomic conditions, industry and market considerations, cost factors that may have a negative effect on earnings, overall financial performance of the reporting unit, and other relevant entity-specific events such as changes in management, key personnel, strategy or clients, as well as contemplation of bankruptcy or pending litigation. If, after assessing the totality of events or circumstances such as those described above, an entity determines that it is "more likely than not" that the fair value of a reporting unit is less than its carrying value, then the entity is required to perform a two-step quantitative impairment test to identify and measure impairment, if necessary. Otherwise, no additional testing is required.

For reporting units not included in the qualitative assessment, or for any reporting units identified in the qualitative assessment as "more likely than not" that the fair value is less than its carrying value, the first step of the quantitative impairment test is performed. The first step is a comparison of the fair value of each reporting unit to its carrying value, including goodwill. The sum of the fair values of all our reporting units is reconciled to our current market capitalization plus an estimated control premium. Goodwill allocated to a reporting unit whose fair value is equal to or greater than its carrying value is not impaired, and no further testing is required. Should the carrying amount for a reporting unit exceed its fair value, then the first step of the impairment test is failed and the magnitude of any goodwill impairment is determined under the second step, which is a comparison of the implied fair value of a reporting unit’s goodwill to its carrying value. Goodwill of a reporting unit is impaired when its carrying value exceeds its implied fair value. Impaired goodwill is written down to its implied fair value with a charge to expense in the period the impairment is identified.

For our 2011 annual impairment test, we performed a qualitative impairment assessment for nine reporting units and performed the two-step quantitative impairment test for two reporting units. For the qualitative analysis we took into consideration all the relevant events and circumstances in accordance with the authoritative guidance, including financial performance, macroeconomic conditions and entity-specific factors such as client wins/losses. Based on this assessment, we have concluded that for each of our reporting units subject to the qualitative assessment, it is not “more likely than not” that its fair value was less than its carrying value; therefore, no additional testing was required.

The 2011 and 2010 fair values of reporting units for which we performed quantitative impairment tests were estimated using a combination of the income approach, which incorporates the use of the discounted cash flow method, and the market approach, which incorporates the use of earnings and revenue multiples based on market data. We primarily applied an equal weighting to the income and market approach for our analysis. For the income approach, we used projections, which require the use of significant estimates and assumptions specific to the reporting unit as well as those based on general economic conditions. Factors specific to each reporting unit include revenue growth, profit margins, terminal value growth rates, capital expenditures projections, assumed tax rates, discount rates and other assumptions deemed reasonable by management. For the market approach, we used judgment in identifying the relevant comparable-company market multiples.

These estimates and assumptions may vary between each reporting unit depending on the facts and circumstances specific to that unit. The discount rate for each reporting unit is influenced by general market conditions as well as factors specific to the reporting unit. For 2011, the discount rate we used for both of our reporting units tested was 12.5%, and the terminal value growth rate for both of our reporting units tested was 3.0%. The terminal value growth rate represents the expected long-term growth rate for the advertising and marketing services industry, incorporating the type of services the reporting unit provides, and the global economy. For 2011, the revenue growth rates for our reporting units used in our analysis were generally between 5.0% and 6.0%. Factors influencing the revenue growth rates include the nature of the services the reporting unit provides for its clients, the geographic locations in which the reporting unit conducts business and the maturity of the reporting unit. We believe that the estimates and assumptions

we made are reasonable, but they are susceptible to change from period to period. Actual results of operations, cash flows and other factors will likely differ from the estimates used in our valuation, and it is possible that differences and changes could be material. A deterioration in profitability, adverse market conditions, significant client losses, changes in spending levels of our existing clients or a different economic outlook than currently estimated by management could have a significant impact on the estimated fair value of our reporting units and could result in an impairment charge in the future.

We have performed a sensitivity analysis to detail the impact that changes in assumptions may have on the outcome of the first step of the impairment test. Our sensitivity analysis provides a range of fair value for each reporting unit, where the low end of the range reduces growth rates by 0.5% and increases discount rates by 0.5%, and the high end of the range increases growth rates by 0.5% and decreases discount rates by 0.5%. We use the average of our fair values for purposes of our comparison between carrying value and fair value for the first step of the impairment test.

The following table shows the number of reporting units we tested in our 2011 and 2010 annual impairment tests and the related goodwill value associated with the reporting units at the low end, average and high end of the valuation range for a) fair values exceeding carrying values by less than 10%, b) fair values exceeding carrying values between 10% and 20% and c) fair values exceeding carrying values by more than 20%. In 2011 and 2010, our results for the comparison between carrying value

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and fair value at the low end, average and high end of the valuation range indicated that there were no reporting units whose carrying values exceeded their respective fair value.

2011 Impairment Test [1]			2010 Impairment Test [2]		
Low End			Low End		
Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units	Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units
Less than 10%	0	$ 0.0	Less than 10%	2	$ 589.2
10% – 20%	1	150.0	10% – 20%	2	47.2
Greater than 20%	1	41.0	Greater than 20%	2	426.5
Average			Average		
Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units	Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units
Less than 10%	0	$ 0.0	Less than 10%	1	$ 150.0
10% – 20%	1	150.0	10% – 20%	2	445.4
Greater than 20%	1	41.0	Greater than 20%	3	467.5
High End			High End		
Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units	Fair value exceeds carrying value by:	Number of reporting units	Total goodwill at the reporting units
Less than 10%	0	$ 0.0	Less than 10%	0	$ 0.0
10% – 20%	0	0.0	10% – 20%	2	589.2
Greater than 20%	2	191.0	Greater than 20%	4	473.7

[1] We did not test nine reporting units in 2011 because, based on a qualitative assessment, we determined that it was not "more likely than not" that the fair value was less than its carrying amount for each of these reporting units.
[2] We did not test five reporting units in 2010 because we determined we could carry forward the fair value of the reporting unit from previous annual tests, as the fair value significantly exceeded the book value.

The table above displays the information related to our 2011 and 2010 annual impairment tests. We use the average of our fair values for purposes of our comparison between carrying value and fair value for the first step of the impairment test. In 2011, our results for the comparison between carrying value and fair value at the average fair value indicated that there were no reporting units whose fair values exceeded their carrying values by less than 10%. Additionally, we performed a sensitivity analysis and reviewed the carrying values compared to the low and high end of the valuation range. Using both the low end and high end of the valuation range, there were no reporting units whose fair values exceeded their carrying values by less than 10%.
For 2010, using the average fair value there was one reporting unit, with $150.0 of associated goodwill, whose fair value exceeded its carrying value by less than 10%. Using the low end of the valuation range, there were two reporting units, with $589.2 of associated goodwill, whose fair values exceeded their carrying values by less than 10%. Using the high end of the valuation range, there were no reporting units whose fair values exceeded their carrying values by less than 10%.

Pension and Postretirement Benefits

We use various actuarial assumptions in determining our net pension and postretirement benefit costs and obligations. Management is required to make significant judgments about a number of actuarial assumptions, including discount rates and expected returns on plan assets, which are updated annually or more frequently with the occurrence of significant events.

