INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-Q
April 28, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2009

or

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

Commission file number: 1-6686

THE INTERPUBLIC GROUP OF COMPANIES, INC.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 704-1200

(Registrant s telephone number, including area code)

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

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

Yes x No ¨

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

Yes ¨ No ¨

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

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

Smaller reporting company ¨

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

Yes ¨ No x

The number of shares of the registrant s common stock outstanding as of April 17, 2009 was 478,389,940.

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INFORMATION REGARDING FORWARD-LOOKING DISCLOSURE

This quarterly report on Form 10-Q contains forward-looking statements and when used in this discussion and the financial statements, the words expect(s) , will , may , could , and similar expressions are intended to identify forward-looking statements. Statements in this report that are not historical facts, including statements about management s beliefs and expectations, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the following:

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

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

- our ability to retain and attract key employees;

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

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

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

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

Investors should carefully consider these factors and the additional risk factors outlined in more detail under Item 1A, Risk Factors, in our 2008 Annual Report on Form 10-K.

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Part I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008 As adjusted (Note 1)
REVENUE	$ 1,325.3	$ 1,485.2
OPERATING EXPENSES:		
Salaries and related expenses	996.5	1,064.8
Office and general expenses	410.9	475.0
Restructuring and other reorganization-related (reversals) charges	(0.2)	3.2
Total operating expenses	1,407.2	1,543.0
OPERATING LOSS	(81.9)	(57.8)
EXPENSES AND OTHER INCOME:		
Interest expense	(34.8)	(57.7)
Interest income	12.3	28.7
Other income (expense), net	4.9	(1.4)
Total (expenses) and other income	(17.6)	(30.4)
Loss before income taxes	(99.5)	(88.2)
Benefit of income taxes	(25.4)	(23.7)
Loss of consolidated companies	(74.1)	(64.5)
Equity in net income of unconsolidated affiliates	0.5	1.1
NET LOSS	(73.6)	(63.4)
Net loss attributable to noncontrolling interests	6.6	0.6
NET LOSS ATTRIBUTABLE TO IPG	(67.0)	(62.8)
Dividends on preferred stock	(6.9)	(6.9)
NET LOSS AVAILABLE TO IPG COMMON STOCKHOLDERS	$ (73.9)	$ (69.7)

Loss per share available to IPG common stockholders basic and diluted	$	(0.16)	$	(0.15)
Weighted-average number of common shares outstanding basic and diluted		464.0		459.2

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in Millions)

(Unaudited)

	March 31, 2009	December 31, 2008 As Adjusted (Note 1)
ASSETS:		
Cash and cash equivalents	$ 1,642.0	$ 2,107.2
Marketable securities	16.5	167.7
Accounts receivable, net of allowance of $62.2 and $63.9	3,159.1	3,746.5
Expenditures billable to clients	1,072.5	1,099.5
Other current assets	379.2	366.7
Total current assets	6,269.3	7,487.6
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $1,073.4 and $1,055.8	529.5	561.5
Deferred income taxes	453.1	416.8
Goodwill	3,243.0	3,220.9
Other assets	434.8	438.4
TOTAL ASSETS	$ 10,929.7	$ 12,125.2
LIABILITIES:		
Accounts payable	$ 3,350.7	$ 4,022.6
Accrued liabilities	2,111.2	2,521.6
Short-term debt	327.2	332.8
Total current liabilities	5,789.1	6,877.0
Long-term debt	1,781.9	1,786.9
Deferred compensation and employee benefits	536.7	549.8
Other non-current liabilities	395.0	378.9
TOTAL LIABILITIES	8,502.7	9,592.6
Redeemable noncontrolling interests (see Notes 1 and 2)	278.9	288.4
STOCKHOLDERS EQUITY:		
IPG stockholders equity:		
Preferred stock	525.0	525.0
Common stock	46.6	46.4
Additional paid-in capital	2,415.9	2,413.5
Accumulated deficit	(513.1)	(446.1)
Accumulated other comprehensive loss, net of tax	(343.0)	(318.5)
	2,131.4	2,220.3
Less: Treasury stock	(14.0)	(14.0)

