

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, 2005

Commission file number 1-6686

THE INTERPUBLIC GROUP OF COMPANIES, INC.*(Exact name of registrant as specified in its charter)***Delaware**State or other jurisdiction of
incorporation or organization**13-1024020***(I.R.S. Employer
Identification No.)***1114 Avenue of the Americas, New York, New York 10036***(Address of principal executive offices) (Zip Code)***(212) 704-1200***(Registrant's telephone number, including area code)***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
5 ³ / ₈ % Series A Mandatory Convertible Preferred Stock, no 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 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 the filing requirements for at least the past 90 days.

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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, 2005, the aggregate market value of the shares of registrant's common stock held by non-affiliates was \$5,201,493,786. The number of shares of the registrant's common stock outstanding as of February 28, 2006 was 436,029,334.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2006 are incorporated by reference in Part III: "Election of Directors," "Corporate Governance Practices and Board Matters," "Section 16(a) Beneficial Ownership Reporting Compliance," "Compensation of Executive Officers," "Report of the Compensation Committee of the Board of Directors," "Outstanding Shares," "Related Party Transactions" and "Appointment of Independent Auditors."

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EXPLANATORY NOTE

In this report, we have restated the financial data we previously published for each interim period in 2005. The interim period restatements relate primarily to accounting for goodwill impairments, revenue recognition and a number of miscellaneous items including accounting for leases and international compensation arrangements.

The restated financial data and related disclosures are contained in Note 23 to the Consolidated Financial Statements in Item 8. We have not amended any of our previously filed reports. The financial data and other financial information for interim periods in 2005 in our quarterly reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2005 should no longer be relied upon.

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. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this report under Item 1A, Risk Factors. 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:

- risks arising from material weaknesses in our internal control over financial reporting, including material weaknesses in our control environment;
- potential adverse effects to our financial condition, results of operations or prospects as a result of our restatements of financial statements;
- our ability to satisfy covenants under our credit facilities;
- our ability to satisfy certain reporting covenants under our indentures;
- 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;
- potential adverse effects if we are required to recognize additional impairment charges or other adverse accounting-related developments;
- potential adverse developments in connection with the ongoing Securities and Exchange Commission ("SEC") investigation;
- potential downgrades in the credit ratings of our securities;
- risks associated with the effects of global, national and regional economic and political conditions, including with respect to fluctuations in 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 in Item 1A, Risk Factors, in this report.

AVAILABLE INFORMATION

Information regarding our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, at our website at <http://www.interpublic.com>, as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC. Any document that we file with the SEC may also be read and copied at the SEC's Public Reference Room located at Room 1580, 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings are also available to the public from the SEC's website at <http://www.sec.gov>, and at the offices of the New York Stock Exchange ("NYSE"). For further information on obtaining copies of our public filings at the NYSE, please call (212) 656-5060.

Our Corporate Governance Guidelines, Code of Conduct and each of the charters for the Audit Committee, Compensation Committee and the Corporate Governance Committee are available free of charge on 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.

PART I

Item 1. **Business**

The Interpublic Group of Companies, Inc. 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.

Our Client Offerings

The Interpublic Group of Companies, Inc., together with its subsidiaries (the “Company”, “Interpublic”, “we”, “us” or “our”), is one of the world’s largest advertising and marketing services companies, comprised of hundreds of communication agencies around the world that deliver custom marketing solutions on behalf of our clients. Our agencies cover the spectrum of marketing disciplines and specialties, from traditional services such as consumer advertising and direct marketing, to services such as experiential marketing and branded entertainment. With offices in over 100 countries and approximately 43,000 employees, our agencies work with our clients to create global and local marketing campaigns. These marketing programs seek to build brands, influence consumer behavior and sell products.

To meet the challenge of an increasingly complex consumer culture, we create customized marketing solutions for each of our clients. Engagements between clients and agencies fall into five basic categories, or models. In the *single-discipline model*, clients work directly with one agency in one discipline. The *project collaboration model* is employed when sister agencies are brought in on a project basis as a client’s needs expand. In the *integrated agency-of-record model*, a multi-disciplinary agency provides a fuller range of marketing services for a client. The *lead company model* is applied when a lead agency manages the work at several of our agencies. Finally, in the *virtual network model*, clients have a representative at the holding company level to oversee the fullest range of our marketing spectrum.

While our agencies work on behalf of our clients using one of these models, we provide resources and support to ensure that our agencies can best meet our clients’ needs. Based in New York City, the holding company sets company-wide financial objectives, directs collaborative inter-agency programs, establishes fiscal management and operational controls, guides personnel policy, conducts investor relations and initiates, manages and approves mergers and acquisitions. In addition, it provides limited centralized functional services that offer our companies some operational efficiencies, including accounting and finance, marketing information retrieval and analysis, legal services, real estate expertise, recruitment aid, employee benefits and executive compensation management.

Our Disciplines and Agencies

We have hundreds of specialized agencies. The following is a sample of some of our brands.

Our **global networks** offer our largest clients a full range of marketing and communications services. Combined, their footprint spans over 100 countries:

- McCann Erickson Worldwide
- Foote Cone & Belding Worldwide
- Lowe Worldwide

We have many **full-service marketing agencies** whose distinctive resources provide clients with multi-disciplinary communication services:

- Campbell-Ewald
- Carmichael Lynch
- Deutsch

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- Hill Holliday
- Mullen

We also have many **domestic advertising agencies** that provide North American clients with traditional services in print and broadcast media:

- Avrett Free & Ginsberg
- Campbell Mithun
- Dailey & Associates
- Gillespie
- Gotham
- Jay Advertising
- Tierney Communications
- TM Advertising

Our **one-to-one marketing companies** specialize in using a full range of digital, interactive and traditional media services to communicate directly with consumers in relevant and innovative ways:

- Draft Worldwide
- FCBi
- MRM Partners Worldwide
- The Hacker Group
- R/ GA

The worldwide leader in **experiential marketing**, Jack Morton Worldwide, is part of our group. Jack Morton creates interactive experiences whose goal is to improve performance, increase sales and build brand recognition. The agency produces meetings and events, environmental design, exhibits, digital media and learning programs.

Our **media offering** addresses changes in today's fragmented media landscape, with capabilities in planning, research, negotiating and buying, as well as media research, product placement and programming. Our major media agencies are:

- Initiative
- MAGNA Global
- Universal McCann

To help activate consumer demand, our **promotion agencies** offer clients a range of options, including sweepstakes, incentive programs, sampling opportunities and trade programming:

- Marketing Drive
- Momentum
- The Properties Group
- Zipatoni

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Our **public relations** agencies offer such worldwide services as consumer PR, corporate communications, crisis management, web relations and investor relations:

- DeVries
- Golin Harris
- MWW Group
- Weber Shandwick

We also have **special marketing services agencies** that we believe are best-in-class for their niche markets:

- Marketing Accountability Practice (marketing accountability/ ROI)
- frank about women (women's marketing)
- KidCom (youth marketing)
- NAS (recruitment)
- Newspaper Services of America (newspaper services)
- OSI (outdoor advertising)
- Wahlstrom Group (yellowpages)
- Women2Women Communications (women's marketing)
- FutureBrand (corporate identity and branding)

Our **sports and entertainment marketing** firms manage top athletes and sporting events and represent some of the world's most-recognized celebrities:

- Bragman Nyman Cafarelli
- Octagon
- PMK/ HBH
- Rogers & Cowan

Our affiliated **multicultural agency partners**, in which we own a minority interest, target specific demographic segments:

- Accent Marketing (Hispanic)
- Casanova Pendrill (Hispanic)
- IW Group (Asian-Pacific-American)
- SiboneyUSA (Hispanic)

Interpublic maintains separate agency brands to manage the broadest range of clients, even ones that operate in similar business areas. Having distinct agencies allows us to avoid potential conflicts of interest among our clients in the same industry. To help manage these companies effectively, however, we have organized our agencies into five global operating divisions. Four of these divisions, McCann WorldGroup ("McCann"), The FCB Group ("FCB"), Lowe Worldwide ("Lowe") and Draft Worldwide ("Draft"), provide a distinct comprehensive array of global communications and marketing services. The fifth global operating division, The Constituency Management Group ("CMG"), which includes Weber Shandwick, MWW Group, FutureBrand, DeVries, Golin Harris, Jack Morton and Octagon Worldwide ("Octagon"), provides clients with diversified services, including public relations, meeting and event production, sports and entertainment marketing, corporate and brand identity and strategic marketing consulting.

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A group of leading stand-alone agencies provide clients with a full range of advertising and marketing services. These agencies partner with our global operating groups as needed, and include Campbell-Ewald, Hill Holliday, Deutsch and Mullen.

We believe this organizational structure allows us to provide comprehensive solutions for clients and enables stronger financial and operational growth opportunities. We practice a decentralized management style, providing agency management with a great deal of operational autonomy.

Our Financial Reporting Segments

As of December 31, 2005, for financial reporting purposes we have three reportable segments. The largest segment, Integrated Agency Networks (“IAN”), is comprised of McCann, FCB, Lowe, Draft, our media agencies, and our leading stand-alone agencies. CMG comprises our second reportable segment. Our third reportable segment is comprised of our Motorsports operations (“Motorsports”), which were sold during 2004 and had immaterial residual operating results in 2005. See Note 20 to the Consolidated Financial Statements for further discussion.

Principal Markets

Our agencies are located in over 100 countries and in every significant world market. We provide services for clients whose businesses are broadly international in scope, as well as for clients whose businesses are limited to a single country or a small number of countries. The United States (“U.S.”), Europe (excluding the United Kingdom (“UK”)), the UK, Asia Pacific and Latin America represented 55.2%, 18.1%, 9.9%, 7.5% and 4.1% of our total revenue, respectively, in 2005. For further discussion concerning revenues and long-lived assets on a geographical basis for each of the last three years, see Note 20 to the Consolidated Financial Statements.

Sources of Revenue

Our revenues are primarily derived from the planning and execution of advertising programs in various media and the planning and execution of other marketing and communications programs. Most of our client contracts are individually negotiated. Accordingly, the terms of client engagements and the basis on which we earn commissions and fees vary significantly. Our client contracts are becoming increasingly complex arrangements that frequently include provisions for incentive compensation and govern vendor rebates and credits. Our largest clients are multinational entities and we often provide services to these clients out of multiple offices and across various agencies. In arranging for such services to be provided, we may enter into global, regional and local agreements. Multiple agreements of this nature are reviewed by legal counsel to determine the governing terms to be followed by the offices and agencies involved.

Revenues for creation, planning and placement of advertising are primarily determined 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 and/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 is either retained in total or shared with the client depending on the nature of the services agreement.

We pay media charges with respect to contracts for advertising time or space that we place on behalf of our clients. To reduce our risk from a client’s non-payment, we typically pay media charges only after we receive funds from our clients. Generally, we act as the client’s agent rather than the primary obligor. In some instances we agree with the media provider that we will only be liable to pay the media after the client has paid us for the media charges.

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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.

Our revenue is directly dependent upon the advertising, marketing and corporate communications requirements of our clients and tends to be higher in the second half of the calendar year as a result of the holiday season and lower in the first half as a result of the post-holiday slow-down in client activity. Depending on the terms of the client contract, fees for services performed can be primarily recognized three ways: proportional performance, straight-line (or monthly basis) or completed contract. Fee revenue recognized on a completed contract basis also contributes to the higher seasonal revenues experienced in the fourth quarter due to the majority of our contracts ending at December 31. As is customary in the industry, these contracts provide for termination by either party on relatively short notice, usually 90 days. See Note 1 to the Consolidated Financial Statements for further discussion of our revenue recognition accounting policies.

Clients

In the aggregate, our top ten clients based on revenue accounted for approximately 24.7% and 23.5% of revenue in 2005 and 2004, respectively. Based on revenue for the year ended December 31, 2005, our largest clients were General Motors Corporation, Microsoft, Unilever, Johnson & Johnson, and Verizon. While the loss of the entire business of any one of our largest clients might have a material adverse effect upon our business, we believe that it is unlikely that the entire business of any of these clients would be lost at the same time. This is because 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 a competing agency, and a client may reduce its marketing budget at any time.