The discount rate is a significant assumption that impacts our net pension and postretirement benefit costs and obligations. At December 31, 2011, we determined our discount rates for our domestic pension plan, significant foreign pension plans and domestic postretirement benefit plan based on either a bond selection/settlement approach or bond-yield curve approach. Using the bond selection/settlement approach, we determine the discount rate by selecting a portfolio of corporate bonds appropriate to provide for the projected benefit payments. Using the bond-yield curve approach, we determine the discount rate by matching the plans' cash flows to spot rates developed from a yield curve. Both approaches utilize high-quality AA-rated corporate bonds and the plans' projected cash flows to develop a discounted value of the benefit payments, which is then used to develop a single discount rate. In countries where markets for high-quality long-term AA corporate bonds are not well developed, a portfolio of long-term government bonds is used as a basis to develop hypothetical corporate bond yields, which serve as a basis to derive the discount rate. Weighted-average discount rates of 5.50%, 5.45% and 5.50% were used in the calculation of 2011 net pension and postretirement benefit costs for the domestic pension plan, significant foreign pension plans and the domestic postretirement

benefit plan, respectively. A lower discount rate would increase our net pension and postretirement benefit costs. A 25 basis point increase or decrease in the discount rate would have decreased or increased the 2011 net pension and postretirement benefit cost by approximately $1.0 and $2.0, respectively.

At December 31, 2011, we used a discount rate of 5.00% for the domestic pension and domestic postretirement benefit plans and a weighted-average discount rate of 5.00% for our significant foreign pension plans to measure our benefit obligations. A 25 basis point increase or decrease in the discount rate would have decreased or increased the December 31, 2011 benefit obligation by approximately $22.0 and $23.0, respectively.

The expected rate of return on pension plan assets is another significant assumption that impacts our net pension cost and is determined at the beginning of the year. Our expected rate of return considers asset class index returns over various market and economic conditions, current and expected market conditions, risk premiums associated with asset classes and long-term inflation rates. We determine both a short-term and long-term view and then select a long-term rate of return assumption that matches the duration of our liabilities.

For 2011, the weighted-average expected rates of return of 7.50% and 5.88% were used in the calculation of net pension costs for the domestic and significant foreign pension plans, respectively. For 2012, we plan to use an expected rate of return of 7.25% and 5.02% for the domestic and significant foreign pension plans, respectively. Changes in the rates are typically due to lower or higher expected future returns based on the mix of assets held. A lower expected rate of return would increase our net pension cost. A 25 basis point increase or decrease in the expected return on plan assets would have decreased or increased the 2011 net pension cost by approximately $1.0.

RESULTS OF OPERATIONS

Consolidated Results of Operations

REVENUE

Our revenue is directly dependent upon 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. In the events marketing business, revenues can fluctuate due to the timing of completed projects as revenue is typically recognized when the project is complete. We generally act as principal for these projects and accordingly record the gross amount billed to the client as revenue and the related costs incurred as pass-through costs in office and general expenses.

	Year ended December 31, 2010	Components of Change			Year ended December 31, 2011	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
Consolidated	$6,507.3	$122.2	$(8.6)	$393.7	$7,014.6	6.1%	7.8%
Domestic	3,709.9	0.0	(48.8)	226.6	3,887.7	6.1%	4.8%
International	2,797.4	122.2	40.2	167.1	3,126.9	6.0%	11.8%
United Kingdom	469.6	17.5	20.1	32.2	539.4	6.9%	14.9%
Continental Europe	863.2	43.4	3.4	(1.1)	908.9	(0.1)%	5.3%
Asia Pacific	639.8	38.6	7.8	55.5	741.7	8.7%	15.9%
Latin America	363.3	12.1	4.4	64.6	444.4	17.8%	22.3%
Other	461.5	10.6	4.5	15.9	492.5	3.4%	6.7%

During 2011, our revenue increased by $507.3, or 7.8%, compared to 2010, primarily consisting of an organic revenue increase of $393.7, or 6.1%, and a favorable foreign currency rate impact of $122.2. Our organic revenue increase was

primarily attributable to net higher spending from existing clients across all major client sectors and throughout nearly all geographic regions, led by the domestic market. The sectors that primarily contributed to our organic revenue increase were technology and telecom, and auto and transportation. In the international markets, the most notable organic revenue increases occurred in the Latin America region, primarily in Brazil, in the Asia Pacific region, primarily in China and India, and, to a lesser extent, in the United Kingdom. The Continental Europe region was essentially flat as results varied by European country due to a challenging economic climate in the region.

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	Year ended December 31, 2009	Components of Change			Year ended December 31, 2010	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
Consolidated	$6,007.4	$63.3	$17.0	$419.6	$6,507.3	7.0 %	8.3 %
Domestic	3,372.3	0.0	(3.8)	341.4	3,709.9	10.1 %	10.0 %
International	2,635.1	63.3	20.8	78.2	2,797.4	3.0 %	6.2 %
United Kingdom	458.5	(3.4)	13.9	0.6	469.6	0.1 %	2.4 %
Continental Europe	922.2	(25.9)	(5.1)	(28.0)	863.2	(3.0)%	(6.4)%
Asia Pacific	575.4	42.8	3.2	18.4	639.8	3.2 %	11.2 %
Latin America	287.1	22.2	7.3	46.7	363.3	16.3 %	26.5 %
Other	391.9	27.6	1.5	40.5	461.5	10.3 %	17.8 %

During 2010, our revenue increased by $499.9, or 8.3%, compared to 2009, primarily consisting of an organic revenue increase of $419.6, or 7.0%, and a favorable foreign currency rate impact of $63.3. The organic increase was primarily 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 contributed the most to our organic revenue increase were auto and transportation and financial services. The auto and transportation, financial services, and technology and telecom sectors were the primary sectors that were negatively impacted by the global recession in 2009. Although our technology and telecom sector experienced a slight organic revenue decrease for the full year 2010, this sector had an organic revenue increase in the second half of 2010 as the impact of certain lost assignments in the prior year diminished. Our international organic revenue increase was most notably in the Latin America region, primarily in Brazil, in our Other region, which includes South Africa, Canada and the Middle East, and in the Asia Pacific region, primarily in China and India. The United Kingdom was essentially flat as the organic revenue increase in the second half of the year offset declines in the first half of 2010. This organic revenue increase in the United Kingdom, as well as the increase in Brazil, was partially attributable to growth in the consumer goods sector. There was an organic revenue decrease in the Continental Europe region, primarily in Italy, Germany and Spain, which included the impact of a weakened economic climate in certain European countries.
Refer to the segment discussion later in this MD&A for information on changes in revenue by segment.

OPERATING EXPENSES

	Years ended December 31,					
	2011		2010		2009	
	$	% of Revenue	$	% of Revenue	$	% of Revenue
Salaries and related expenses	$4,402.1	62.8 %	$4,117.0	63.3 %	$3,961.2	65.9 %
Office and general expenses	1,924.3	27.4 %	1,837.7	28.2 %	1,700.3	28.3 %
Restructuring and other reorganization-related charges, net	1.0		3.9		4.6	
Total operating expenses	$6,327.4		$5,958.6		$5,666.1	
Operating income	$687.2	9.8 %	$548.7	8.4 %	$341.3	5.7 %

Salaries and Related Expenses

Salaries and related expenses consist of payroll costs, employee performance incentives, including annual bonus and long-term incentive awards, and other benefits associated with client service professional staff and administrative

staff. Salaries and related expenses do not vary significantly with short-term changes in revenue levels. However, salaries may fluctuate due to the timing of the hiring of personnel to support revenue growth and changes in the performance levels and types of employee incentive awards. Additionally, we may take severance actions in areas where we have or anticipate decreases in operating performance. Changes in our incentive awards mix can impact future-period expense, as annual bonus awards are expensed during the year they are earned and long-term incentive awards are expensed over the performance period, generally three years. Factors impacting long-term incentive awards are the actual number of awards vesting, the change in our stock price and changes to our projected results, which could impact the achievement of certain performance targets.