Total IPG stockholders equity	2,117.4	2,206.3
Noncontrolling interests	30.7	37.9
TOTAL STOCKHOLDERS EQUITY	2,148.1	2,244.2
TOTAL LIABILITIES AND EQUITY	$ 10,929.7	$ 12,125.2

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

(Unaudited)

	Three months ended March 31, 2009	2008 As Adjusted (Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (73.6)	$ (63.4)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	41.8	43.1
Provision for (reversal of) bad debt	3.9	(1.3)
Amortization of restricted stock and other non-cash compensation	9.3	19.8
Amortization of bond discounts and deferred financing costs	7.6	7.0
Deferred income tax benefit	(48.2)	(54.1)
Other	(7.3)	1.9
Change in assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	520.9	499.1
Expenditures billable to clients	17.2	(88.3)
Prepaid expenses and other current assets	(22.0)	(31.7)
Accounts payable	(612.5)	(256.0)
Accrued liabilities	(388.6)	(363.7)
Other non-current assets and liabilities	(5.8)	(0.4)
Net cash used in operating activities	(557.3)	(288.0)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, including deferred payments, net of cash acquired	(13.6)	(17.1)
Capital expenditures	(11.7)	(31.9)
Net sales and maturities of short-term marketable securities	150.7	0.5
Other investing activities	0.4	1.5
Net cash provided by (used in) investing activities	125.8	(47.0)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of 4.50% Convertible Senior Notes		(190.8)
Distributions to noncontrolling interests	(6.5)	(3.0)
Preferred stock dividends	(6.9)	(6.9)
Other financing activities	(2.5)	(6.4)
Net cash used in financing activities	(15.9)	(207.1)
Effect of exchange rate changes on cash and cash equivalents	(17.8)	18.4
Net decrease in cash and cash equivalents	(465.2)	(523.7)
Cash and cash equivalents at beginning of year	2,107.2	2,014.9

Cash and cash equivalents at end of period	$ 1,642.0	$ 1,491.2

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

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Notes to Consolidated Financial Statements

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. (together with its subsidiaries, the Company , Interpublic , we , us or our) in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC or the Commission) for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported and disclosed. Actual results could differ from those estimates. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our 2008 Annual Report on Form 10-K.

In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments of a normal and recurring nature necessary for a fair statement of the information for each period contained therein. Certain reclassifications have been made to prior periods to conform to the current period presentation. Specifically, we have made adjustments as a result of the adoption of two recent accounting standards, SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160) and EITF Topic No. D-98, *Classification and Measurement of Redeemable Securities* (EITF D-98). As a result of the adoption of SFAS 160, we have reclassified $57.0 of minority interest liability as of December 31, 2008 from other non-current liabilities to noncontrolling interests or redeemable noncontrolling interests within equity on our unaudited Condensed Consolidated Balance Sheets. We have also modified the format of the unaudited Consolidated Statements of Operations to conform to the disclosure requirements of the standard. In addition to the reclassification noted above, as a result of the adoption of EITF D-98, we have recorded $269.3 of redeemable noncontrolling interests with an offset to additional paid-in capital in our stockholders equity as of December 31, 2008. See Note 2 for further discussion on the adoption of these standards.

Note 2: Noncontrolling Interests

In December 2007, the FASB issued SFAS 160, which amends ARB No. 51, *Consolidated Financial Statements*. This standard requires a noncontrolling interest in a subsidiary to be reported as equity on our unaudited Condensed Consolidated Balance Sheets separate from the parent s equity. The standard also requires transactions that do not result in the deconsolidation of the subsidiary be recorded as equity transactions, while those transactions that do result in a change from noncontrolling to controlling ownership or a deconsolidation of the subsidiary be recorded in net income (loss) with the gain or loss measured at fair value. SFAS 160 is effective January 1, 2009 and should be applied prospectively with the exception of presentation and disclosure requirements which shall be applied retrospectively for all periods presented.