Personnel

As of December 31, 2005, we employed approximately 43,000 persons, of whom approximately 18,000 were employed in the U.S. Because of the personal service character of the advertising and marketing communications business, the quality of personnel is of crucial importance to our continuing success. There is keen competition for qualified employees.

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 the industry in which we operate, while others are more specific to us. The following factors set out potential risks we have identified that could adversely affect us. See also Statement Regarding Forward-Looking Disclosure.

- ***We have numerous material weaknesses in our internal control over financial reporting.***

We have identified numerous material weaknesses in our internal control over financial reporting, and our internal control over financial reporting was not effective as of December 31, 2005. For a detailed description of these material weaknesses, see Item 8, Management's Assessment on Internal Control Over Financial Reporting, of our Form 10-K. Each of our material weaknesses results in more than a remote likelihood that a material misstatement will not be prevented or detected. As a result, we must perform extensive additional work to obtain reasonable assurance regarding the reliability of our financial statements. Given the extensive material weaknesses identified, even with this additional work there is a risk of errors not being prevented or detected, which could result in further restatements.

• ***We have extensive work remaining to remedy the material weaknesses in our internal control over financial reporting.***

Because of our decentralized structure and our many disparate accounting systems of varying quality and sophistication, we have extensive work remaining to remedy our material weaknesses in internal control over financial reporting. We are in the process of developing a work plan for remedying all of the identified material weaknesses, and this work will extend beyond 2006. There can be no assurance as to when the remediation plan will be completed or when the material weaknesses will be remedied. There will also continue to be a serious risk that we will be unable to file future periodic reports with the SEC in a timely manner, that a default could result under the indentures governing our debt securities or under our three-year revolving credit agreement (the "Three-Year Revolving Credit Facility") or credit facilities of our subsidiaries and that our future financial statements could contain errors that will be undetected.

• ***We face substantial ongoing costs associated with complying with the requirements of Section 404 of the Sarbanes-Oxley Act.***

As a result of the extent of the deficiencies in our internal control over financial reporting, we incurred significant professional fees and other expenses in 2005 to prepare our consolidated financial statements and to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. Until our remediation is completed, we will continue to incur the expenses and management burdens associated with the manual procedures and additional resources required to prepare our consolidated financial statements. The cost of this work will continue to be significant in 2006 and beyond.

• ***We have restated our financial statements.***

We may continue to suffer adverse effects from the restatement of previously issued financial statements that we presented in our annual report on Form 10-K for the year ended December 31, 2004, as amended (the "2004 Form 10-K"). In the 2004 Form 10-K, we restated our previously reported financial statements for the years ended December 31, 2003, 2002, 2001 and 2000, and for the first three quarters of 2004 and all four quarters of 2003 (the "Prior Restatement"). In this report, we have restated the financial data for the first three quarters of 2005.

As a result of these matters, we have recorded liabilities for vendor discounts and other obligations that will necessitate cash settlement that may negatively impact our cash flow in future years. We may also become subject to fines or other penalties or damages in our ongoing SEC investigation or new regulatory actions or civil litigation. Any of these matters may also contribute to further ratings downgrades, negative publicity and difficulties in attracting and retaining key clients, employees and management personnel.

• ***Ongoing SEC investigations regarding our accounting restatements could adversely affect us.***

The SEC opened a formal investigation in response to the restatement we first announced in August 2002 and, as previously disclosed, the SEC staff's investigation has expanded to encompass our Prior Restatement. In particular, since we filed our 2004 Form 10-K, we have received subpoenas from the SEC relating to matters addressed in our Prior Restatement. We continue to cooperate with the investigation. We expect that the investigation will result in monetary liability, but because the investigation is ongoing, in particular with respect to the Prior Restatement, we cannot reasonably estimate either the timing of a resolution or the amount. Accordingly, we have not yet established any accounting provision relating to these matters. Potential adverse developments in connection with the investigation, including any expansion of the scope of the investigation, could also negatively impact us and could divert the efforts and attention of our management team from our ordinary business operations.

• ***We operate in a highly competitive industry.***

The marketing communications business is highly competitive. Our agencies and media services must compete with other agencies, and with other providers of creative or media services, in order to maintain existing client relationships and to win new clients. The client's perception of the quality of an agency's creative work, our reputation and the agencies' reputations are important factors in determining our

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competitive position. An agency's ability to serve clients, particularly large international clients, on a broad geographic basis is also an important competitive consideration. 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. We have won and lost client accounts in the past as a result of such periodic competitions. 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.

In addition, issues arising from our deficiencies in our internal control over financial reporting could divert the efforts and attention of our management from our ordinary business operations or have an adverse impact on clients' perceptions of us and adversely affect our overall ability to compete for new and existing business.

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

Employees, including creative, research, media, account and practice group specialists, and their skills and relationships with clients, are among our most important 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 could be adversely affected by our recent financial performance and financial reporting difficulties.

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

Economic downturns often more severely affect the marketing services industry than other industries. In the past, some clients have responded to weak economic performance in any region where we operate by reducing their marketing budgets, which are generally discretionary in nature and easier to reduce in the short-term than other expenses related to operations. This pattern may recur in the future.

- ***Our liquidity profile has recently been adversely affected.***

In recent periods we have experienced operating losses that have adversely affected our cash flows from operations. We have recorded liabilities and incurred substantial professional fees in connection with the Prior Restatement. It is also possible that we will be required to pay fines or other penalties or damages in connection with the ongoing SEC investigation or future regulatory actions or civil litigation. These items have impacted and will impact our liquidity in future years negatively and could require us to seek new or additional sources of liquidity to fund our working capital needs. There can be no guarantee that we would be able to access any such new sources of new liquidity on commercially reasonable terms or at all. If we are unable to do so, our liquidity position could be adversely affected.

- ***Downgrades of our credit ratings could adversely affect us.***

Our long-term debt is currently rated B+ with negative outlook by Standard and Poor's, Ba1 with negative outlook by Moody's, and B+ with stable outlook by Fitch. It is possible that our credit ratings will be reduced further. Ratings downgrades or comparatively weak ratings can adversely affect us, because ratings are an important factor influencing our ability to access capital. 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 a significant adverse affect on our liquidity.

- ***If some of 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 distress, file for bankruptcy protection or go out of business. If any client with whom we have a substantial amount of business experiences financial difficulty, it could delay or jeopardize the

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collection of accounts receivable, may result in significant reductions in services provided by us and may have a material adverse effect on our financial position, results of operations and liquidity. For a description of our client base, see Item 1, Business- Clients.

• ***International business risks could adversely affect our operations.***

International revenues represent a significant portion of our revenues, approximately 45% in 2005. Our international operations are exposed to risks that affect foreign operations of all kinds, including local legislation, monetary devaluation, exchange control restrictions and unstable political conditions. These risks may limit our ability to grow our business and effectively manage our operations in those countries. In addition, because a high level of our revenues and expenses is denominated in currencies other than the U.S. dollar, primarily the Euro and Pound Sterling, fluctuations in exchange rates between the U.S. dollar and such currencies may materially affect our financial results.

• ***In 2005 and prior years, we recognized impairment charges and increased our deferred tax valuation allowances, and we may be required to record additional charges in the future related to these matters.***

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 at least annually and whenever there is an indication of impairment or lack of realizability. If certain criteria are met, we are required to record an impairment charge or valuation allowance. In the past, we have recorded substantial amounts of goodwill, investment and other impairment charges, and have been required to establish substantial valuation allowances with respect to deferred tax assets and loss carry-forwards.

As of December 31, 2005, we have substantial amounts of intangibles, investments and deferred tax assets on our Consolidated Balance Sheet. Future events, including our financial performance and strategic decisions, could cause us to conclude that further impairment indicators exist and that the asset values associated with intangibles, investments and deferred tax assets may have become impaired. Any resulting impairment loss would have an adverse impact on our reported earnings in the period in which the charge is recognized. In connection with the U.S. deferred tax assets, management believes that it is more likely than not that a substantial amount of the deferred tax assets will be realized; a valuation allowance has been established for the remainder. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future U.S. taxable income are lower than anticipated.

• ***We are subject to certain restrictions and must meet certain minimum financial covenants under our Three-Year Revolving Credit Facility.***

Our Three-Year Revolving Credit Facility contains covenants that limit our operational flexibility and require us to meet specified financial ratios. The Three-Year Revolving Credit Facility does not permit us (i) to make cash acquisitions in excess of \$50.0 million until October 2006, or thereafter in excess of \$50.0 million until expiration of the agreement in May 2007, subject to increases equal to the net cash proceeds received in the applicable period from any disposition of assets; (ii) to make capital expenditures in excess of \$210.0 million annually; (iii) to repurchase or to declare or pay dividends on our capital stock (except for any convertible preferred stock, convertible trust preferred instrument or similar security, which includes our outstanding 5.375% Series A Mandatory Convertible Preferred Stock and our 5.25% Series B Cumulative Convertible Perpetual Preferred Stock), except that we may repurchase our capital stock in connection with the exercise of options by our employees or with proceeds contemporaneously received from an issue of new shares of our capital stock; and (iv) to incur new debt at our subsidiaries, other than unsecured debt incurred in the ordinary course of business of our subsidiaries outside the U.S. and unsecured debt, which may not exceed \$10.0 million in the aggregate, incurred in the ordinary course of business of our U.S. subsidiaries. Under the Three-Year Revolving Credit Facility, we are also subject to financial covenants with respect to our interest coverage ratio, debt to EBITDA ratio and minimum EBITDA.

We have in the past been required to seek and successfully have obtained amendments and waivers of the financial covenants under our committed bank facility. There can be no assurance that we will be in compliance with these covenants in future periods. If we do not comply and are unable to obtain the necessary amendments or waivers at that time, we would be unable to borrow or obtain additional letters

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of credit under the Three-Year Revolving Credit Facility and could choose to terminate the facility and provide a cash deposit in connection with any outstanding letters of credit. The lenders under the Three-Year Revolving Credit Facility would also have the right to terminate the facility, accelerate any outstanding principal and require us to provide a cash deposit in an amount equal to the total amount of outstanding letters of credit. The outstanding amount of letters of credit was \$162.4 million as of December 31, 2005. We have not drawn under the Three-Year Revolving Credit Facility over the past two years, and we do not currently expect to draw under it. So long as there are no amounts to be accelerated under the Three-Year Revolving Credit Facility, termination of the facility would not trigger the cross-acceleration provisions of our public debt.

Any future impairment charge (excluding valuation allowance charges) could result in a violation of the financial covenants of our Three-Year Revolving Credit Facility, which requires us to maintain minimum levels of consolidated EBITDA (as defined in that facility) and established ratios of debt to consolidated EBITDA and interest coverage ratios. A violation of any of these financial covenants could trigger a default under this facility and adversely affect our liquidity.

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

From time to time, we communicate to the market certain targets and milestones for our financial and operating performance including, but not limited to, the areas of revenue growth, operating expense reduction and operating margin growth. These targets and milestones are intended to provide metrics against which to evaluate our performance, but 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. See “Statement Regarding Forward-Looking Disclosure.”

- ***We are subject to regulations and other governmental scrutiny that could restrict our activities or negatively impact our revenues.***

Our industry is subject to government regulation and other governmental action, both domestic and foreign. There has been an increasing tendency on the part of advertisers and consumer groups to challenge advertising through legislation, regulation, the courts or otherwise, for example on the grounds that the advertising is false and deceptive or injurious to public welfare. Through the years, there has been a continuing expansion of specific rules, prohibitions, media restrictions, labeling disclosures and warning requirements with respect to the advertising for certain products. Representatives within government bodies, both domestic and foreign, continue to initiate proposals to ban the advertising of specific products and to impose taxes on or deny deductions for advertising, which, if successful, may have an adverse effect on advertising expenditures and consequently our revenues.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Substantially all of our office space is leased from third parties. Several of our leases will be expiring within the next few months, while the remainder will be expiring within the next 19 years. 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 21 to the Consolidated Financial Statements for a discussion of our lease commitments.

[Table of Contents](#)**Item 3. Legal Proceedings**

We are or have been involved in legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, we have no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on our financial condition except as described below.