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		Components of Change				Change	
	Prior Year Amount	Foreign Currency	Net Acquisitions/ (Divestitures)	Organic	Total Amount	Organic	Total
2010 - 2011	$4,117.0	$74.9	$1.1	$209.1	$4,402.1	5.1 %	6.9 %
2009 - 2010	3,961.2	32.6	7.0	116.2	4,117.0	2.9 %	3.9 %

Our staff cost ratio, defined as salaries and related expenses as a percentage of total consolidated revenue, decreased in 2011 to 62.8% from 63.3% in 2010. Salaries and related expenses in 2011 increased by $285.1 compared to 2010, primarily consisting of an organic increase of $209.1 and an adverse foreign currency rate impact of $74.9. The organic increase in salaries and related expenses of 5.1% was lower than our organic revenue increase of 6.1% due to our cost discipline during the year. The organic increase was primarily attributable to increases in our workforce to support business growth, resulting in an increase in base salaries, benefits and temporary help of $189.4. Hiring began in 2010 and sequentially decreased by quarter through 2011. Also contributing to the organic increase, but to a lesser extent, was higher incentive award expense primarily due to continued improvement in operating results in 2011. The organic increase occurred across all regions, primarily in our domestic market.

Our staff cost ratio decreased in 2010 to 63.3% from 65.9% in 2009. Salaries and related expenses in 2010 increased by $155.8 compared to 2009, primarily consisting of an organic increase of $116.2 and an adverse foreign currency rate impact of $32.6. The organic increase was due to higher temporary help of $54.8 incurred to support business growth. Also contributing to the organic increase was higher incentive award expense of $67.7 and, to a lesser extent, other discretionary bonus awards, primarily due to improved operating results in 2010. This is in contrast to 2009 where we had lower incentive award expense due to lower operating performance, primarily as a result of difficult economic conditions. The organic increase in salaries and related expenses was primarily in our domestic market and certain international regions with improved operating results. In locations where we had organic revenue decreases, such as various countries in the Continental Europe region, we had lower salaries and related expenses due to large workforce reductions taken in 2009 as well as additional actions taken in 2010. The increases in salaries and related expenses were partially offset by a decrease in severance expense of $67.6 compared to the prior year.

The following table details our staff cost ratio.

	Years ended December 31,		
	2011	2010	2009
Salaries and related expenses	62.8 %	63.3 %	65.9 %
Base salaries, benefits and tax	50.9 %	51.3 %	54.7 %
Incentive expense	3.7 %	3.8 %	2.9 %
Severance expense	1.5 %	1.5 %	2.8 %
Temporary help	3.6 %	3.5 %	2.8 %
All other salaries and related expenses	3.1 %	3.2 %	2.7 %

Office and General Expenses

Office and general expenses primarily include rent expense, professional fees, certain expenses incurred by our staff in servicing our clients and depreciation and amortization costs. Office and general expenses also include costs directly attributable to client engagements, including production costs, out-of-pocket costs such as travel for client service staff, and other direct costs that are rebilled to our clients. Production expenses can vary significantly between periods depending upon the timing of completion of certain projects where we act as principal, which could impact trends between various periods in the future.

	Prior Year Amount	Components of Change			Total Amount	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
2010 - 2011	$1,837.7	$34.3	$(4.9)	$57.2	$1,924.3	3.1%	4.7%
2009 - 2010	1,700.3	20.9	5.9	110.6	1,837.7	6.5%	8.1%

Our office and general expense ratio, defined as office and general expenses as a percentage of total consolidated revenue, decreased in 2011 to 27.4% from 28.2% in 2010. Office and general expenses in 2011 increased by $86.6 compared to 2010, primarily consisting of an organic increase of $57.2 and an adverse foreign currency rate impact of $34.3. The organic increase was primarily attributable to continued business growth in 2011, 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 2011. Also contributing

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to the organic increase, but to a lesser extent, was higher discretionary spending to support business growth.

Our office and general expense ratio decreased in 2010 to 28.2% from 28.3% in 2009. Office and general expenses in 2010 increased by $137.4 compared to 2009, primarily consisting of an organic increase of $110.6 and an adverse foreign currency rate impact of $20.9. The organic increase was primarily due to 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 2010 as compared to 2009. The remainder of the organic increase was due to higher discretionary spending to support business growth as well as a foreign currency exchange translation loss of approximately $5.0 related to our Venezuela agencies transitioning to inflationary accounting as of January 1, 2010. The organic increase was partially offset by lower occupancy costs, which was partly due to lease terminations we initiated in 2009.

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.

	Years ended December 31,		
	2011	2010	2009
Office and general expenses	27.4 %	28.2 %	28.3 %
Professional fees	1.8 %	1.9 %	2.0 %
Occupancy expense (excluding depreciation and amortization)	7.2 %	7.7 %	8.6 %
Travel & entertainment, office supplies and telecommunications	3.6 %	3.7 %	3.6 %
All other office and general expenses	14.8 %	14.9 %	14.1 %

EXPENSES AND OTHER INCOME

	Years ended December 31,		
	2011	2010	2009
Cash interest on debt obligations	$(138.9)	$(139.8)	$(138.6)
Non-cash interest	2.1	0.1	(17.0)
Interest expense	(136.8)	(139.7)	(155.6)
Interest income	37.8	28.7	35.0
Net interest expense	(99.0)	(111.0)	(120.6)
Other income, net	150.2	12.9	11.7
Total (expenses) and other income	$51.2	$(98.1)	$(108.9)

Net Interest Expense

For 2011, net interest expense decreased by $12.0 as compared to 2010, primarily due to an increase in interest income. Interest income increased primarily due to an increase in average cash and cash equivalent balances and an increase in average interest rates in certain countries around the world compared to the prior-year period. Interest expense decreased primarily due to repayment of debt obligations in 2010, partially offset by higher interest expense in certain countries outside of the United States.

For 2010, net interest expense decreased by $9.6 as compared to 2009, primarily due to a decrease in non-cash interest expense, partially offset by a decrease in interest income. The reduction in non-cash interest expense was due to no longer amortizing deferred warrant costs and debt issuance costs that were associated with our $750.0 Three-Year Credit Agreement, dated as of June 13, 2006, which expired in June 2009. Interest income decreased in 2010 due to lower domestic interest rates compared to 2009.

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Other Income, net

Results of operations include certain items which are not directly associated with our revenue-producing operations.

	Years ended December 31,		
	2011	2010	2009
Gains on sales of businesses and investments	$125.9	$4.3	$10.2
Net loss on early extinguishment of debt	0.0	(0.1)	(25.1)
Vendor discounts and credit adjustments	19.4	12.7	24.4
Other income (expense), net	4.9	(4.0)	2.2
Total other income (expense), net	$150.2	$12.9	$11.7

Sales of Businesses and Investments – This item primarily includes realized gains and losses relating to the sales of businesses and investments, cumulative translation adjustment balances from the liquidation of entities and sales of marketable securities and investments in publicly traded and privately held companies in our Rabbi Trusts. During 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 2011, we recognized a loss relating to the sale of a business in the domestic market within our Integrated Agency Networks ("IAN") segment. During 2010, we recognized a gain relating to the sale of a business in the domestic market within our Constituency Management Group ("CMG") segment, which was partially offset by a loss recognized relating to the sale of one our European businesses within our IAN segment. During 2009, we realized a gain relating to the sale of an investment in our Rabbi Trusts, which was partially offset by losses realized from the sale of various businesses.