Changes in the noncontrolling interests balance are as follows:

Balance as of December 31, 2008	$ 37.9
Purchases of noncontrolling interests	(0.7)
Total comprehensive loss attributable to noncontrolling interests	(6.6)
Distributions to noncontrolling interests	(6.5)
Other	0.6
Reclassifications to redeemable noncontrolling interests	6.0
Balance as of March 31, 2009	$ 30.7

In March 2008, the EITF revised EITF D-98, which is effective for the Company as of January 1, 2009. This guidance clarifies the interaction between EITF D-98 and SFAS 160, because noncontrolling interests, which SFAS 160 classifies as equity, are also in the scope of EITF D-98. Many of our acquisitions include provisions under which the noncontrolling equity owners can require us to purchase additional interest in a subsidiary at their discretion. Payments for these redeemable

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

noncontrolling interests are contingent upon achieving projected operating performance targets and satisfying other conditions specified in the related agreements and are subject to revisions as the earn-out periods progress. As a result of EITF D-98, we are required to reduce additional paid-in capital in our stockholders equity by the estimated redemption value of these redeemable noncontrolling interests and reflect these obligations as mezzanine equity in the unaudited Condensed Consolidated Balance Sheets. Retrospective application of this guidance has no impact on our previously reported net income available to IPG common stockholders or earnings per share.

In subsequent reporting periods, redeemable noncontrolling interests will continue to be reported at their estimated redemption value, but not less than their initial fair value. Any adjustment to the redemption value will also impact additional paid-in capital, but will not impact net income (loss). To the extent that the redemption value increases and exceeds the then current fair value of a redeemable noncontrolling interest, net income (loss) available to IPG common stockholders (used to calculate earnings (loss) per share) could be reduced by that increase, subject to certain limitations. The partial or full recovery of these reductions to net income (loss) available to IPG common stockholders (used to calculate earnings (loss) per share) is limited to cumulative prior period reductions. For the three months ended March 31, 2009, there has been no impact to net loss available to IPG common stockholders or our loss per share.

Changes in the additional paid-in capital balance are as follows:

Balance as of December 31, 2008	$ 2,413.5
Preferred stock dividends	(6.9)
Share-based compensation	9.3
Restricted stock grants, net of forfeitures	(5.2)
Adjustment of redeemable noncontrolling interests	4.3
Other	0.9
Balance as of March 31, 2009	$ 2,415.9

Note 3: Loss Per Share

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

	Three months ended March 31,	
	2009	**2008**
Net loss available to IPG common stockholders	$ (73.9)	$ (69.7)
Weighted-average number of common shares outstanding basic and diluted	464.0	459.2
Loss per share available to IPG common stockholders basic and diluted	$ (0.16)	$ (0.15)

Basic and diluted shares outstanding and loss per share are equal for the three months ended March 31, 2009 and 2008 because our potentially dilutive securities are antidilutive as a result of the net loss available to IPG common stockholders in each period presented.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

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

	Three months ended March 31,	
	2009	**2008**
Stock options and non-vested restricted stock awards	9.9	9.2
4.75% Convertible Senior Notes	16.1	16.1
4.25% Convertible Senior Notes	32.2	32.2
4.50% Convertible Senior Notes	0.7	13.5
Series B Preferred Stock	38.4	38.4
Total	97.3	109.4
Securities excluded from the diluted loss per share calculation because the exercise price was greater than the average market price:		
Stock options[1]	26.6	26.7
Warrants[2]	67.9	67.9

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

(2) The potential dilutive impact of the warrants is based upon the difference between the market price of one share of our common stock and the stated exercise prices of the warrants. These warrants will expire on June 15, 2009.

Note 4: Supplementary Data

Accrued Liabilities

	March 31, 2009	December 31, 2008
Media and production expenses	$ 1,527.4	$ 1,708.3
Salaries, benefits and related expenses	313.2	466.5
Office and related expenses	56.3	69.6
Professional fees	20.0	24.7
Restructuring and other reorganization-related	6.0	10.0
Interest	23.2	30.6
Acquisition obligations	55.4	53.9
Other	109.7	158.0
Total	$ 2,111.2	$ 2,521.6

2004 Restatement Liabilities

	March 31, 2009	December 31, 2008
Vendor discounts and credits	$ 119.8	$ 126.0
Internal investigations (includes asset reserves)	2.2	2.2
International compensation arrangements	5.0	5.8
Total	$ 127.0	$ 134.0

As part of the 2004 Restatement, we recognized liabilities related to vendor discounts and credits where we had a contractual or legal obligation to rebate such amounts to our clients or vendors. Reductions to these liabilities are achieved

Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

through settlements with clients and vendors but also may occur if the applicable statute of limitations in a jurisdiction has lapsed. Also as part of the 2004 Restatement, we recognized liabilities related to internal investigations and international compensation arrangements.