SEC Investigation

The SEC opened a formal investigation in response to the restatement we first announced in August 2002 and, as previously disclosed, the SEC staff's investigation has expanded to encompass our Prior Restatement. In particular, since we filed our 2004 Form 10-K, we have received subpoenas from the SEC relating to matters addressed in our Prior Restatement. We continue to cooperate with the investigation. We expect that the investigation will result in monetary liability, but because the investigation is ongoing, in particular with respect to the Prior Restatement, we cannot reasonably estimate either the timing of a resolution or the amount. Accordingly, we have not yet established any accounting provision relating to these matters.

Item 4. Submission of Matters to a Vote of Security Holders

This item is answered in respect of the Annual Meeting of Stockholders held on November 14, 2005 (the "Annual Meeting"). At the Annual Meeting, the following number of votes were cast with respect to each matter voted upon:

Proposal to approve Management's nominees for director as follows:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>	<u>Broker Nonvotes</u>
Frank J. Borelli	311,766,433	59,959,629	0
Reginald K. Brack	315,032,540	56,693,522	0
Jill M. Considine	315,037,081	56,688,981	0
Richard A. Goldstein	339,686,209	32,039,853	0
H. John Greeniaus	339,976,351	31,749,711	0
Michael I. Roth	337,559,779	34,166,283	0
J. Phillip Samper	336,415,059	35,311,003	0
David M. Thomas	339,228,386	32,497,676	0

Proposal to approve The Interpublic Group of Companies Employee Stock Purchase Plan (2006):

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Nonvotes</u>
318,034,359	18,975,362	3,237,702	31,478,639

Proposal to approve confirmation of the appointment of PricewaterhouseCoopers LLP as independent auditors for 2005:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Nonvotes</u>
341,855,593	27,225,891	2,644,578	0

Shareholder proposal to arrange for the prompt sale of the Company to the highest bidder:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Nonvotes</u>
11,397,027	323,825,408	5,024,987	31,478,640

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Executive Officers of Interpublic

Name	Age	Office
Michael Roth(1)	60	Chairman of the Board and Chief Executive Officer
Nicholas J. Camera	59	Senior Vice President, General Counsel and Secretary
Albert S. Conte	55	Senior Vice President, Taxes and General Tax Counsel
Nick Cyprus	52	Senior Vice President, Controller and Chief Accounting Officer
Thomas A. Dowling	54	Senior Vice President, Chief Risk Officer
Stephen Gatfield	47	Executive Vice President, Network Operations, Chief Executive Officer of Lowe Worldwide
Philippe Krakowsky	43	Executive Vice President, Strategy and Corporate Communications
Frank Mergenthaler	45	Executive Vice President and Chief Financial Officer
Timothy Sompolski	53	Executive Vice President, Chief Human Resources 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, effective January 19, 2005. Prior to that time, Mr. Roth served as our Chairman of the Board from July 13, 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 Interpublic since February 2002. He is also a director of Pitney Bowes Inc. and Gaylord Entertainment Company.

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. Conte was hired in March 2000 as Senior Vice President, Taxes and General Tax Counsel. Prior to joining us, Mr. Conte served as Vice President, Senior Tax Counsel for Revlon Consumer Products Corporation from September 1987 to February 2000.

Mr. Cyprus was hired in May 2004 as Senior Vice President, Controller and Chief Accounting Officer. Prior to joining us, Mr. Cyprus served as Vice President and Controller of AT&T from January 1999 to May 2004. On March 22, 2006, we announced that Mr. Cyprus would be leaving the Company effective March 31, 2006.

Mr. Dowling was hired in January 2000 as Vice President and General Auditor. He was elected Senior Vice President, Financial Administration of Interpublic in February 2001, and Senior Vice President, Chief Risk Officer in November 2002. Prior to joining us, Mr. Dowling served as Vice President and General Auditor for Avon Products, Inc. from April 1992 to December 1999.

Mr. Gatfield was hired in April 2004 as Executive Vice President, Global Operations and Innovation. He was elected Executive Vice President, Strategy and Network Operations in December 2005, and in February 2006 was also named Chief Executive Officer of Lowe Worldwide. Prior to joining us, he served as Chief Operating Officer from 2001 to 2004 and as Regional Managing Director for the Asia Pacific region from 1997 to 2000 for Leo Burnett Worldwide.

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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. 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. Sompolski was hired in July 2004 as Executive Vice President, Chief Human Resources Officer. Prior to joining us, he served as Senior Vice President of Human Resources and Administration for Altria Group from November 1996 to January 2003.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters****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. At February 28, 2006, there were 43,701 registered holders of our common stock.

Period	NYSE Sale Price	
	High	Low
2005:		
Fourth Quarter	\$ 11.75	\$ 9.14
Third Quarter	\$ 12.67	\$ 11.04
Second Quarter	\$ 13.28	\$ 12.11
First Quarter	\$ 13.68	\$ 11.50
2004:		
Fourth Quarter	\$ 13.50	\$ 10.95
Third Quarter	\$ 13.62	\$ 10.51
Second Quarter	\$ 16.43	\$ 13.73
First Quarter	\$ 17.19	\$ 14.86

Dividend Policy

No dividend was paid on our common stock during 2003, 2004, or 2005. Our future dividend policy will be determined on a quarter-by-quarter basis and will depend on earnings, financial condition, capital requirements and other factors. The current terms of our Three-Year Revolving Credit Facility limit our ability to declare and pay dividends. For a discussion of the restrictions under our Three-Year Revolving Credit Facility, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. In addition, 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 contemporaneously are declared and paid or provision for the payment thereof has been made. Our future dividend policy may also be influenced by the impact of our securities with participating rights in earnings available to common stockholders, including our 4.50% Convertible Senior Notes and Series A Mandatory Convertible Preferred Stock. For a discussion of our participating securities, see Note 13 to the Consolidated Financial Statements.

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for our common stock is:

Mellon Investor Services, Inc.
480 Washington Boulevard
29th Floor
Jersey City, NJ 07310
Tel: (877) 363-6398

Sales of Unregistered Securities

In the fourth quarter of 2005, we issued securities without registration under the Securities Act of 1933, as amended (the “Securities Act”) in payment of deferred compensation for acquisitions we made in earlier periods and for raising capital. The specific transactions were as follows:

- On November 21, 2005, we issued 77,006 shares of our common stock to two shareholders of a company in connection with the purchase of 31% of the shares of the company. The shares of our common stock were valued at \$800,000 as of the date of issuance and were issued without registration in reliance on Regulation S under the Securities Act.
- On October 24, 2005, we issued 525,000 shares of our 5.25% Series B Cumulative Convertible Perpetual Preferred Stock (the “Series B Preferred Stock”) at an aggregate offering price of \$525,000,000. The shares of our Series B Preferred Stock were sold on October 18, 2005 in a private placement to a syndicate of initial purchasers at an aggregate discount of \$15,750,000 and may be resold to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act.

Each share of our Series B Preferred Stock may be converted at any time, at the option of the holder, into 73.1904 shares of our common stock, which is equivalent to an initial conversion price of approximately \$13.66, plus cash in lieu of fractional shares. The conversion rate is subject to adjustment upon the occurrence of certain events. On or after October 15, 2010, we may cause shares of our Series B Preferred Stock to be automatically converted into shares of our common stock at the then prevailing conversion rate if the closing price of our common stock multiplied by the conversion rate then in effect equals or exceeds 130% of the liquidation preference for 20 trading days during any consecutive 30 trading day period.

Repurchase of Equity Securities

The following table provides information regarding our purchases of equity securities during the fourth quarter of 2005:

	Total Number of Shares Purchased	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-31	37,019	\$ 11.03	—	—
November 1-30	7,072	\$ 10.97	—	—
December 1-31	238,077	\$ 9.84	—	—
Total(1)	282,168	\$ 10.03	—	—

(1) Consists of restricted shares of our common stock withheld under the terms of grants under employee stock compensation plans to offset tax withholding obligations that occurred upon vesting and release of restricted shares during each month of the fourth quarter of 2005 (the “Withheld Shares”).

(2) The average price per month of the Withheld Shares was calculated by dividing the aggregate value of the tax withholding obligations for each month by the aggregate number of shares of our common stock withheld each month.

Item 6. Summary Selected Financial Data

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

	For the Years Ended December 31,				
	2005	2004	2003	2002	2001
REVENUE	\$ 6,274.3	\$ 6,387.0	\$ 6,161.7	\$ 6,059.1	\$ 6,598.5
OPERATING (INCOME) EXPENSES:					
Salaries and related expenses	3,999.1	3,733.0	3,501.4	3,397.1	3,634.9
Office and general expenses	2,288.1	2,250.4	2,225.3	2,248.3	2,397.9(1)
Restructuring (reversals) charges	(7.3)	62.2	172.9	7.9	629.5
Long-lived asset impairment and other charges	98.6	322.2	294.0	130.0	300.7
Motorsports contract termination costs	—	113.6	—	—	—
Total operating (income) expenses	6,378.5	6,481.4	6,193.6	5,783.3	6,963.0
OPERATING INCOME (LOSS)	(104.2)	(94.4)	(31.9)	275.8	(364.5)
EXPENSES AND OTHER INCOME:					
Interest expense	(181.9)	(172.0)	(206.6)	(158.3)	(169.1)
Debt prepayment penalty	(1.4)	(9.8)	(24.8)	—	—
Interest income	80.0	50.8	39.3	30.6	41.7
Investment impairments	(12.2)	(63.4)	(71.5)	(40.3)	(212.4)
Litigation reversals (charges)	—	32.5	(127.6)	—	—
Other income (expense)	33.1	(10.7)	50.3	8.0	14.4
Total expenses and other income	(82.4)	(172.6)	(340.9)	(160.0)	(325.4)
Income (loss) from continuing operations before provision for income taxes	(186.6)	(267.0)	(372.8)	115.8	(689.9)
Provision for (benefit of) income taxes	81.9	262.2	242.7	106.4	(88.1)
Income (loss) from continuing operations of consolidated companies	(268.5)	(529.2)	(615.5)	9.4	(601.8)
Income applicable to minority interests (net of tax)	(16.7)	(21.5)	(27.0)	(30.1)	(27.3)
Equity in net income of unconsolidated affiliates (net of tax)	13.3	5.8	2.4	5.9	3.2
Loss from continuing operations	(271.9)	(544.9)	(640.1)	(14.8)	(625.9)
Income from discontinued operations (net of tax)	9.0	6.5	101.0	31.5	15.5
Net income (loss)	(262.9)	(538.4)	(539.1)	16.7	(610.4)
Dividends on preferred stock	26.3	19.8	—	—	—
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$ (289.2)	\$ (558.2)	\$ (539.1)	\$ 16.7	\$ (610.4)
Earnings (loss) per share of common stock:					
Basic and diluted					
Continuing operations	\$ (0.70)	\$ (1.36)	\$ (1.66)	\$ (0.04)	\$ (1.70)
Discontinued operations	0.02	0.02	0.26	0.08	0.04
Total*	\$ (0.68)	\$ (1.34)	\$ (1.40)	\$ 0.04	\$ (1.65)
Weighted average shares:					
Basic and diluted	424.8	415.3	385.5	376.1	369.0
OTHER DATA					
Cash dividends per share of common stock	\$ —	\$ —	\$ —	\$ 0.38	\$ 0.38
Cash dividends per share of preferred stock	\$ 14.50	\$ 2.69	\$ —	\$ —	\$ —
Capital Expenditures	\$ (140.7)	\$ (194.0)	\$ (159.6)	\$ (171.4)	\$ (257.5)
Market price on December 31,	\$ 9.65	\$ 13.40	\$ 15.60	\$ 14.08	\$ 29.02
Number of Employees	42,600	43,700	43,400	45,800	50,500

(1) Includes amortization expense of \$161.0 in 2001.