Net Loss on Early Extinguishment of Debt – During 2009, we recorded a net charge of $25.1 primarily related to the settlement of our tender offers for certain outstanding debt securities.

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.

INCOME TAXES

	Years ended December 31,		
	2011	2010	2009
Income before income taxes	$738.4	$450.6	$232.4
Provision for income taxes	$190.2	$171.3	$90.1
Effective income tax rate	25.8 %	38.0 %	38.8 %

Our tax rates are affected by many factors, including our worldwide earnings from various countries, changes in legislation and tax characteristics of our income. In 2011, our effective income tax rate of 25.8% was positively impacted primarily from the utilization of capital losses to offset nearly all of the $132.2 capital gain realized from the Facebook transaction. The capital gain enabled us to use capital loss carryforwards, on which a 100% valuation allowance had been previously established, and capital losses attributable to worthless securities in a consolidated subsidiary. Additionally, the effective income tax rate was positively impacted by the recognition of previously unrecognized tax benefits as a result of the effective settlement of the 2007-2008 IRS audit cycle, a lower effective income tax rate on non-U.S. operations and the net reversal of valuation allowances, primarily in Europe. The effective income tax rate was negatively impacted by state and local taxes and losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances. The settlement of the 2007-2008 audit cycle resulted in no cash payment.

In 2010, our effective income tax rate of 38.0% was positively impacted by reversals of valuation allowances in Canada and the United Kingdom. Our effective income tax rate was negatively impacted by an increase in

unrecognized tax benefits and the taxation of foreign operations, which included an income tax assessment in Latin America. During 2010, we effectively settled with the United Kingdom tax authorities for the 2007 and 2008 tax years, which resulted in no cash payment. Also in 2010, we effectively settled our New York State examination for the 1999-2001 tax years. This settlement resulted in a cash payment of $11.7 consisting of $5.4 of tax and $6.3 of interest, which was previously reserved.

In 2009, our effective income tax rate of 38.8% was positively impacted by the recognition of previously unrecognized tax benefits, net, which includes the recognition of tax benefits on partially worthless securities of $10.7. Our effective income tax

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rate was negatively impacted by losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances, the establishment of valuation allowances in the Asia Pacific region and the write-off of deferred tax assets related to restricted stock. During 2009, we finalized our proceedings with the IRS appeals division for the 1997-2002 and 2003-2004 audit cycles. We also finalized our IRS examination for the 2005-2006 audit cycle. As a result, we recognized previously unrecognized tax benefits and related interest of $50.1 related to various items of income and expense, primarily attributable to transfer pricing adjustments and adjustments relating to the 2004 Restatement.
See Note 8 to the Consolidated Financial Statements for further information.

EARNINGS PER SHARE

Basic earnings per share available to IPG common stockholders for the years ended December 31, 2011, 2010 and 2009 were $1.12, $0.57 and $0.20 per share, respectively. Diluted earnings per share for the years ended December 31, 2011, 2010 and 2009 were $0.99, $0.47 and $0.19 per share, respectively.
Basic and diluted earnings per share for the year ended December 31, 2011 included $0.27 and $0.23 per share, respectively, from the gain recorded for the Facebook transaction. Basic earnings per share for the year ended December 31, 2010 included 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"). Diluted earnings per share for the year ended December 31, 2010 was not impacted by this benefit.

Segment Results of Operations

As discussed in Note 13 to the Consolidated Financial Statements, we have two reportable segments as of December 31, 2011: IAN and CMG. We also report results for the Corporate and other group.

IAN

REVENUE

	Year ended December 31, 2010	Components of Change			Year ended December 31, 2011	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
Consolidated	$5,468.4	$106.9	$24.7	$291.8	$5,891.8	5.3 %	7.7 %
Domestic	2,977.9	0.0	(11.7)	164.8	3,131.0	5.5 %	5.1 %
International	2,490.5	106.9	36.4	127.0	2,760.8	5.1 %	10.9 %

During 2011, IAN revenue increased by $423.4 compared to 2010, primarily consisting of an organic revenue increase of $291.8 and a favorable foreign currency rate impact of $106.9. The increase in revenue at our IAN segment represented approximately 74% of the total organic revenue increase. The organic revenue increase was primarily attributable to net higher spending from existing clients in all major client sectors, across our advertising and media businesses and in nearly all geographic regions, led by the domestic market. The sectors which primarily contributed to the organic revenue increase were technology and telecom, and, to a lesser extent, auto and transportation. The international organic increase occurred predominantly in the Latin America region, primarily in Brazil, and in the Asia Pacific region, primarily in India and China. The international organic revenue increase was partially offset by an organic revenue decrease in the Continental Europe region, which was impacted by a challenging economic climate in the region.

	Year ended December 31,	Components of Change			Year ended December 31,	Change	
		Foreign	Net	Organic		Organic	Total

	2009	Currency	Acquisitions/ (Divestitures)		2010		
Consolidated	$5,061.7	$58.4	$16.6	$331.7	$5,468.4	6.6 %	8.0 %
Domestic	2,719.9	0.0	(3.8)	261.8	2,977.9	9.6 %	9.5 %
International	2,341.8	58.4	20.4	69.9	2,490.5	3.0 %	6.3 %

During 2010, IAN revenue increased by $406.7 compared to 2009, primarily consisting of an organic revenue increase of $331.7 and a favorable foreign currency rate impact of $58.4. The increase in revenue at our IAN segment represented approximately 79% of the total organic revenue increase. The organic increase was primarily attributable to higher spending from existing clients and net client wins in most sectors of our business, primarily in the auto and transportation, financial services, and health care sectors, and in nearly all regions, across our advertising and media businesses. The international organic increase was primarily

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in the Latin America region, mostly in Brazil, and in our Other region, which includes South Africa, Canada and the Middle East. The international organic revenue increase was partially offset by organic decreases in the Continental Europe region, primarily in Italy, Germany and Spain, which included the effect of a weakened economic climate in certain European countries.

SEGMENT OPERATING INCOME

	Years ended December 31,			Change	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Segment operating income	$728.8	$617.6	$423.4	18.0 %	45.9 %
Operating margin	12.4 %	11.3 %	8.4 %		

Operating income increased during 2011 when compared to 2010 due to an increase in revenue of $423.4, partially offset by increases in salaries and related expenses of $238.7 and office and general expenses of $73.5. The increase in salaries and related expenses was primarily attributable to increases in our workforce to support business growth, which resulted in an increase in base salaries, benefits and temporary help across nearly all agencies within IAN. Hiring began in 2010 and sequentially decreased by quarter through 2011. Office and general expenses increased primarily due to an increase in occupancy costs and, to a lesser extent, higher discretionary spending and higher production expenses due to business growth.