Other income (expense), net

Results of operations for the three months ended March 31, 2009 and 2008 include certain items which are either non-recurring or are not directly associated with our revenue producing operations, such as sales of businesses and investments and vendor discounts and credit adjustments. These items are included in the other income (expense), net line in the unaudited Consolidated Statements of Operations. Included in other expense, net, of $1.4 for the three months ended March 31, 2008 is a settlement estimate of $12.0 for our previously disclosed SEC investigation of our past restatement of our financial statements, which we settled in May 2008. This expense is partially offset by vendor discounts and credit adjustments due to the reversal of certain liabilities where the statute of limitations has lapsed.

Note 5: Income Taxes

For the three months ended March 31, 2009, the difference between the effective tax rate and the statutory rate of 35% is primarily due to state and local taxes, losses in certain foreign locations where we receive no tax benefit due to 100% valuation allowances and the write-off of deferred tax assets related to restricted stock.

With respect to all tax years open to examination by U.S. Federal and various state, local and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between $50.0 and $60.0 in the next twelve months, a portion of which will affect the effective tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statute of limitations. This net decrease is related to various items of income and expense, including transfer pricing adjustments and adjustments related to the 2004 Restatement. We expect to complete our discussions with the IRS appeals division regarding the years 1997 through 2004 by the end of the current year.

In December 2007, the IRS commenced its examination for the 2005 and 2006 tax years. We expect this examination to be completed by the end of the current year. In addition, we have various tax years under examination by tax authorities in various countries, such as the United Kingdom, and in various states, such as New York, in which we have significant business operations. It is not yet known whether these examinations will, in the aggregate, result in our paying additional taxes. We believe our tax reserves are adequate in relation to the potential for additional assessments in each of the jurisdictions in which we are subject to taxation. We regularly assess the likelihood of additional tax assessments in those jurisdictions and, if necessary, adjust our reserves as additional information or events require.

We are effectively settled with respect to U.S. income tax audits for years prior to 2005. With limited exceptions, we are no longer subject to state and local income tax audits for the years prior to 1999 or non-U.S. income tax audits for the years prior to 2000.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the Act) was signed into law. The principal purpose of the Act was to address the current economic challenges in the US. Based on our review of the tax provisions of the Act, we do not anticipate any material impact to our financial position from the tax provisions contained in the Act.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 6: Comprehensive Loss

	Three months ended March 31,	
	2009	**2008**
Net loss	$ (73.6)	$ (63.4)
Foreign currency translation adjustment, net of tax	(26.4)	46.5
Adjustments to pension and other postretirement plans, net of tax	2.2	0.4
Net unrealized holding losses on securities, net of tax	(0.3)	(3.2)
Total comprehensive loss	(98.1)	(19.7)
Comprehensive loss attributable to noncontrolling interests	(6.6)	(0.6)
Comprehensive loss attributable to IPG	$ (91.5)	$ (19.1)

Note 7: Incentive Compensation Plans

Our two types of incentive compensation include cash awards and stock-based compensation awards.

Cash Awards

In March 2009 the Compensation Committee of the Board of Directors approved the Interpublic Restricted Cash Plan (the Cash Plan). Under the Cash Plan, the Board of Directors, the Compensation Committee or the Plan Administrator may grant cash awards to certain employees eligible to receive stock-settled and cash-settled awards. Cash awards are generally granted on an annual basis, have a service period vesting condition and generally will vest in three years. On March 31, 2009, the Compensation Committee granted awards under the Cash Plan with a total value of $26.7.