* Earnings (loss) per share does not add due to rounding.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in Millions, Except Per Share Amounts)

	As of December 31,				
	2005	2004	2003	2002	2001
ASSETS:					
Cash and cash equivalents	\$ 2,075.9	\$ 1,550.4	\$ 1,871.9	\$ 953.2	\$ 938.1
Marketable securities	115.6	420.0	195.1	30.7	21.2
Accounts receivable, net of allowances	4,015.7	4,319.2	4,106.3	4,263.4	4,403.9
Expenditures billable to clients	917.6	882.9	831.9	703.5	607.6
Deferred income taxes	184.3	261.0	279.7	103.0	136.0
Prepaid expenses and other current assets	188.3	184.6	269.8	423.3	324.6
Total current assets	7,497.4	7,618.1	7,554.7	6,477.1	6,431.4
Land, buildings and equipment, net	650.0	722.9	697.9	851.1	871.0
Deferred income taxes	297.3	274.2	378.3	534.3	514.0
Investments	170.6	168.7	246.8	326.5	334.6
Goodwill	3,030.9	3,141.6	3,267.9	3,320.9	2,933.9
Other assets	299.0	328.2	322.3	397.9	379.9
Total non-current assets	4,447.8	4,635.6	4,913.2	5,430.7	5,033.4
TOTAL ASSETS	\$ 11,945.2	\$ 12,253.7	\$ 12,467.9	\$ 11,907.8	\$ 11,464.8
LIABILITIES:					
Accounts payable	\$ 4,245.4	\$ 4,733.5	\$ 4,473.4	\$ 4,333.0	\$ 3,771.2
Accrued liabilities	2,554.3	2,485.2	2,420.0	2,314.5	2,501.0
Short-term debt	56.8	325.9	316.9	841.9	428.5
Total current liabilities	6,856.5	7,544.6	7,210.3	7,489.4	6,700.7
Long-term debt	2,183.0	1,936.0	2,198.7	1,822.2	2,484.6
Deferred compensation and employee benefits	592.1	590.7	548.6	534.9	438.6
Other non-current liabilities	319.0	408.9	326.7	270.7	177.3
Minority interests in consolidated subsidiaries	49.3	55.2	64.8	68.0	84.0
Total non-current liabilities	3,143.4	2,990.8	3,138.8	2,695.8	3,184.5
TOTAL LIABILITIES	9,999.9	10,535.4	10,349.1	10,185.2	9,885.2
TOTAL STOCKHOLDERS' EQUITY	1,945.3	1,718.3	2,118.8	1,722.6	1,579.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,945.2	\$ 12,253.7	\$ 12,467.9	\$ 11,907.8	\$ 11,464.8

Certain classification revisions have been made to the prior period financial statements to conform to the current year presentation. These classification revisions included amounts previously recorded in current assets as accounts receivable of \$537.7, \$528.6, \$315.8 and \$249.2 to expenditures billable to clients and amounts previously recorded in current liabilities as accounts payable of \$1,411.5, \$1,197.0, \$1,075.1 and \$1,010.0 to accrued liabilities in the accompanying Consolidated Balance Sheets as of December 31, 2004, 2003, 2002 and 2001, respectively. The classification of these amounts were revised to more appropriately reflect the composition of the year end balances of accounts receivable as amounts billed to clients and accounts payable as amounts for which we have received invoices from vendors. These classification revisions had no impact on our results of operations or changes in our stockholders' equity.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Amounts in Millions, Except Per Share Amounts)

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 (the "Company", "Interpublic", "we", "us" or "our"). MD&A is provided as a supplement to and should be read in conjunction with our financial statements and the accompanying notes. Our MD&A includes the following sections:

OVERVIEW provides a description of our business, the drivers of our business, and how we analyze our business. It then provides an analysis of our 2005 performance and a description of the significant events impacting 2005 and thereafter.

RESULTS OF OPERATIONS provides an analysis of the consolidated and segment results of operations for 2005 compared to 2004 and 2004 compared to 2003.

LIQUIDITY AND CAPITAL RESOURCES provides an overview of our cash flows, financing, contractual obligations and derivatives and hedging activities.

INTERNAL CONTROL OVER FINANCIAL REPORTING provides a description of the status of our compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and related rules. For more detail, see Item 8, Financial Statements and Supplementary Data, and Item 9A, Controls and Procedures.

LIABILITIES RELATED TO OUR PRIOR RESTATEMENT provides a description and update of the significant liabilities recorded as part of our previously reported restated financial statements for the years ended December 31, 2003, 2002, 2001 and 2000 ("Prior Restatement"). For additional information, see Item 8, Financial Statements and Supplementary Data.

OUT OF PERIOD ADJUSTMENTS provides a description and impact of amounts recorded as part of our 2005 financial statements which relate to a prior annual period. The out of period adjustments primarily relate to errors in accounting related to vendor credits or discounts, income taxes as well as the impact of other miscellaneous adjustments.

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

OTHER MATTERS provides a discussion of our significant non-operational items which impact our financial statements, such as the SEC investigation.

RECENT ACCOUNTING STANDARDS by reference to Note 22 to the Consolidated Financial Statements, provides a description of accounting standards which we have not yet been required to implement and may be applicable to our future operations, as well as those significant accounting standards which were adopted during 2005.

OVERVIEW

Our Business

We are one of the world's largest advertising and marketing services companies, comprised of hundreds of communication agencies around the world that deliver custom marketing solutions on behalf of our clients. Our agencies cover the spectrum of marketing disciplines and specialties, from traditional services such as consumer advertising and direct marketing, to newer disciplines such as experiential marketing and branded entertainment. With offices in over 100 countries and approximately 43,000 employees, our agencies work with our clients to create global and local marketing campaigns that cross borders and media. These marketing programs seek to build brands, influence consumer behavior and sell products.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)
(Amounts in Millions, Except Per Share Amounts)

Interpublic maintains separate agency brands to manage the broadest range of clients, even ones that operate in similar business areas. Having distinct agencies allows us to avoid potential conflicts of interest among our clients in the same industry. To help manage these companies effectively, however, we have organized our agencies into five global operating divisions. Four of these divisions, McCann WorldGroup ("McCann"), The FCB Group ("FCB"), Lowe Worldwide ("Lowe") and Draft Worldwide ("Draft"), provide a distinct, comprehensive array of global communications and marketing services. The fifth global operating division, The Constituency Management Group ("CMG"), which includes Weber Shandwick, MWW Group, FutureBrand, DeVries, Golin Harris, Jack Morton and Octagon Worldwide ("Octagon"), provides clients with diversified services, including public relations, meeting and event production, sports and entertainment marketing, corporate and brand identity and strategic marketing consulting.

A group of leading stand-alone agencies provide clients with a full range of advertising and marketing services. These agencies partner with our global operating groups as needed, and include Campbell-Ewald, Hill Holiday, Deutsch and Mullen.

We believe this organizational structure allows us to provide comprehensive solutions for clients, enables stronger financial and operational growth opportunities and allows us to improve operating efficiencies within our organization. We practice a decentralized management style, providing agency management with a great deal of operational autonomy, while holding them broadly responsible for their agencies' financial and operational performance.

As of December 31, 2005, for financial reporting purposes we have three reportable segments. The largest segment, Integrated Agency Networks ("IAN"), is comprised of McCann, FCB, Lowe, Draft, our media agencies, and our leading stand-alone agencies. CMG comprises our second reportable segment. Our third reportable segment is comprised of our Motorsports operations ("Motorsports"), which were sold during 2004 and had immaterial residual operating results in 2005.

Business Drivers

Our revenues are primarily derived from the planning and execution of advertising programs in various media and the planning and execution of other marketing and communications programs. Most of our client contracts are individually negotiated and accordingly, the terms of client engagements and the basis on which we earn commissions and fees vary significantly. Our client contracts are also becoming increasingly complex arrangements that frequently include provisions for incentive compensation and govern vendor rebates and credits.

Revenues for creation, planning and placement of advertising are primarily determined 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 and/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 is either retained in total or shared with the client depending on the nature of the services agreement.

We pay media charges with respect to contracts for advertising time or space that we place on behalf of our clients. To reduce our risk from a client's non-payment, we typically pay media charges only after we receive funds from our clients. Generally, we act as the client's agent rather than the primary obligor. In some instances we agree with the media provider that we will only be liable to pay the media after the client has paid us for the media charges.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)
(Amounts in Millions, Except Per Share Amounts)

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.

Our revenue is directly dependent upon the advertising, marketing and corporate communications requirements of our clients and tends to be higher in the second half of the calendar year as a result of the holiday season and lower in the first half as a result of the post-holiday slow-down in client activity. Depending on the terms of the client contract, fees for services performed can be primarily recognized three ways: proportional performance, straight-line (or monthly basis) or completed contract. Fee revenue recognized on a completed contract basis also contributes to the higher seasonal revenues experienced in the fourth quarter due to the majority of our contracts ending at December 31. As is customary in the industry, these contracts provide for termination by either party on relatively short notice, usually 90 days. See Note 1 to the Consolidated Financial Statements for further discussion of our revenue recognition accounting policies.

Our revenue is driven by our ability to maintain and grow existing business, as well as generate new business. Our business is directly affected by economic conditions in the industries and regions we serve and by the marketing and advertising requirements and practices of our clients and potential clients. When economic conditions decline, companies generally decrease advertising and marketing budgets, and it becomes more difficult to achieve profitability. Our business is highly competitive, which tends to mitigate our pricing power and that of our competition.

We believe that expanding the range of services we provide to our key clients is critical to our continued growth. We are focused on strengthening our collaboration across agencies, which we believe will increase our ability to better service existing clients and win new clients.

2005 Performance

The primary focus of our business analysis is on operating performance, specifically, changes in revenues and operating expenses.

We analyze the increase or decrease in revenue by reviewing the components of the change, including: the impact of foreign currency exchange rate changes, the impact of net acquisitions and divestitures, and the balance, which we refer to as organic revenue change. As economic conditions and demand for our services can vary between geographic regions, we also analyze revenues by domestic and international sources.

Our operating expenses are in two primary categories: salaries and related expenses, and office and general expenses. As with revenue, we analyze the increase or decrease in operating expenses by reviewing the following components of the change: the impact of foreign currency exchange rate changes, the impact of net acquisitions and divestitures, and the organic component of the change. Salaries and related expenses tend to fluctuate with changes in revenues and are measured as a percentage of revenues. Office and general expenses, which have both a fixed and variable component, tend not to vary as much with revenue.

Our financial performance over the past several years has lagged behind that of our industry peers, due to lower revenue growth, as well as impairment, restructuring and other charges. 2005 performance was impacted by higher salaries and related and office and general expenses and lower revenues as discussed in more detail below. However, both impairment and restructuring charges have decreased and we are no longer burdened with Motorsports related costs.

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Strategic Initiatives

Organic revenue growth and improving operating margin are our key corporate metrics. Our performance priorities are to:

- *Achieve organic revenue growth* by strengthening collaboration among our agencies, increasing the number of marketing services provided to existing clients and winning new clients. We have established a supplemental incentive plan, expanded internal tools and resources, and heightened internal communications aimed at encouraging collaboration. We have also focused our efforts on attracting and retaining the highest quality industry talent and further improving client retention. We analyze our performance by calculating the percentage increase in revenue related to organic growth between comparable periods.
- *Improve operating margin* by increasing revenue and by controlling salaries and related expenses, as well as office and general expenses. In addition, we are working to improve our back office efficiency through our shared services initiatives as well as improve our real estate utilization. We analyze our performance by comparing revenue to prior periods and measuring salaries and related expenses, as well as office and general expenses, as a percentage of revenue. We define operating margin as operating income divided by reported revenue.

Our revenue is directly dependent upon the advertising, marketing and corporate communications requirements of our clients. Historically, we typically experience increased revenue and profitability in the fourth quarter of our fiscal year as a result of increased holiday-related client spending activity. The increase in fourth quarter revenue and profitability is also attributable to higher seasonal revenues due to the timing of revenue recognition for contracts that are accounted for on the completed contract method. For the three years ended December 31, 2005, 2004 and 2003, our fourth quarter revenue as a percentage of the respective full year revenue was approximately 30% for all years.

Increase (Decrease)	Organic Changes for the Years Ended December 31,		Organic Changes for the Three Months Ended December 31,	
	2005	2004	2005	2004
Revenue	\$ (45.7)	\$ 75.6	\$ (34.1)	\$ 44.5
Salaries and related expenses	\$ 293.4	\$ 142.6	\$ 116.7	\$ 73.6
Office and general expenses	\$ 112.4	\$ (13.9)	\$ 26.3	\$ 47.1

The organic decrease in revenue for the year ended and three months ended December 31, 2005 was \$45.7 and \$34.1, respectively when compared to the comparative period in 2004. Operating margin declined for the year ended and three months ended December 31, 2005 due to a significant organic increase in salaries and related expenses for the year ended and three months ended December 31, 2005 of \$293.4 and \$116.7, respectively when compared to the prior year, and an organic increase in office and general expenses for year ended and three months ended December 31, 2005 of \$112.4 and \$26.3, respectively when compared to the prior year. See below for discussion of the drivers of these changes.

