

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

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

(State or other jurisdiction of
incorporation or organization)

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

Common Stock, \$0.10 par value

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 ☒ 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 ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Yes ☒ No ☐

Indicate by check mark 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

☒ Accelerated filer

☐

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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 ☒

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," "could," "would," "estimate," "continue" or comparable terminology are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, Risk Factors, in 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.

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, Mediabrand 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 Mediabrand 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.

Period	NYSE Sale Price		Cash Dividends Declared
	High	Low	
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.

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	

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
¹ 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.

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
² 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.

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
³ 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, Statement of Operations Data	2011	2010	2009	2008	2007
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				