In March 2009 the Board of Directors approved two amendments to the 2006 Performance Incentive Plan (2006 PIP). The first amendment allows cash awards to be granted for a multiple year term, the effect of which permits targets to be based on future year performance. The second amendment allows deferral of 100% of an individual award until it vests. Once the amendments were approved, the Compensation Committee granted performance cash awards to certain employees who otherwise would have been eligible to receive performance-based stock awards. These awards have a service period vesting condition and a performance vesting condition. The amount of the performance cash award received by an employee with a performance vesting condition can range from 0% to 200% of the target amount of the original grant value. Performance cash awards generally vest in three years. A committee of the Board of Directors may grant performance cash awards to any eligible employee; however, no employee can receive more than $5.0 during a performance period. On March 31, 2009 the Compensation Committee granted new performance cash awards under the 2006 PIP with a total target value of $31.5.

We amortize the present value of the amount expected to vest for cash awards and performance cash awards over the vesting period using the straight line method, less an assumed forfeiture rate. Cash awards do not fall within the scope of SFAS No. 123R, *Share-Based Payment*, as they are not paid in equity and the value of the award is not correlated with our stock price. Due to the cash nature of the payouts and the vesting period, we account for these awards in accordance with APB Opinion No. 12, *Deferred Compensation Contracts*.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Stock-Based Compensation

We issued the following stock-based awards under the 2006 Performance Incentive Plan during the three months ended March 31, 2009:

	Awards	Weighted-average grant-date fair value (per award)
Stock options	3.8	$ 2.69
Stock-settled awards	7.3	$ 4.13
Cash-settled awards	1.2	$ 4.09
Performance-based awards	0.8	$ 4.02
Total stock-based compensation awards	13.1	

Stock options are granted with the exercise price equal to the fair market value of our common stock on the grant date, are generally exercisable between two and four years from the grant date and expire ten years from the grant date (or earlier in the case of certain terminations of employment).

We grant other stock-based compensation awards such as stock-settled awards, cash-settled awards and performance-based awards (settled in cash or shares) to certain key employees. The number of shares or units received by an employee for performance-based awards depends on Company and/or individual performance against specific performance targets and could range from 0% to 200% of the target amount of shares originally granted. Incentive awards are subject to certain restrictions and vesting requirements as determined by the Compensation Committee. The vesting period is generally three years. Upon completion of the vesting period for cash-settled awards, which include restricted stock units expected to be settled in cash, the grantee is entitled to receive a payment in cash or in shares of common stock based on the fair market value of the corresponding number of shares of common stock. No monetary consideration is paid by a recipient for any incentive award, and the fair value of the shares on the grant date is amortized over the vesting period, except for cash-settled awards where the quarterly-adjusted fair value based on our share price is amortized over the vesting period. The holders of cash-settled and performance-based awards have no ownership interest in the underlying shares of common stock until the awards vest and the shares of common stock are issued.

In conjunction with our annual grant of long-term incentive compensation awards we review our estimates and assumptions. This review in the first quarter of 2009 resulted in an increase to our estimated forfeiture rate, as our review of our actual forfeitures over the last ten years indicated a higher level of forfeitures than previously assumed.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 8: Employee Benefits

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

	Domestic pension plans		Foreign pension plans		Postretirement benefit plans	
Three months ended March 31,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	$	$	$ 2.6	$ 3.9	$ 0.1	$ 0.1
Interest cost	2.0	2.0	5.4	7.0	0.8	0.9
Expected return on plan assets	(1.9)	(2.6)	(3.2)	(6.3)		
Amortization of:						
Prior service cost				0.1		
Unrecognized actuarial losses	2.5	1.2	0.6	0.2		0.3
Net periodic cost	$ 2.6	$ 0.6	$ 5.4	$ 4.9	$ 0.9	$ 1.3

During the three months ended March 31, 2009, we made contributions of $9.0 to our foreign pension plans and no contributions to our domestic pension plans. For the remainder of 2009, we expect to contribute approximately $16.0 to our foreign pension plans and approximately $10.0 to our domestic pension plans.