Included in our results of operations for the three months ended December 31, 2005 were certain out of period adjustments that resulted in decreased revenue and operating income of \$17.3 and \$21.6, respectively. When compared to the slight organic decrease in revenue and significant organic increase in salaries and related expenses and office and general expenses for the three months ended December 31, 2005, these out of period adjustments were immaterial to our quarterly results of operations. These adjustments were immaterial to the annual period ended December 31, 2005 and to any other prior annual period.

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	For the Years Ended December 31,		For the Three Months Ended December 31,	
	2005	2004	2005	2004
Organic revenue change percentage (vs. prior year)	(0.7)%	1.2%	(1.7)%	2.4%
Operating margin percentage	(1.7)%	(1.5)%	3.0%	15.9%
Salaries and related expenses as a percentage of revenue	63.7%	58.4%	58.4%	52.0%
Office and general expenses as a percentage of revenue	36.5%	35.2%	33.6%	32.1%

Organic revenue growth. In 2005, we experienced a small organic revenue decrease, compared to small organic revenue growth in 2004. The decrease resulted from client losses and a reduction in revenue from existing clients at IAN, offset partially by an increase at CMG due to client wins and additional business from existing clients in the U.S. and Europe. As a result, there were domestic and international organic revenue decreases of 0.5% and 0.9%, respectively. We experienced a small organic revenue decrease for the three months ended December 31, 2005 when compared to the comparative periods in 2004.

Operating margin. Our operating margin was negative in 2005 and 2004. The decline in 2005 resulted from organic revenue decreases and increases in salaries and related as well as office and general expenses. Salaries and related expenses increased, both in absolute terms and as a percentage of revenues, due to increased severance expense as international headcount reductions occurred across several agencies. In addition, the increase was attributable to hiring additional creative talent to enable future revenue growth and additional staff to address weaknesses in our accounting and control environment and to develop shared services, which almost offset the number of employees severed. Office and general expenses increased, both in absolute terms and as a percentage of revenues, primarily due to higher professional fees associated with the Prior Restatement and our ongoing efforts in internal control compliance. Salary expense attributable to the additional headcount and the costs of remedying our internal control weaknesses will continue to be significant in 2006.

These negative impacts to operating margin were partially offset by a decrease in the amount of charges related to impairment, restructuring and contract termination costs. If not for the reduction in these charges, our operating margin would have deteriorated significantly from 2004 to 2005 as described above. During 2005, we recorded asset impairments of \$98.6, restructuring reversals of \$7.3 and had no contract termination charges related to the Motorsports business, which is a \$406.7 decrease when compared to these charges in 2004. Operating margin in 2004 was impacted by approximately \$322.2 of asset impairment charges, \$62.2 of restructuring charges and \$113.6 of contract termination costs related to the Motorsports business.

For the three months ended December 31, 2005 and 2004, our operating margin decreased significantly, to 3.0% from 15.9%. The decline in 2005 resulted from significant increases in salaries and related expenses and impairment charges, as well as an increase in office and general expenses and an organic revenue decrease. Salaries and related expenses significantly increased, both in absolute terms and as a percentage of revenues, primarily due to an increase in severance expense as international headcount reductions occurred across several agencies as a result of client losses. In addition, the increase was attributable to hiring additional creative talent to enable future revenue growth and staff to address weaknesses in our accounting and control environment. During the three months ended December 31, 2005, impairment charges of \$92.1 were recorded primarily related to our Lowe reporting unit following a major client loss and recent management defections. Office and general expenses increased, both in absolute terms and as a percentage of revenues, primarily due to higher production and media expenses

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due to an increase in arrangements where we act as principal, which requires us to record expenses on a gross basis, as well as higher professional fees.

Significant 2005 Activity and Subsequent Events

Income Statement

- Total salaries and related expenses increased by approximately \$266.1 to \$3,999.1 for 2005. This increase includes higher severance expense, which increased by approximately \$87.9 to \$162.5. Severance activity in 2005 covered approximately 3,000 employees, of which approximately 2,500 had left the Company by year-end. Our severance actions were concentrated in our international businesses and included several agencies, mostly within IAN. The increase of salaries and related expenses was also attributable to hiring in several areas of our business, including creative talent to enable future revenue growth, and finance and information technology staff to address weaknesses in our accounting and control environment, as well as to develop shared services, which approximately offset the number of employees addressed by severance during the year.
- A net charge of \$69.9 was recorded to increase our valuation allowance for deferred income tax assets primarily relating to foreign net operating loss carry forwards, in relation to which we do not have the historical earning trends or tax planning strategies necessary to recognize the benefits of operating losses. See Note 11 to the Consolidated Financial Statements for additional information.
- Total professional fees increased \$94.8 to \$332.8 for 2005. These increases related primarily to our ongoing efforts in internal control compliance, the Prior Restatement process and the preliminary application development and maintenance of information technology systems and processes related to our shared services initiatives. Professional fees are included in office and general expenses in the Consolidated Statements of Operations.
- Long-lived asset impairment charges of \$98.6 were recorded, including \$91.0 of goodwill impairments at Lowe following a major client loss and recent management defections and \$5.8 at an agency within our sports and entertainment marketing business. See Note 9 to the Consolidated Financial Statements for additional information.

Operating Cash Flow

- Our operating activities utilized cash of approximately \$20.2, compared to cash provided by operating activities of \$464.8 in 2004. The decrease in cash provided by operating activities in 2005 was primarily attributable to significant increases in our operating costs. Additional cash was used during 2005 for severance costs primarily related to international headcount reductions, salary costs primarily attributable to our hiring additional creative talent to enable future revenue growth and additional staff to address weaknesses in our accounting and control environment, and professional fees primarily related to our Prior Restatement and our ongoing efforts in internal control compliance. The decrease in cash provided by operating activities in 2005 was also attributable to year-over-year changes in working capital accounts.

Financing Activities

- Throughout 2005, we entered into waivers and amendments to our 364-Day and Three-Year Revolving Credit Facilities related to our reporting requirements, financial covenants and the Prior Restatement.

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- In July 2005, we completed the issuance and sale of our \$250.0 Floating Rate Notes due 2008 and used the proceeds to redeem all \$250.0 of our 7.875% Senior Unsecured Notes maturing October 2005.
- In September 2005 our \$250.0 364-Day Revolving Credit Facility expired.
- In October 2005, we added a new bank to the syndicate of our Three-Year Revolving Credit Facility, increasing the size of the facility by \$50.0 to \$500.0.
- In October 2005, we issued 0.525 shares of our 5.25% Series B Cumulative Convertible Perpetual Preferred Stock at gross proceeds of \$525.0, with net proceeds totaling approximately \$507.3 after deducting discounts to the initial purchasers and the estimated expenses of the offering.

Subsequent to 2005

- On March 21, 2006, we entered into an amendment to our Three-Year Revolving Credit Facility, effective as of December 31, 2005. The amendment changed the financial covenants with respect to periods ended December 31, 2005, March 31, 2006 and June 30, 2006, added a new minimum cash balance covenant and amended the provisions governing letters of credit to permit the issuance of letters of credit with expiration dates beyond the termination date of the facility, subject to certain conditions. We also obtained a waiver from the lenders under the Three-Year Revolving Credit Facility in March, 2006, to waive any default arising from the restatement of our financials presented in this report.

RESULTS OF OPERATIONS

Consolidated Results of Operations — 2005 Compared to 2004

REVENUE

The components of the 2005 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2004	\$ 6,387.0		\$ 3,509.2		54.9%	\$ 2,877.8		45.1%
Foreign currency changes	40.4	0.6%	—	0.0%		40.4	1.4%	
Net acquisitions/divestitures	(107.4)	(1.7)%	(28.9)	(0.8)%		(78.5)	(2.7)%	
Organic	(45.7)	(0.7)%	(19.2)	(0.5)%		(26.5)	(0.9)%	
Total change	(112.7)	(1.8)%	(48.1)	(1.4)%		(64.6)	(2.2)%	
2005	\$ 6,274.3		\$ 3,461.1		55.2%	\$ 2,813.2		44.8%

For the year ended December 31, 2005, consolidated revenues decreased \$112.7, or 1.8%, as compared to 2004, which was attributable to the effect of net acquisitions and divestitures of \$107.4 and an organic revenue decrease of \$45.7, partially offset by favorable foreign currency exchange rate changes of \$40.4.

The increase due to foreign currency changes was primarily attributable to the strengthening of the Brazilian Real and the Canadian Dollar in relation to the U.S. Dollar, which primarily affected our IAN segment. The net effect of acquisitions and divestitures is comprised of \$46.0 at IAN, largely from dispositions at McCann during 2005, \$12.1 at CMG and \$49.3 from the sale of the Motorsports business during 2004.

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During 2005, the organic revenue decrease of \$45.7, or 0.7%, was driven by a decrease at IAN, partially offset by an increase at CMG. The decrease at IAN was a result of client losses and a reduction in revenue from existing clients primarily in our European offices. The increase at CMG was primarily driven by growth in public relations and sports marketing business both domestically and internationally as a result of increased revenue from existing clients and new client wins.

For 2006, we expect the organic change in revenue to be flat or to decline due to the continuing impact of client losses that we experienced during 2005.

Our revenue recognition policies are in accordance with Staff Accounting Bulletin (“SAB”) No. 104, *Revenue Recognition*. This accounting guidance governs the timing of when revenue is recognized. Accordingly, if work is being performed in a given quarter but there is insufficient evidence of an arrangement, the related revenue is deferred to a future quarter when the evidence is obtained. However, our costs of services are primarily expensed as incurred, except that incremental direct costs may be deferred under a significant long term contract until complete. With revenue being deferred until completion of the contract and costs primarily expensed as incurred, this will have a negative impact on our operating margin until the revenue can be recognized and in the period of revenue recognition. While this will not affect cash flow and did not have a significant impact on revenue recognition in 2005 as compared to 2004, it may affect organic revenue growth and margins in future periods. This effect is likely to be greater in comparing quarters than in comparing full years.

In addition, we fulfill the role of an agent in most of our customer contracts however, in certain arrangements we act as principal. In accordance with Emerging Issues Task Force (“EITF”) Issue No. 99-19, when we act as principal, we recognize gross revenue and expenses inclusive of external media or production costs; when we act as an agent, we recognize revenue net of such costs. The mix of where we act as agent and where we act as principal is contract-dependent and varies from agency to agency, and from period to period. Accordingly, while our cash flows and profitability are not impacted, and while this effect did not have a significant impact on revenue in 2005 compared to 2004, it may affect organic revenue growth patterns in future periods.

OPERATING EXPENSES

	For the Years Ended December 31,					
	2005		2004		\$ Change	% Change
	\$	% of Revenue	\$	% of Revenue		
Salaries and related expenses	\$ 3,999.1	63.7%	\$ 3,733.0	58.4%	\$ 266.1	7.1%
Office and general expenses	2,288.1	36.5%	2,250.4	35.2%	37.7	1.7%
Restructuring charges	(7.3)		62.2		(69.5)	(111.7)%
Long-lived asset impairment and other charges	98.6		322.2		(223.6)	(69.4)%
Motorsports contract termination costs	—		113.6		(113.6)	(100.0)%
Total operating expenses	<u>\$ 6,378.5</u>		<u>\$ 6,481.4</u>		<u>\$ (102.9)</u>	<u>(1.6)%</u>

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Salaries and Related Expenses

The components of the 2005 change were as follows:

	<u>Total</u>		<u>% of Revenue</u>
	<u>\$</u>	<u>% Change</u>	
2004	<u>\$ 3,733.0</u>		<u>58.4%</u>
Foreign currency changes	19.3	0.5%	
Net acquisitions/divestitures	(46.6)	(1.2)%	
Organic	<u>293.4</u>	<u>7.9%</u>	
Total change	266.1	7.1%	
2005	<u>\$ 3,999.1</u>		<u>63.7%</u>

Salaries and related expenses are the largest component of operating expenses and consist primarily of salaries and related benefits, and performance incentives. During 2005, salaries and related expenses increased to 63.7% of revenues, compared to 58.4% in 2004. In 2005, salaries and related expenses increased \$293.4, excluding the increase related to foreign currency exchange rate changes of \$19.3 and a decrease related to net acquisitions and divestitures of \$46.6.