Operating income increased during 2010 when compared to 2009 due to an increase in revenue of $406.7, partially offset by increases in salaries and related expenses of $128.5 and in office and general expenses of $84.0. The increase in salaries and related expenses was primarily due to higher temporary help across most of the agencies within IAN to support their business growth, as well as higher incentive award expense attributable to improved operating results in 2010. These increases were partially offset by lower severance expense compared to the prior year. Office and general expenses increased primarily due to higher production expenses and, to a lesser extent, higher discretionary spending and employment costs to support business growth as well as a foreign currency exchange translation loss of approximately $5.0 related to our Venezuela agencies transitioning to inflationary accounting as of January 1, 2010. The increase in office and general expenses was partially offset by lower occupancy costs, which were partly due to lease terminations we initiated in 2009.

CMG
REVENUE

	Year ended December 31, 2010	Components of Change			Year ended December 31, 2011	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
Consolidated	$1,038.9	$15.3	$(33.3)	$101.9	$1,122.8	9.8 %	8.1 %
Domestic	732.0	0.0	(37.1)	61.8	756.7	8.4 %	3.4 %
International	306.9	15.3	3.8	40.1	366.1	13.1 %	19.3 %

During 2011, CMG revenue increased by $83.9 compared to 2010, consisting of an organic revenue increase of $101.9 and a favorable foreign currency rate impact of $15.3, partially offset by the effect of net divestitures of $33.3. The organic revenue increase was primarily due to higher spending from existing clients and net client wins which occurred in most disciplines, primarily in our public relations and events marketing businesses, in both our domestic and international markets. The international organic increase was most significant in the Asia Pacific region, primarily in China and Australia, and in the United Kingdom. The organic revenue increase includes higher revenue related to

certain projects where we act as principal, primarily in our events marketing business. 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.

	Year ended December 31, 2009	Components of Change			Year ended December 31, 2010	Change	
		Foreign Currency	Net Acquisitions/ (Divestitures)	Organic		Organic	Total
Consolidated	$945.7	$4.9	$0.4	$87.9	$1,038.9	9.3 %	9.9 %
Domestic	652.4	0.0	0.0	79.6	732.0	12.2 %	12.2 %
International	293.3	4.9	0.4	8.3	306.9	2.8 %	4.6 %

During 2010, CMG revenue increased by $93.2 compared to 2009, primarily due to an organic revenue increase of $87.9. The organic revenue increase was due to net client wins and higher spending from existing clients in all major disciplines, primarily in our events marketing and public relations businesses, and predominantly in the domestic market. These increases include the

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impact of higher revenue related to certain projects where we act as principal, primarily in our events marketing business. The international organic increase occurred primarily in the Asia Pacific region, most notably in China and in our public relations and events marketing businesses.

SEGMENT OPERATING INCOME

	Years ended December 31,			Change	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Segment operating income	$101.4	$80.3	$73.1	26.3 %	9.8 %
Operating margin	9.0 %	7.7 %	7.7 %		

Operating income increased during 2011 when compared to 2010 due to an increase in revenue of $83.9, partially offset by increases in salaries and related expenses of $35.6 and office and general expenses of $27.2. 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. Office and general expenses increased primarily due to higher production expenses associated with business growth.

Operating income increased during 2010 when compared to 2009 due to an increase in revenue of $93.2, partially offset by increases in office and general expenses of $56.0 and salaries and related expenses of $30.0. Office and general expenses increased primarily due to higher production expenses. Increases in salaries and related expenses were primarily due to higher base salaries, benefits and temporary help in all major disciplines commensurate with regional growth and related increased headcount, as well as an increase in incentive award expense due to improved operating results.

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, 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 decreased slightly during 2011 by $3.3 to $142.0 compared to 2010, primarily due to lower occupancy costs, partially offset by an increase in temporary help and severance expense.

Corporate and other expenses decreased slightly during 2010 by $5.3 to $145.3 compared to 2009, primarily due to lower base salaries, benefits and temporary help as a result of work force reductions in 2009, and decreases in various other corporate expenses, which was partially offset by an increase in incentive award expense driven by improved consolidated operating results.

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LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

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

	Years ended December 31,		
Cash Flow Data	2011	2010	2009
Net income, adjusted to reconcile net income to net cash provided by operating activities [1]	$735.7	$566.9	$521.9
Net cash (used in) provided by working capital [2]	(359.4)	263.2	98.9
Changes in other non-current assets and liabilities using cash	(102.8)	(12.8)	(80.0)
Net cash provided by operating activities	$273.5	$817.3	$540.8
Net cash (used in) provided by investing activities	(58.8)	(108.5)	29.4
Net cash used in financing activities	(541.0)	(547.7)	(267.0)

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

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

	December 31,	
Balance Sheet Data	2011	2010
Cash, cash equivalents and marketable securities	$2,315.6	$2,689.4
Short-term borrowings	$153.5	$114.8
Current portion of long-term debt	404.8	38.9
Long-term debt	1,210.9	1,583.3
Total debt	$1,769.2	$1,737.0

Operating Activities

Net cash provided by operating activities during 2011 was $273.5, which is a decrease of $543.8 as compared to 2010, primarily as a result of a use of cash from working capital in 2011 of $359.4 as compared to a generation in 2010 of $263.2. 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. In the fourth quarter of 2010, we had significant cash generation from working capital, primarily due to a high rate of growth in our media businesses, which resulted in comparable working capital usage in the first quarter of 2011. Our net working capital use in 2011 was also impacted by slower growth in those same businesses compared to the prior year.

Net cash provided by operating activities during 2010 was $817.3, which was an improvement of $276.5 as compared to 2009, as a result of an increase in net income of $137.8 as well as an improvement in working capital of $164.3. The increased generation of working capital in 2010 was primarily attributable to business growth, most notably at 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 used in investing activities during 2011 primarily relates to payments for capital expenditures and acquisitions, partially offset by the net proceeds of $133.5 received from the Facebook transaction. Capital expenditures of $140.3 relate primarily to computer software and hardware, and leasehold improvements. Capital expenditures increased in 2011 compared to the prior year, primarily due to an increase in leasehold improvements made during the year. Payments for acquisitions of $63.1

relate to new acquisitions and deferred payments on prior acquisitions.
Net cash used in investing activities during 2010 primarily reflects payments for capital expenditures and acquisitions. Capital expenditures of $96.3 relate to leasehold improvements, computer hardware and furniture and fixtures. Payments for acquisitions of $61.9 relate to new acquisitions, primarily DLKW, as well as deferred payments on prior acquisitions.

Financing Activities

Net cash used in financing activities during 2011 primarily relates to the repurchase of 41.7 shares of our common stock for an aggregate cost of $400.8, including fees. Additionally, net cash used in financing activities includes dividend payments of $111.1 on our common stock and acquisition-related payments of $71.5, primarily related to transactions with consolidated subsidiaries where we have increased our ownership interests.
Net cash used in financing activities during 2010 includes the repurchase of a portion of our Series B Preferred Stock for $265.9 in cash, payments of long-term debt of $217.3, primarily as a result of the maturity of our Floating Rate Senior Unsecured Notes due 2010, acquisition-related payments of $29.5, primarily related to transactions with consolidated subsidiaries where we increased our ownership interests, distributions to noncontrolling interests of $21.5 and dividend payments of $19.6 on our Series B Preferred Stock.