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 9: Segment Information

We have two reportable segments: Integrated Agency Networks (IAN), which is comprised of Draftfcb, Lowe, McCann Worldgroup and Mediabrands, and Constituency Management Group (CMG), which is comprised of a number of our specialist marketing service offerings. We also report results for the Corporate and other group. The profitability measure employed by our chief operating decision maker for allocating resources to our operating divisions and assessing operating division performance is operating income (loss), excluding the impact of restructuring and other reorganization-related (reversals) charges and long-lived asset impairment and other charges. Segment information is presented consistently with the basis described in our 2008 Annual Report on Form 10-K. Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended March 31, 2009	2008
Revenue:		
IAN	$ 1,114.9	$ 1,241.1
CMG	210.4	244.1
Total	$ 1,325.3	$ 1,485.2
Segment operating (loss) income:		
IAN	$ (57.5)	$ (19.8)
CMG	4.5	6.7
Corporate and other	(29.1)	(41.5)
Total	(82.1)	(54.6)
Restructuring and other reorganization-related reversals (charges)	0.2	(3.2)
Interest expense	(34.8)	(57.7)
Interest income	12.3	28.7
Other income (expense), net	4.9	(1.4)
Loss before income taxes	$ (99.5)	$ (88.2)
Depreciation and amortization of fixed assets and intangible assets:		
IAN	$ 32.6	$ 32.4
CMG	3.6	4.0
Corporate and other	5.6	6.7
Total	$ 41.8	$ 43.1
Capital expenditures:		
IAN	$ 8.4	$ 25.1
CMG	0.9	4.4

Corporate and other	2.4	2.4
Total	$ 11.7	$ 31.9

	March 31, 2009	**December 31, 2008**
Total assets:		
IAN	$ 8,919.5	$ 9,712.2
CMG	904.3	929.1
Corporate and other	1,105.9	1,483.9
Total	$ 10,929.7	$ 12,125.2

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Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Note 10: Fair Value Measurements

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We primarily apply the market approach for recurring fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	Level 1	Level 3	Total
Assets			
Cash equivalents	$ 967.5	$	$ 967.5
Short-term marketable securities	16.5		16.5
Long-term investments[1]	15.3	6.7	22.0
Foreign currency derivatives		0.7	0.7
Total	$ 999.3	$ 7.4	$ 1,006.7
As a percentage of total assets	9.1%	0.1%	9.2%
Liabilities			
Mandatorily redeemable noncontrolling interests[2]	$	$ 33.5	$ 33.5

(1) Level 3 investments relate to $12.5 in par value of asset backed auction rate securities. Since August 2007, auctions have failed due to insufficient bids from buyers, which required us to adjust the securities to a book value of $6.7 during the fourth quarter of 2007. We intend to hold our auction rate securities until we can recover the full principal and have classified the auction rate securities as long-term investments within other assets in our unaudited Condensed Consolidated Balance Sheet as of March 31, 2009.

(2) Relates to obligations to purchase noncontrolling equity shares of consolidated subsidiaries, valued pursuant to SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristic of Both Liabilities and Equity*. Fair value measurements of the obligation were based upon the amount payable as if the forward contracts were settled as of March 31, 2009.

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

	Balance as of December 31, 2008	Level 3 additions	Realized gains (losses) included in net loss	Balance as of March 31, 2009
Assets				
Auction rate securities	$ 6.7	$	$	$ 6.7
Foreign currency derivatives	0.8		(0.1)	0.7
Liabilities				
Mandatorily redeemable noncontrolling interests	$ 21.6	$ 20.1	$ 8.2	$ 33.5

Notes to Consolidated Financial Statements (continued)

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

Level 3 additions relate to an unconditional obligation to purchase an additional equity interest in an acquisition for cash and is considered to be a mandatorily redeemable financial instrument under SFAS 150. Realized gains (losses) included in net loss for foreign currency derivatives and mandatorily redeemable noncontrolling interests are reported as a component of other income (expense), net and interest expense, respectively.

Note 11: Commitments and Contingencies

Legal Matters

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

Guarantees

As discussed in our 2008 Annual Report on Form 10-K, we have guarantees of certain obligations of our subsidiaries relating principally to credit facilities, certain media payables and operating leases of certain subsidiaries. The amount of such parent company guarantees was approximately $256.0 as of March 31, 2009 and December 31, 2008.

Note 12: Recent Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations* (SFAS 141R), which replaces SFAS No. 141, Business Combinations. Under the standard, an acquiring entity is required to record assets acquired and liabilities assumed in a business combination at fair value on the date of acquisition. Earn-out payments and other forms of contingent consideration are also required to be recorded at fair valu