Salaries and related expenses were impacted by changes in foreign currency rates, primarily attributable to the strengthening of the Brazilian Real and the Canadian Dollar in relation to the U.S. Dollar. The increase due to foreign currency rate changes was partially offset by the impact of net acquisitions and divestitures activity, which resulted largely from dispositions at McCann during 2005 and the sale of the Motorsports business during 2004.

The increase in salaries and related expenses, both in absolute terms and as a percentage of revenue, excluding the impact of foreign currency and net acquisitions and divestitures, was primarily the result of higher severance expense, largely recorded in the fourth quarter for international headcount reductions within IAN as a result of client losses. In addition, the increase was attributable to our hiring additional creative talent to enable future revenue growth and additional staff to address weaknesses in our accounting and control environment and develop shared services at certain locations, which almost offset the number of employees severed. The increase in salaries and related expense as a percentage of revenue was also due, in part, to the fact that revenue decreased at the same time that salaries and related expenses increased for the reasons explained above.

Office and General Expenses

The components of the 2005 change were as follows:

	<u>Total</u>		<u>% of Revenue</u>
	<u>\$</u>	<u>% Change</u>	
2004	<u>\$ 2,250.4</u>		<u>35.2%</u>
Foreign currency changes	13.9	0.6%	
Net acquisitions/divestitures	(88.6)	(3.9)%	
Organic	<u>112.4</u>	<u>5.0%</u>	
Total change	37.7	1.7%	
2005	<u>\$ 2,288.1</u>		<u>36.5%</u>

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Office and general expenses primarily consists of rent, office and equipment, depreciation, professional fees, other overhead expenses and certain out-of-pocket expenses related to our revenue. During 2005, office and general expenses increased to 36.5% of revenues, compared to 35.2% in 2004, largely due to the decrease in revenue year on year. In 2005, office and general expenses increased \$112.4, excluding the increase related to foreign currency exchange rate changes of \$13.9 and a decrease related to net acquisitions and divestitures of \$88.6.

Office and general expenses were impacted by changes in foreign currency rates, primarily attributable to the strengthening of the Brazilian Real and Canadian Dollar in relation to the U.S. Dollar. The increase due to foreign currency rate changes was offset by the impact of net acquisitions and divestitures activity, which resulted largely from dispositions at McCann during 2005 and the sale of the Motorsports business and McCann's Transworld Marketing during 2004.

The increase in office and general expenses, excluding the impact of foreign currency and net acquisition and divestitures activity, was primarily the result of higher professional fees at both IAN and our Corporate group driven by our ongoing efforts in internal control compliance, the Prior Restatement process and the preliminary application development and maintenance of information technology systems and processes related to our shared services initiatives. Except for the costs associated with the Prior Restatement process, these costs will continue to significantly impact financial results in 2006.

Restructuring (Reversals) Charges

During 2005 and 2004, we recorded net (reversals) and charges related to lease termination and other exit costs and severance and termination costs for the 2003 and 2001 restructuring programs of (\$7.3) and \$62.2, respectively. Included in the net (reversals) and charges were adjustments resulting from changes in management's estimates for the 2003 and 2001 restructuring programs which decreased the restructuring reserves by \$9.3 and \$32.0 in 2005 and 2004, respectively. 2005 net reversals primarily consisted of changes to management's estimates for the 2003 and 2001 restructuring programs primarily relating to our lease termination costs. 2004 net charges primarily related to the vacating of 43 offices and workforce reduction of approximately 400 employees related to the 2003 restructuring program and adjustments to management's estimates for the 2001 restructuring program. A summary of the net (reversals) and charges by segment is as follows:

	<u>Lease Termination and Other Exit Costs</u>			<u>Severance and Termination Costs</u>			<u>Total</u>
	<u>2003 Program</u>	<u>2001 Program</u>	<u>Total</u>	<u>2003 Program</u>	<u>2001 Program</u>	<u>Total</u>	
2005 Net (Reversals) Charges							
IAN	\$ (6.3)	\$ (0.3)	\$ (6.6)	\$ (0.4)	\$ —	\$ (0.4)	\$ (7.0)
CMG	1.1	0.2	1.3	(0.7)	—	(0.7)	0.6
Corporate	(0.2)	(0.4)	(0.6)	(0.3)	—	(0.3)	(0.9)
Total	<u>\$ (5.4)</u>	<u>\$ (0.5)</u>	<u>\$ (5.9)</u>	<u>\$ (1.4)</u>	<u>\$ —</u>	<u>\$ (1.4)</u>	<u>\$ (7.3)</u>
2004 Net (Reversals) Charges							
IAN	\$ 40.3	\$ (7.3)	\$ 33.0	\$ 14.1	\$ (4.3)	\$ 9.8	\$ 42.8
CMG	8.1	4.0	12.1	5.1	(0.7)	4.4	16.5
Corporate	3.7	(1.0)	2.7	0.3	(0.1)	0.2	2.9
Total	<u>\$ 52.1</u>	<u>\$ (4.3)</u>	<u>\$ 47.8</u>	<u>\$ 19.5</u>	<u>\$ (5.1)</u>	<u>\$ 14.4</u>	<u>\$ 62.2</u>

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In addition to amounts recorded as restructuring charges, we recorded charges of \$11.1 during 2004 related to the accelerated amortization of leasehold improvements on properties included in the 2003 program. These charges were included in office and general expenses on the Consolidated Statements of Operations. For additional information, see Note 6 to the Consolidated Financial Statements.

Long-Lived Asset Impairment and Other Charges

Long-lived assets include land, buildings, equipment, goodwill and other intangible assets. Buildings, equipment and other intangible assets with finite lives are depreciated or amortized on a straight-line basis over their respective estimated useful lives. When necessary, we record an impairment charge for the amount that the carrying value of the asset exceeds the implied fair value. See Note 1 to the Consolidated Financial Statements for fair value determination and impairment testing methodologies.

The following table summarizes long-lived asset impairment and other charges:

	For the Years Ended December 31,							
	2005				2004			
	IAN	CMG	Motor-sports	Total	IAN	CMG	Motor-sports	Total
Goodwill impairment	\$ 97.0	\$ —	\$ —	\$ 97.0	\$ 220.2	\$ 91.7	\$ —	\$ 311.9
Fixed asset impairment	0.5	—	—	0.5	2.0	0.4	3.0	5.4
Other	1.0	0.1	—	1.1	4.9	—	—	4.9
Total	<u>\$ 98.5</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ 98.6</u>	<u>\$ 227.1</u>	<u>\$ 92.1</u>	<u>\$ 3.0</u>	<u>\$ 322.2</u>

The long-lived asset impairment charges recorded in 2005 and 2004 are due to the following:

2005 Impairments

IAN — During the fourth quarter of 2005, we recorded a goodwill impairment charge of \$91.0 at our Lowe reporting unit. A triggering event occurred subsequent to our 2005 annual impairment test that led us to believe that Lowe's goodwill and other indefinite lived intangible assets may no longer be recoverable. As a result, we were required to assess whether our goodwill balance at Lowe was impaired. Specifically, in the fourth quarter, a major client was lost by Lowe's London agency and the possibility of losing other clients is now considered a higher risk due to recent management defections and changes in the competitive landscape. This caused projected revenue growth to decline. As a result of these changes our long-term projections showed declines in discounted future operating cash flows. These revised cash flows caused the implied fair value of Lowe's goodwill to be less than the book value.

During the third quarter of 2005 as restated, we recorded a goodwill impairment charge of \$5.8 at a reporting unit within our sports and entertainment marketing business. The long-term projections showed previously unanticipated declines in discounted future operating cash flows and, as a result, these discounted future operating cash flows caused the implied fair value of goodwill to be less than the related book value.

2004 Impairments

IAN — During the third quarter of 2004, we recorded goodwill impairment charges of \$220.2 at The Partnership reporting unit, which was comprised of Lowe Worldwide, Draft Worldwide, Mullen, Dailey & Associates and Berenter Greenhouse & Webster ("BGW"). Our long-term projections showed previously unanticipated declines in discounted future operating cash flows due to recent client losses, reduced client spending, and declining industry valuation metrics. These discounted future operating cash flow projections

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caused the estimated fair value of The Partnership to be less than the book value. The Partnership was subsequently disbanded in the fourth quarter of 2004 and the remaining goodwill was allocated based on the relative fair value of the agencies at the time of disbandment.

CMG — As a result of the annual impairment review, a goodwill impairment charge of \$91.7 was recorded at our *CMG* reporting unit, which was comprised of Weber Shandwick, GolinHarris, DeVries, MWW Group and FutureBrand. The fair value of *CMG* was adversely affected by declining industry market valuation metrics, specifically, a decrease in the EBITDA multiples used in the underlying valuation calculations. The impact of the lower EBITDA multiples caused the calculated fair value of *CMG* goodwill to be less than the related book value.

For additional information, see Note 9 to the Consolidated Financial Statements.

Motorsports Contract Termination Costs

As discussed in Note 5 to the Consolidated Financial Statements, during 2004, we recorded a pretax charge of \$113.6 related to a series of agreements with the British Racing Drivers Club and Formula One Administration Limited which released us from certain guarantees and lease obligations in the United Kingdom. We have exited this business and do not anticipate any additional material charges.

EXPENSE AND OTHER INCOME

	For the Years Ended December 31,		\$ Change	% Change
	2005	2004		
Interest expense	\$ (181.9)	\$ (172.0)	\$ (9.9)	5.8%
Debt prepayment penalty	(1.4)	(9.8)	8.4	(85.7)%
Interest income	80.0	50.8	29.2	57.5%
Investment impairments	(12.2)	(63.4)	51.2	(80.8)%
Litigation reversals (charges)	—	32.5	(32.5)	(100.0)%
Other income (expense)	33.1	(10.7)	43.8	(409.3)%
Total	<u>\$ (82.4)</u>	<u>\$ (172.6)</u>	<u>\$ 90.2</u>	<u>(52.3)%</u>

Interest Expense

The increase in interest expense of \$9.9 during 2005 was primarily due to waiver and consent fees incurred for the amendment of our existing debt agreements in 2005 and higher average interest rates on newly issued debt when compared to extinguished debt. Our interest income and interest expense reflect daily balances which may vary from period-end balances. They also reflect the gross amounts of debt and cash under certain of our cash pooling arrangements that are reflected on a net basis on our Consolidated Balance Sheets.

Debt Prepayment Penalty

During the third quarter of 2005, a prepayment penalty of \$1.4 was recorded related to the early redemption of the remaining \$250.0 of the 7.875% Senior Unsecured Notes due in 2005. During the fourth quarter of 2004, a prepayment penalty of \$9.8 was recorded related to the early redemption of \$250.0 of our 7.875% Senior Unsecured Notes due in 2005, which represented one half of the then \$500.0 outstanding.

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Interest Income

The increase in interest income of \$29.2 during 2005 was primarily due to an increase in average interest rates as well as an increase in cash and cash equivalents primarily resulting from our Series B Cumulative Convertible Perpetual Preferred Stock offering.

Our interest income and interest expense reflect daily balances which may vary from period-end balances. They also reflect the gross amounts of debt and cash under certain of our cash pooling arrangements that are reflected on a net basis on our Consolidated Balance Sheets.

Investment Impairments

During 2005, we recorded investment impairment charges of \$12.2, primarily related to a \$7.1 charge for our remaining unconsolidated investment in Koch Tavares in Latin America to adjust the carrying amount of the investment to fair value as a result of our intent to sell and a \$3.7 charge related to a decline in value of certain available-for-sale investments that were determined to be other than temporary.

During 2004, we recorded investment impairment charges of \$63.4, primarily related to a \$50.9 charge for an unconsolidated investment in German advertising agency Springer & Jacoby as a result of a decrease in projected operating results. Additionally, we recorded impairment charges of \$4.7 related to unconsolidated affiliates primarily in Israel, Brazil, Japan and India, and \$7.8 related to several other available-for-sale investments.