Foreign Exchange Rate Changes

The effect of foreign exchange rate changes on cash and cash equivalents included in the Consolidated Statements of Cash Flows resulted in a decrease of $46.7 in 2011. The decrease was a result of the U.S. Dollar being stronger than several foreign currencies, including the Euro and Brazilian Real, as of December 31, 2011 compared to December 31, 2010.
The effect of foreign exchange rate changes on cash and cash equivalents included in the Consolidated Statements of Cash Flows resulted in an increase of $19.4 in 2010. The increase was a result of the U.S. Dollar being weaker than several foreign currencies, partially offset by the U.S. Dollar being stronger than the Euro, as of December 31, 2010 compared to December 31, 2009.

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:

Debt service – During 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 (the "4.25% Notes") may require us to repurchase their notes for cash at par. The 4.25% Notes are also redeemable in whole or in part at our option beginning March 15, 2012. On February 24, 2012, we announced that we would exercise our option and redeem all remaining outstanding 4.25% Notes for cash on March 26, 2012. See Note 17 to the Consolidated Financial Statements for further information. We expect to fund the payment of any repurchases and redemption price using available liquidity, which may include, depending on market conditions, proceeds of borrowings in the capital markets. The remainder of our debt is primarily long-term, with maturities scheduled through 2023. See the table below for the maturity schedule of our long-term debt.

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- Acquisitions – We paid cash of $31.1, which was net of cash acquired of $17.5, for acquisitions completed in 2011. We paid $36.7 of deferred payments related to acquisitions completed in previous years and $68.3 related to transactions with consolidated subsidiaries where we increased our ownership interests in 2011. In addition to potential cash expenditures for new acquisitions, we expect to pay approximately $41.0 in 2012 related to acquisitions we completed in previous years. We may also be required to pay approximately $6.0 in 2012 related to put options held by minority shareholders if exercised. 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.

- Dividends – In the first quarter of 2011, we initiated regular quarterly cash dividends on our common stock. During 2011 we paid cash dividends of $0.24 per share on our common stock, which corresponded to an aggregate dividend payment of $111.1. Assuming we continue to pay a quarterly dividend of $0.06 per share and there is no significant change in the number of outstanding shares, we expect to pay approximately $107.0 in 2012. We also pay regular quarterly dividends of $2.9, or $11.6 annually, on our Series B Preferred Stock.

- 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 2011, we contributed $14.1 and $65.0 to our domestic and foreign pension plans, respectively. For 2012, we expect to contribute $5.6 and $15.7 to our domestic and foreign pension plans, respectively.

The following summarizes our estimated contractual cash obligations and commitments as of December 31, 2011 and their effect on our liquidity and cash flow in future periods.

	Years ended December 31,						
	2012	2013	2014	2015	2016	Thereafter	Total
Long-term debt [1]	$1.8	$16.0	$350.1	$0.1	$0.1	$1,247.0	$1,615.1
Interest payments on long-term debt	111.9	111.9	111.9	90.0	88.0	232.3	746.0
Non-cancelable operating lease obligations [2]	286.2	251.1	210.1	180.4	145.7	487.1	1,560.6
Contingent acquisition payments [3]	56.3	67.0	37.3	32.4	33.3	23.3	249.6
Uncertain tax positions	2.6	2.4	55.2	14.1	17.2	69.5	161.0
Total	$458.8	$448.4	$764.6	$317.0	$284.3	$2,059.2	$4,332.3

1 Amounts represent maturity at par. Holders of our $400.0 4.25% Notes may require us to repurchase their notes for cash at par in March 2012, and holders of our $200.0 4.75% Convertible Senior Notes due 2023 (the "4.75% Notes") may require us to repurchase their notes for cash, stock or a combination, at our election, at par in March 2013. All of these notes will mature in 2023 if not converted or repurchased.

2 Non-cancelable operating lease obligations are presented net of future receipts on contractual sublease arrangements.

3 We have structured certain acquisitions with additional contingent purchase price obligations based on the future performance of the acquired entity. See Note 5 and Note 14 to the Consolidated Financial Statements for further information.

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. On February 24, 2012, we announced that our Board had approved a new share repurchase program to repurchase from time to time up to $300.0 of our common stock. The new authorization is in addition to any amounts remaining available for repurchase under the program we announced in 2011. We may effect repurchases under the share repurchase programs 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 programs have no expiration date.

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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.

	December 31, 2011			
	Total Facility	Amount Outstanding	Letters of Credit [1]	Total Available
Cash, cash equivalents and marketable securities				$2,315.6
Committed credit agreement	$1,000.0	$0.0	$16.2	$983.8
Uncommitted credit arrangements	$458.3	$153.5	$2.6	$302.2

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

Credit Facilities

We maintain a committed corporate credit facility to increase our financial flexibility. In May 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. The Credit Agreement is a revolving facility under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of $1,000.0 or the equivalent in other currencies. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a sublimit on letters of credit of $200.0 or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured. We have not drawn on any of our corporate credit facilities since 2003, although we use them for letters of credit primarily to support obligations of our subsidiaries.

The Credit Agreement includes covenants that, among other things, limit our liens and the liens of our consolidated subsidiaries and limit subsidiary debt, as well as financial covenants. 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 December 31, 2011.

Financial Covenants	Four Quarters Ended December 31, 2011	EBITDA Reconciliation	Four Quarters Ended December 31, 2011
Interest coverage ratio (not less than)	5.00x	Operating income	$687.2
Actual interest coverage ratio	8.57x	Add:	
		Depreciation and amortization	202.6
Leverage ratio (not greater than)	2.75x	Other non-cash amounts	1.0
Actual leverage ratio	1.99x	EBITDA [1]	$890.8

[1] EBITDA is calculated as defined in the Credit Agreement.

As of December 31, 2011, we were in compliance with all of our covenants in the Credit Agreement. 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. The weighted-average interest rate on outstanding balances under the uncommitted credit facilities as of December 31, 2011 and 2010 was approximately 5.0%.

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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.

The strike price and cap price related to the capped call options as of December 31, 2011 and 2010 are listed below.

	December 31,	
	2011	2010
Strike price	$12.13	$12.42
Cap price	$17.83	$18.26

During 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. As of December 31, 2011, the options give us the right to purchase up to 16.5 shares of our common stock at the strike price, except that the economic value of the net proceeds of exercising the options will not exceed the difference between the strike price and the cap price. Subject to certain limitations, we may elect settlement of the options to occur in cash or in shares. The options will expire on April 2, 2013. Our capped call transaction meets the definition of an off-balance sheet arrangement per Regulation S-K Item 303(a)(4).

Investments

From time to time, we make investments in privately held companies that we believe may be of strategic importance 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.

In August 2011, we sold approximately half of our holdings in Facebook and received net proceeds of $133.5, which was classified within the investing section of our Consolidated Statements of Cash Flows. As of December 31, 2011, our remaining holdings in Facebook are recorded at cost on our Consolidated Balance Sheets, although we believe the value of our holdings has significantly appreciated, as evidenced by the sales price of the portion of our investment sold in August.

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 Consolidated Balance Sheets reflect cash, net of bank overdrafts, under all of our pooling arrangements, and as of December 31, 2011 and 2010 the amount netted were $1,106.6 and $916.1, respectively.

DEBT CREDIT RATINGS

Our long-term debt credit ratings as of February 15, 2012 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. In May 2011 Standard and Poor’s upgraded our credit rating from BB to BB+, and changed our outlook from positive to stable. 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 Agreement fees and borrowing rates are based on a credit ratings grid.