Litigation Charges

During 2004, with court approval of the settlement of the class action shareholder suits discussed in Note 21 to the Consolidated Financial Statements, we received \$20.0 from insurance proceeds which we recorded as a reduction in litigation charges because we had not previously established a receivable. We also recorded a reduction of \$12.5 relating to a decrease in the share price between the tentative settlement date and the final settlement date.

Other Income (Expense)

In 2005, other income (expense) included net gains from the sales of businesses of \$10.1, net gains on sales of available-for-sale securities and miscellaneous investment income of \$20.3 and \$2.6 related to credits adjustments. The principal components of net gains from the sales of businesses relate to the sale of Target Research, a McCann agency, during the fourth quarter of 2005, which resulted in a gain of \$18.6, offset partially by a sale of a significant component of FCB Spain during the fourth quarter of 2005 which resulted in a loss of approximately \$13.0. The principal components of net gains on sales of available-for-sale securities and miscellaneous investment income relate to the sale of our remaining ownership interest in Delaney Lund Knox Warren & Partners, an agency within FCB, for a gain of approximately \$8.3, and net gains on sales of available-for-sale securities of \$7.9, of which approximately \$3.8 relates to appreciation of Rabbi Trust investments restricted for the purpose of paying our deferred compensation and deferred benefit arrangement liabilities.

In 2005, we also recorded \$2.6 for the settlement of our contractual liabilities for vendor credits and discounts. This amount represents a negotiated client settlement below the amount originally recorded. It is recorded as Other Income because we do not view negotiating a favorable outcome as a revenue generating activity.

In 2004, other income (expense) included \$18.2 of net losses on the sale of 19 agencies. The losses related primarily to the sale of McCann's Transworld Marketing, a U.S.-based promotions agency, which

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resulted in a loss of \$8.6, and a \$6.2 loss for the final liquidation of the Motorsports investment. See Note 5 to the Consolidated Financial Statements for further discussion of the Motorsports disposition.

OTHER ITEMS

Income Taxes

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2005	2004		
Provision for income taxes	\$ 81.9	\$ 262.2	\$ (180.3)	(68.8)%
Effective tax rate	43.9%	98.2%		

Our effective tax rate was negatively impacted in both 2005 and 2004 by the establishment of valuation allowances, as described below, and non-deductible long-lived asset impairment charges. In 2004, our effective tax rate was also impacted by pretax charges and related tax benefits resulting from the Motorsports contract termination costs. The difference between the effective tax rate and the statutory federal rate of 35% is also due to state and local taxes and the effect of non-U.S. operations.

Valuation Allowance

Under Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, we are required, on a quarterly basis, to evaluate the realizability of our deferred tax assets. SFAS No. 109 requires that a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. In circumstances where there is sufficient negative evidence, establishment of valuation allowance must be considered. We believe that cumulative losses in the most recent three-year period represent sufficient negative evidence under the provisions of SFAS No. 109 and, as a result, we determined that certain of our deferred tax assets required the establishment of a valuation allowance. The deferred tax assets for which an allowance was established relate primarily to foreign net operating and U.S. capital loss carryforwards, and foreign tax credits.

During 2005, a net valuation allowance of \$69.9 was established in continuing operations on existing deferred tax assets and current year losses with no benefit. The total valuation allowance as of December 31, 2005 was \$501.0. Our income tax expense recorded in the future will be reduced to the extent of decreases in our valuation allowance. The establishment or reversal of valuation allowances could have a significant negative or positive impact on future earnings.

During 2004, a valuation allowance of \$236.0 was established in continuing operations on existing deferred tax assets and 2004 losses with no benefit. The total valuation allowance as of December 31, 2004 was \$488.6. Our income tax expense recorded in the future will be reduced to the extent of decreases in our valuation allowance. The establishment or reversal of valuation allowances could have a significant negative or positive impact on future earnings.

In connection with the U.S. deferred tax assets, management believes that it is more likely than not that a substantial amount of the deferred tax assets will be realized; a valuation allowance has been established for the remainder. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future U.S. taxable income are lower than anticipated.

For additional information, see Note 11 to the Consolidated Financial Statements.

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Minority Interest and Unconsolidated Affiliates

	For the Years Ended December 31,		\$ Change	% Change
	2005	2004		
Income applicable to minority interests, net of tax	\$ (16.7)	\$ (21.5)	\$ 4.8	(22.3)%
Equity in net income of unconsolidated affiliates, net of tax	\$ 13.3	\$ 5.8	\$ 7.5	129.3%

The decrease in income applicable to minority interests of \$4.8 was primarily due to lower earnings of majority-owned international businesses offset by increases in minority interests at several businesses.

The increase in equity in net income of unconsolidated affiliates of \$7.5 was primarily due to the impact of prior year losses at an African unconsolidated affiliate within McCann, which was fully consolidated due to the purchase of an additional interest in 2005, and the impact of positive results at unconsolidated investments at FCB and McCann.

NET LOSS

	For the Years Ended December 31,		\$ Change	% Change
	2005	2004		
Loss from continuing operations	\$ (271.9)	\$ (544.9)	\$ 273.0	(50.1)%
Income from discontinued operations, net of taxes of (\$9.0) and \$3.5, respectively	9.0	6.5	2.5	38.5%
Net loss	(262.9)	(538.4)	275.5	(51.2)%
Less: Preferred stock dividends	26.3	19.8	6.5	32.8%
Net loss applicable to common stockholders	\$ (289.2)	\$ (558.2)	\$ 269.0	(48.2)%

Loss from Continuing Operations

In 2005, our loss from continuing operations decreased by \$273.0 or 50.1% as a result of a decrease reduced long-lived asset impairment charges and Motorsports contract termination costs in 2004, partially offset by a decrease in operating income which was driven by decreases in revenue and increases in expenses as previously discussed.

Income from Discontinued operations (net of tax)

In conjunction with the disposition of our NFO operations in the fourth quarter of 2003, we established reserves for certain income tax contingencies with respect to the determination of our investment in NFO for income tax purposes. During the fourth quarter of 2005, these reserves of \$9.0 were reversed as the related income tax contingencies are no longer considered probable.

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Consolidated Results of Operations — Three Months Ended December 31, 2005 Compared to Three Months Ended December 31, 2004

REVENUE

The components of the change were as follows:

Three Months Ended	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
December 31, 2004	\$ 1,965.7		\$ 983.0		50.0%	\$ 982.7		50.0%
Foreign currency changes	(12.9)	(0.7)%	—	0.0%		(12.9)	(1.3)%	
Net acquisitions/divestitures	(23.0)	(1.2)%	(15.2)	(1.5)%		(7.8)	(0.8)%	
Organic	(34.1)	(1.7)%	15.8	1.6%		(49.9)	(5.1)%	
Total change	(70.0)	(3.6)%	0.6	0.1%		(70.6)	(7.2)%	
December 31, 2005	\$ 1,895.7		\$ 983.6		51.9%	\$ 912.1		48.1%

For the three months ended December 31, 2005, consolidated revenues decreased \$70.0, or 3.6%, as compared to 2004, which was attributable to an organic revenue decrease of \$34.1, a decrease in net acquisitions and divestitures of \$23.0 and a decrease related to foreign currency exchange rate changes of \$12.9. We recorded certain out of period adjustments in the three months ended December 31, 2005. See Note 3 to the Consolidated Financial Statements. Excluding out of period adjustments of \$17.3 recorded in the three months ended December 31, 2005, the consolidated revenue decrease would have been \$52.7.

During 2005, the organic decrease in revenue excluding the impact to out of period adjustments was primarily driven by a decrease at IAN, partially offset by an increase at CMG. The decrease at IAN was primarily a result of a reduction in revenue from existing clients primarily due to client losses at our international agencies. In the fourth quarter of 2005, we recorded approximately \$10.0 for certain client negotiations at IAN. The increase at CMG was primarily driven by worldwide growth in sports marketing business and events marketing business as a result of increased revenue from existing clients and new client wins.

OPERATING EXPENSES

	Three Months Ended December 31,					
	2005		2004		\$ Change	% Change
	\$	% of Revenue	\$	% of Revenue		
Salaries and related expenses	\$ 1,107.5	58.4%	\$ 1,021.9	52.0%	\$ 85.6	8.4%
Office and general expenses	637.1	33.6%	630.3	32.1%	6.8	1.1%
Restructuring charges	1.4		(4.4)		5.8	(131.8)%
Long-lived asset impairment and other charges	92.1		5.8		86.3	1487.9%
Total operating expenses	\$ 1,838.1		\$ 1,653.6		\$ 184.5	11.2%

Salaries and Related Expenses

Salaries and related expenses is the largest component of operating expenses and consist primarily of salaries, related benefits and performance incentives. During the three months ended December 31, 2005, salaries and related expenses increased to 58.4% of revenue, compared to 52.0% in the prior year. During the three months ended December 31, 2005, salaries and related expenses increased by approximately \$85.6 including the impact of out of period adjustments, to \$1,107.5 when compared to the comparative

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period in 2004. Excluding the impact of out of period adjustments of \$3.2, the increase of \$82.4 was primarily attributable to an increase in severance expense of \$59.7 to \$97.2. In addition, the increase was attributable to our hiring additional creative talent to enable future revenue growth and staff to address weaknesses in our accounting and control environment. The components of the change were as follows:

<u>Three Months Ended</u>	<u>Total</u>		<u>% of Revenue</u>
	<u>\$</u>	<u>% Change</u>	
December 31, 2004	\$ 1,021.9		52.0%
Foreign currency changes	(10.3)	(1.0)%	
Net acquisitions/divestitures	(20.8)	(2.0)%	
Organic	116.7	11.4%	
Total change	85.6	8.4%	
December 31, 2005	\$ 1,107.5		58.4%

For the three months ended December 31, 2005, salaries and related expenses increased \$116.7, excluding the decrease related to net acquisitions and divestitures of \$20.8 and a decrease related to foreign currency exchange rate changes of \$10.3.

The increase in salaries and related expenses, excluding the impact of out of period adjustments and foreign currency and net acquisition and divestiture activity, was primarily the result of higher severance expense for international headcount reductions within IAN as a result of client losses. In addition, the increase was attributable to our hiring additional creative talent to enable future revenue growth and staff to address weaknesses in our accounting and control environment.

Office and General Expenses

Office and general expenses primarily consist of rent, office and equipment, depreciation, professional fees, other overhead expenses and certain out-of-pocket expenses related to our revenue. During the three months ended December 31, 2005, office and general expenses increased to 33.6% of revenue, compared to 32.1% in the prior year. During the three months ended December 31, 2005, office and general expenses increased by approximately \$6.8 including the impact of out of period adjustments, to \$637.1 when compared to the comparative period in 2004. Excluding the impact of out of period adjustments of \$6.1, the increase of \$0.7 was primarily attributable to higher production and media expenses due to an increase in arrangements entered into where we act as a principal, which requires us to record expenses on a gross basis. The increase was partially offset by acquisitions and divestitures. The components of the change were as follows:

<u>Three Months Ended</u>	<u>Total</u>		<u>% of Revenue</u>
	<u>\$</u>	<u>% Change</u>	
December 31, 2004	\$ 630.3		32.1%
Foreign currency changes	(6.3)	(1.0)%	
Net acquisitions/divestitures	(13.2)	(2.1)%	
Organic	26.3	4.2%	
Total change	6.8	1.1%	
December 31, 2005	\$ 637.1		33.6%

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For the three months ended December 31, 2005, office and general expenses increased \$26.3, excluding a decrease related to net acquisitions and divestitures of \$13.2 and a decrease related to foreign currency exchange rate changes of \$6.3.

The increase in office and general expenses, excluding the impact of out of period adjustments and foreign currency and net acquisition and divestitures activity, was primarily the result of higher production and media expenses at IAN due to an increase in arrangements entered into where we act as a principal, which requires us to record expenses on a gross basis and higher professional fees at both IAN and CMG. The higher professional fees were driven by our ongoing efforts in internal control compliance, the Prior Restatement process and the preliminary application development and maintenance of information technology systems and processes related to our shared services initiatives.