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RECENT ACCOUNTING STANDARDS

See Note 15 to the 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk
(Amounts in millions)
In the normal course of business, we are exposed to market risks related to interest rates, foreign currency rates and certain balance sheet items. From time to time, we use derivative instruments, pursuant to established guidelines and policies, to manage some portion of these risks. Derivative instruments utilized in our hedging activities are viewed as risk management tools and are not used for trading or speculative purposes.

Interest Rates
Our exposure to market risk for changes in interest rates relates primarily to the fair market value of our debt obligations, because the majority of our debt (approximately 91% and 93% as of December 31, 2011 and 2010, respectively) bears interest at fixed rates. We do have debt with variable interest rates, but a 10% increase or decrease in interest rates would not be material to our interest expense or cash flows. The fair market value of our debt is sensitive to changes in interest rates and the impact of a 10% change in interest rates is summarized below.

	Increase/(Decrease) in Fair Market Value	
	10% Increase in Interest Rates	10% Decrease in Interest Rates
2011	$(7.4)	$7.7
2010	(14.4)	14.0

We have used interest rate swaps for risk management purposes to manage our exposure to changes in interest rates and to maintain a mix of fixed and floating rate debt. During 2011, we entered into and exited interest rate swaps related to our 6.25% Senior Unsecured Notes due 2014 and do not have any such swaps outstanding as of December 31, 2011.
We had $2,315.6 of cash, cash equivalents and marketable securities as of December 31, 2011 that we generally invest in conservative, short-term investment-grade securities. The interest income generated from these investments is subject to both domestic and foreign interest rate movements. During 2011 and 2010, we had interest income of $37.8 and $28.7, respectively. Based on our 2011 results, a 100 basis point increase or decrease in interest rates would affect our interest income by approximately $23.0, assuming that all cash, cash equivalents and marketable securities were affected in the same manner and balances remain constant from year-end 2011 levels.

Foreign Currency Rates
We are subject to translation and transaction risks related to changes in foreign currency exchange rates. Since we report revenues and expenses in U.S. Dollars, changes in exchange rates may either positively or negatively affect our consolidated revenues and expenses (as expressed in U.S. Dollars) from foreign operations. The primary foreign currencies that impacted our results during 2011 were the Australian Dollar, Brazilian Real, Euro, Japanese Yen and Pound Sterling. Based on 2011 exchange rates and operating results, if the U.S. Dollar were to strengthen or weaken by 10%, we currently estimate operating income would decrease or increase between 3% and 5%, assuming that all currencies are impacted in the same manner and our international revenue and expenses remain constant at 2011 current levels.
The functional currency of our foreign operations is generally their respective local currency. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date, and revenues and expenses are translated at the average exchange rates during the period presented. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss in the stockholders' equity section of our Consolidated Balance Sheets. Our foreign subsidiaries generally collect revenues and pay expenses in their functional currency, mitigating transaction risk. However, certain subsidiaries may enter into transactions in currencies other than their functional currency. Assets and liabilities denominated in currencies other than the functional currency are susceptible to movements in foreign currency until final settlement. Currency transaction gains or losses primarily arising from transactions in currencies other than the functional currency are included in office and general expenses. We have not entered into a material amount of foreign currency forward exchange contracts or other derivative financial instruments to hedge the

effects of potential adverse fluctuations in foreign currency exchange rates.

We monitor the currencies of countries in which we operate in order to determine if the country should be considered a highly inflationary environment. A currency is determined to be highly inflationary when there is cumulative inflation of approximately 100% or more over a three-year period. If this occurs the functional currency of that country would be changed to our reporting currency, the U.S. Dollar, and foreign exchange gains or losses would be recognized on all monetary transactions, assets and liabilities denominated in currencies other than the U.S. Dollar until the currency is no longer considered highly inflationary. Our Venezuela agencies transitioned to inflationary accounting on January 1, 2010, and as a result, we recorded a foreign exchange translation loss of approximately $5.0 in 2010. This charge was recorded in office and general expenses within the Consolidated

Statements of Operations. In 2010 we re-measured our local non-monetary transactions, assets and liabilities using the exchange rate of 4.3 Venezuelan Bolivares Fuertes per U.S. Dollar. Subsequent to the currency re-measurement, this devaluation did not have a material impact to our Consolidated Financial Statements as we do not have significant operations in Venezuela.

Credit and Market Risks

Balance sheet items that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term marketable securities, accounts receivable and expenditures billable to clients. We invest our excess cash in investment-grade, short-term securities and limit the amount of credit exposure to any one counterparty.

Concentrations of credit risk with respect to accounts receivable are mitigated by our large number of clients and their dispersion across different industries and geographic areas. We perform ongoing credit evaluations of our clients and maintain an allowance for doubtful accounts based upon the expected collectability of all accounts receivable.

Our pension plan assets are also exposed to market risk. The fair value of our pension plan assets may appreciate or depreciate during the year, which can result in lower or higher pension expense and funding requirements in future periods.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of The Interpublic Group of Companies, Inc.

In our opinion, the accompanying Consolidated Balance Sheets and the related Consolidated Statements of Operations, of Cash Flows, and of Stockholders' Equity and Comprehensive Income present fairly, in all material respects, the financial position of The Interpublic Group of Companies, Inc., and its subsidiaries, (“the Company”) at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 24, 2012

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Millions, Except Per Share Amounts)

	Years ended December 31,		
	2011	2010	2009
REVENUE	$7,014.6	$6,507.3	$6,007.4
OPERATING EXPENSES:			
Salaries and related expenses	4,402.1	4,117.0	3,961.2
Office and general expenses	1,924.3	1,837.7	1,700.3
Restructuring and other reorganization-related charges, net	1.0	3.9	4.6
Total operating expenses	6,327.4	5,958.6	5,666.1
OPERATING INCOME	687.2	548.7	341.3
EXPENSES AND OTHER INCOME:			
Interest expense	(136.8)	(139.7)	(155.6)
Interest income	37.8	28.7	35.0
Other income, net	150.2	12.9	11.7
Total (expenses) and other income	51.2	(98.1)	(108.9)
Income before income taxes	738.4	450.6	232.4
Provision for income taxes	190.2	171.3	90.1
Income of consolidated companies	548.2	279.3	142.3
Equity in net income of unconsolidated affiliates	3.3	1.9	1.1
NET INCOME	551.5	281.2	143.4
Net income attributable to noncontrolling interests	(19.2)	(20.1)	(22.1)
NET INCOME ATTRIBUTABLE TO IPG	532.3	261.1	121.3
Dividends on preferred stock	(11.6)	(15.6)	(27.6)
Benefit from preferred stock repurchased	0.0	25.7	0.0
Allocation to participating securities	0.0	0.0	(0.1)
NET INCOME AVAILABLE TO IPG COMMON STOCKHOLDERS	$520.7	$271.2	$93.6
Earnings per share available to IPG common stockholders:			
Basic	$1.12	$0.57	$0.20
Diluted	$0.99	$0.47	$0.19
Weighted-average number of common shares outstanding:			
Basic	465.5	473.6	468.2
Diluted	540.6	542.1	508.1
Dividends declared per common share	$0.24	$0.00	$0.00

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

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)

	December 31, 2011	December 31, 2010
ASSETS:		
Cash and cash equivalents	$2,302.7	$2,675.7
Marketable securities	12.9	13.7
Accounts receivable, net of allowance of $55.4 and $63.1	4,425.4	4,317.6
Expenditures billable to clients	1,247.2	1,217.1
Other current assets	298.6	229.4
Total current assets	8,286.8	8,453.5
Furniture, equipment and leasehold improvements, net	459.8	454.3
Deferred income taxes	214.5	334.2
Goodwill	3,444.3	3,368.5
Other non-current assets	471.2	460.3
TOTAL ASSETS	$12,876.6	$13,070.8
LIABILITIES:		
Accounts payable	$6,647.2	$6,806.7
Accrued liabilities	827.1	780.5
Short-term borrowings	153.5	114.8
Current portion of long-term debt	404.8	38.9
Total current liabilities	8,032.6	7,740.9
Long-term debt	1,210.9	1,583.3
Deferred compensation	440.3	486.1
Other non-current liabilities	452.1	402.4
TOTAL LIABILITIES	10,135.9	10,212.7
Commitments and contingencies (see Note 14)		
Redeemable noncontrolling interests (see Note 5)	243.4	291.2
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, shares authorized: 20.0 Series B shares issued and outstanding: 2011 – 0.2; 2010 – 0.2	221.5	221.5
Common stock, $0.10 par value, shares authorized: 800.0 shares issued: 2011 – 491.4; 2010 – 489.5 shares outstanding: 2011 – 449.5; 2010 – 489.1	48.2	47.5
Additional paid-in capital	2,427.5	2,456.8
Retained earnings (accumulated deficit)	405.1	(63.7)
Accumulated other comprehensive loss, net of tax	(225.7)	(119.0)
	2,876.6	2,543.1
Less: Treasury stock, at cost: 2011 - 41.9 shares; 2010 - 0.4 shares	(414.9)	(14.1)
Total IPG stockholders' equity	2,461.7	2,529.0
Noncontrolling interests	35.6	37.9
TOTAL STOCKHOLDERS' EQUITY	2,497.3	2,566.9
TOTAL LIABILITIES AND EQUITY	$12,876.6	$13,070.8

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)

	Years ended December 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$551.5	$281.2	$143.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets and intangible assets	150.9	148.4	169.9
Provision for uncollectible receivables	10.4	10.7	19.3
Amortization of restricted stock and other non-cash compensation	51.7	50.0	49.5
Net amortization of bond (premiums) discounts and deferred financing costs	(8.7)	(4.4)	12.1
Deferred income tax provision	83.9	56.0	89.2
Gain on sale of an investment	(132.2)	0.0	0.0
Loss on early extinguishment of debt	0.0	0.1	25.1
Other	28.2	24.9	13.4
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:			
Accounts receivable	(219.2)	(547.6)	179.5
Expenditures billable to clients	(39.2)	(122.8)	19.7
Other current assets	(42.0)	(0.2)	33.1
Accounts payable	(62.9)	867.4	230.0
Accrued liabilities	3.9	66.4	(363.4)
Other non-current assets and liabilities	(102.8)	(12.8)	(80.0)
Net cash provided by operating activities	273.5	817.3	540.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of an investment	133.5	0.0	0.0
Acquisitions, including deferred payments, net of cash acquired	(63.1)	(61.9)	(72.4)
Capital expenditures	(140.3)	(96.3)	(67.1)
Net (purchases) sales and maturities of short-term marketable securities	(0.7)	(2.5)	158.5
Other investing activities	11.8	52.2	10.4
Net cash (used in) provided by investing activities	(58.8)	(108.5)	29.4
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of common stock	(400.8)	0.0	0.0
Common stock dividends	(111.1)	0.0	0.0
Repurchase of preferred stock	0.0	(265.9)	0.0
Purchase of long-term debt	(38.9)	(217.3)	(783.4)
Proceeds from issuance of 10.00% Senior Notes due 2017	0.0	0.0	587.7
Net increase in short term bank borrowings	42.5	17.4	0.0
Acquisition-related payments	(71.5)	(29.5)	(5.9)
Distributions to noncontrolling interests	(23.0)	(21.5)	(22.2)
Preferred stock dividends	(11.6)	(19.6)	(27.6)
Other financing activities	73.4	(11.3)	(15.6)
Net cash used in financing activities	(541.0)	(547.7)	(267.0)
Effect of foreign exchange rate changes on cash and cash equivalents	(46.7)	19.4	84.8
Net (decrease) increase in cash and cash equivalents	(373.0)	180.5	388.0
Cash and cash equivalents at beginning of period	2,675.7	2,495.2	2,107.2
Cash and cash equivalents at end of period	$2,302.7	$2,675.7	$2,495.2

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

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

	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, 2008	$525.0	477.1	$46.4	$2,413.5	$(446.1)	$(318.5)	$(14.0)	$2,206.3	$37.9	$2,244.2
Net income					121.3			121.3	22.1	143.4
Foreign currency translation adjustments, net of tax						128.9		128.9	2.3	131.2
Changes in market value of securities available-for-sale, net of tax of $0.1						0.5		0.5		0.5
Recognition of previously unrealized gain on securities available-for-sale, net of tax						(0.4)		(0.4)		(0.4)
Unrecognized losses, transition obligation and prior service cost, net of tax of ($4.4)						12.9		12.9		12.9
Total comprehensive income								$263.2	$24.4	$287.6
Reclassifications related to redeemable noncontrolling interests				10.5				10.5	(2.5)	8.0
Noncontrolling interest transactions				(5.4)				(5.4)	0.1	(5.3)
Distributions to noncontrolling interests									(22.2)	(22.2)
Change in redemption value of redeemable noncontrolling interests				12.0				12.0		12.0

Preferred stock dividends				(27.6)				(27.6)		(27.6)
Stock-based compensation		12.8	1.0	54.1				55.1		55.1
Shares withheld for taxes		(3.4)	(0.3)	(16.8)				(17.1)		(17.1)
Other				0.7				0.7	0.9	1.6
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					261.1			261.1	20.1	281.2
Foreign currency translation adjustments, net of tax						34.0		34.0	1.9	35.9
Changes in market value of securities available-for-sale, net of tax of $0.1						0.6		0.6		0.6
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 of ($5.5)						23.2		23.2		23.2
Total comprehensive income								$318.7	$22.0	$340.7
Reclassifications related to redeemable noncontrolling interests				3.5				3.5	(1.5)	2.0
Noncontrolling interest transactions				(28.1)				(28.1)	0.2	(27.9)
Distributions to noncontrolling interests									(21.5)	(21.5)
Change in redemption value of redeemable noncontrolling interests				(11.0)				(11.0)		(11.0)
Repurchase of preferred stock	(303.5)			35.9				(267.6)		(267.6)

Capped call transaction costs				(22.8)				(22.8)		(22.8)
Preferred stock dividends				(15.6)				(15.6)		(15.6)
Stock-based compensation		2.7	0.4	55.4				55.8		55.8
Shares withheld for taxes		(0.2)	(0.1)	(11.8)				(11.9)		(11.9)
Tax effect from stock-based compensation				4.5				4.5		4.5
Other		0.5	0.1	5.8			(0.1)	5.8	0.1	5.9
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

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

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

	Preferred Stock	Common Stock		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
		Shares	Amount							
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					532.3			532.3	19.2	551.5
Foreign currency translation adjustments, net of tax						(89.6				