Restructuring Charges (Reversals)

During the three months ended December 31, 2005 and 2004, we recorded net charges and (reversals) related to lease termination and other exit costs and severance and termination costs for the 2003 and 2001 restructuring programs of \$1.4 and (\$4.4), respectively. 2005 net charges and 2004 net reversals primarily consisted of changes to management's estimates for the 2003 and 2001 restructuring programs primarily relating to our lease termination costs.

Long-Lived Asset Impairment and Other Charges

During the three months ended December 31, 2005 and 2004, we recorded charges of \$92.1 and \$5.8, respectively. 2005 charges primarily related to a goodwill impairment charge of \$91.0 at our Lowe reporting unit.

EXPENSE AND OTHER INCOME

Interest Expense & Interest Income

During the three months ended December 31, 2005 and 2004, we recorded interest expense of \$46.1 and \$44.3, respectively. During the three months ended December 31, 2005 and 2004, we recorded interest income of \$26.8 and \$19.5, respectively. The increase in interest income of \$7.3 primarily relates to an increase in average interest rates and higher cash balances when compared to the prior year.

Investment Impairments

During the three months ended December 31, 2005 and 2004, we recorded investment impairments of \$7.1 and \$26.4, respectively. For the three months ended December 31, 2005, we recorded a \$7.1 charge for our remaining unconsolidated investment in Koch Tavares in Latin America. For the three months ended December 31, 2004, the primary component of the balance related to a \$19.9 charge for our unconsolidated investment in German advertising agency Springer & Jacoby.

Other Income (Expense)

During the three months ended December 31, 2005 and 2004, we recorded other income (expense) amounts of \$13.4 and \$(13.5), respectively. The primary components of our income amount for the three months ended December 31, 2005 are a gain on the sale of Target Research, a McCann agency, of \$18.6, offset by the sale of a significant component of FCB Spain, which resulted in a loss of approximately \$13.0. The remainder of the amount relates to miscellaneous income and expense amounts. The primary components of our expense amount for the three months ended December 31, 2004 are an \$8.6 loss on the

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sale of McCann's Transworld Marketing, a U.S.-based promotions agency, as well as a \$6.2 loss for the final liquidation of the Motorsports investment.

OTHER ITEMS

Income Taxes

For the three months ended December 31, 2005 and 2004, we recorded an income tax provision of \$77.4 and \$130.6, respectively. Excluding out of period adjustments of \$19.5, the income tax provision would have been \$96.9 for the three months ended December 31, 2005.

We recorded income tax provisions of \$81.9 and \$262.2 for the twelve months ended December 31, 2005 and 2004, respectively, although we had a pretax loss in each period. The difference between the effective tax rate and statutory rate of 35% is due to state and local taxes and the effect of non-US operations. Several discrete items also impacted the effective tax rate in 2005. The most significant item negatively impacting the effective tax rate was the establishment of approximately \$69.9 of valuation allowances on certain deferred tax assets, as well as on losses incurred in non-U.S. jurisdictions which receive no benefit. Other discrete items impacting the effective tax rates for 2005 and 2004 were restructuring charges, long-lived asset and investment impairment charges.

Minority Interest and Unconsolidated Affiliates

During the three months ended December 31, 2005 and 2004, we recorded \$7.2 and \$10.3 of income applicable to minority interests, respectively. This decrease was primarily due to lower earnings of majority-owned international businesses.

During the three months ended December 31, 2005 and 2004, we recorded \$8.1 and \$1.1 of equity in net income of unconsolidated affiliates, respectively. The increase is primarily due to the impact of prior year losses at an African unconsolidated affiliate within McCann, which was fully consolidated in the second quarter of 2005, as well as positive results at unconsolidated investments at FCB and Lowe.

NET INCOME (LOSS)

Loss from Continuing Operations

For the three months ended December 31, 2005 and 2004, we recorded a loss from continuing operations of \$31.9 and income from continuing operations of \$130.3, respectively. The decrease in income from continuing operations of \$162.1 largely resulted from a decrease in revenue of \$70.0, and an increase in operating expenses of \$184.5, which was driven by goodwill impairment charges of \$92.1 and increased severance and temporary staffing changes of \$59.7 and \$20.3, respectively. This change was offset by a decrease in taxes of \$53.2 and an increase in total expenses and other income of \$28.9, which was driven by decreased litigation charges and gains from the sales of businesses. Excluding out of period adjustments of \$2.7, the loss from continuing operations would have been \$34.6 for the three months ended December 31, 2005.

Income from Discontinued Operations (net of tax)

In conjunction with the disposition of our NFO operations in the fourth quarter of 2003, we established reserves for certain income tax contingencies with respect to the determination of our investment in NFO for income tax purposes. During the fourth quarter of 2005, these reserves of \$9.0 were reversed as the related income tax contingencies are no longer considered probable.

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For the three months ended December 31, 2004 and 2003, there was no impact of discontinued operations on our consolidated financial statements.

Segment Results of Operations — 2005 Compared to 2004

As discussed in Note 20 to the Consolidated Financial Statements, we have three reportable segments as of December 31, 2005: our operating divisions IAN, CMG and Motorsports. Our Motorsports operations were sold during 2004 and had immaterial residual operating results in 2005. We also report results for the Corporate group. The profitability measure employed by our chief operating decision makers for allocating resources to operating divisions and assessing operating division performance is segment operating income (loss), which is calculated by subtracting segment salaries and related expenses and office and general expenses from segment revenue. Amounts reported as segment operating income (loss) exclude the impact of restructuring and impairment charges, as we do not typically consider these charges when assessing operating division performance. The impact of restructuring and impairment charges to each reporting segment are reported separately in Notes 6 and 9 to the Consolidated Financial Statements, respectively. Segment income (loss) excludes interest income and expense, debt prepayment penalties, investment impairments, litigation charges and other non-operating income. Other than the recording of long-lived asset impairment and contract termination costs during 2004, the operating results of Motorsports during 2005 and 2004 were not material to consolidated results, and therefore are not discussed in detail below. The following table summarizes revenue and operating income (loss) by segment:

	For the Years Ended December 31,		\$ Change	% Change
	2005	2004		
Revenue:				
IAN	\$ 5,327.8	\$ 5,399.2	\$ (71.4)	(1.3)%
CMG	944.2	935.8	8.4	0.9%
Motorsports	2.3	52.0	(49.7)	(95.6)%
Consolidated revenue	<u>\$ 6,274.3</u>	<u>\$ 6,387.0</u>	<u>\$ (112.7)</u>	<u>(1.8)%</u>
Segment operating income (loss):				
IAN	\$ 249.7	\$ 577.1	\$ (327.4)	(56.7)%
CMG	53.0	83.7	(30.7)	(36.7)%
Motorsports	0.7	(14.0)	14.7	(105.0)%
Corporate and other	(316.3)	(243.2)	(73.1)	30.1%

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	For the Years Ended December 31,									
	2005					2004				
	IAN	CMG	Motorsports	Corporate	Total	IAN	CMG	Motorsports	Corporate	Total
Reconciliation to consolidated operating income:										
Consolidated operating income (loss)	\$158.2	\$52.3	\$ 0.7	\$ (315.4)	\$ (104.2)	\$ 307.2	\$ (24.9)	\$ (130.6)	\$ (246.1)	\$ (94.4)
Adjustments:										
Restructuring reversals (charges)	7.0	(0.6)	—	0.9	7.3	(42.8)	(16.5)	—	(2.9)	(62.2)
Long lived asset impairment and other charges:	(98.5)	(0.1)	—	—	(98.6)	(227.1)	(92.1)	(116.6)	—	(435.8)
Segment operating income (loss)	<u>\$249.7</u>	<u>\$53.0</u>	<u>\$ 0.7</u>	<u>\$ (316.3)</u>		<u>\$ 577.1</u>	<u>\$ 83.7</u>	<u>\$ (14.0)</u>	<u>\$ (243.2)</u>	

INTEGRATED AGENCY NETWORKS ("IAN")

REVENUE

The components of the 2005 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2004	<u>\$ 5,399.2</u>		<u>\$ 2,933.3</u>		<u>54.3%</u>	<u>\$ 2,465.9</u>		<u>45.7%</u>
Foreign currency changes	39.5	0.7%	—	0.0%		39.5	1.6%	
Net acquisitions/divestitures	(46.0)	(0.9)%	(23.1)	(0.8)%		(22.9)	(0.9)%	
Organic	(64.9)	(1.2)%	(5.6)	(0.2)%		(59.3)	(2.4)%	
Total change	(71.4)	(1.3)%	(28.7)	(1.0)%		(42.7)	(1.7)%	
2005	<u>\$ 5,327.8</u>		<u>\$ 2,904.6</u>		<u>54.5%</u>	<u>\$ 2,423.2</u>		<u>45.5%</u>

For the year ended December 31, 2005, IAN experienced a net decrease in revenue as compared to 2004 by \$71.4, or 1.3%, which was comprised of an organic decrease in revenue of \$64.9 and a decrease attributable to net acquisitions and divestitures of \$46.0, partially offset by an increase in foreign currency exchange rate changes of \$39.5. The decrease due to the net effect of divestitures and acquisitions, primarily related to the sale of small businesses at McCann and Draft. This decrease was partially offset by foreign currency exchange rate changes primarily attributable to the strengthening of the Brazilian Real and the Canadian Dollar in relation to the U.S. Dollar, which mainly affected the results of McCann and FCB.

The organic revenue decrease was primarily driven by decreases at Deutsch and Lowe, partially offset by an increase at Draft. Deutsch experienced a decline in revenues primarily due to lost clients and a reduction in revenue from existing clients in the U.S., partially offset by new business wins. Lowe's decline in revenue was primarily driven by lost clients and a reduction in revenue from existing clients in their European offices, as well as a reduction in client spending in the U.S. Draft experienced growth mainly in the U.S. due to client wins and additional revenue from existing clients. Although McCann and FCB are a significant part of the business, they did not contribute significantly to the organic change in revenue year on year.

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SEGMENT OPERATING INCOME

	For the Years Ended December 31,		\$ Change	% Change
	2005	2004		
Segment operating income	\$ 249.7	\$ 577.1	\$ (327.4)	(56.7)%
Operating margin	4.7%	10.7%		

For the year ended December 31, 2005, IAN operating income decreased by \$327.4, or 56.7%, which was a result of a decrease in revenue of \$71.4, an increase in salaries and related expenses of \$202.3 and increased office and general expenses of \$53.7.

The decrease in IAN's operating income, excluding the impact of foreign currency and net effects of acquisitions and divestitures, was primarily driven by decreased operating income at McCann and FCB, increased losses at Lowe and decreased operating income at Deutsch. The operating income decrease at McCann was primarily caused by increased severance, temporary staffing costs, salary and related benefits and professional fees. Higher severance expense was the result of international headcount reductions. Temporary staffing and salary and related benefits were impacted by additional staffing necessary to address weaknesses in our accounting and control environment. Professional fees increased as a result of costs associated with the Prior Restatement process and internal control compliance. Operating income decreases at FCB were due to higher salaries and freelance costs as additional staff were hired to service new clients and additional business from existing clients, whose revenue will impact 2006 more than 2005, as well as increased severance costs reflecting headcount reductions at our international agencies. Operating income was further impacted by increases in professional fees to assist in the restatement process and internal control compliance. Declines at Lowe were primarily due to organic revenue decreases as compared to the prior year. Deutsch experienced decreases as a result of organic revenue decreases as compared to the prior year, partially offset by lower salaries, related benefits and freelance costs due to lost clients and reduced incentive compensation expense as a result of a reduction in operating performance.

CONSTITUENCY MANAGEMENT GROUP ("CMG")

REVENUE

The components of the 2005 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2004	\$ 935.8		\$ 576.0		61.6%	\$ 359.8		38.4%
Foreign currency changes	1.2	0.1%	—	0.0%		1.2	0.3%	
Net acquisitions/divestitures	(12.1)	(1.3)%	(5.9)	(1.0)%		(6.2)	(1.7)%	
Organic	19.3	2.1%	(13.6)	(2.4)%		32.9	9.1%	
Total change	8.4	0.9%	(19.5)	(3.4)%		27.9	7.8%	
2005	\$ 944.2		\$ 556.5		58.9%	\$ 387.7		41.1%

For the year ended December 31, 2005, CMG experienced increased revenues as compared to 2004 of \$8.4, or 0.9%, which was comprised of an organic revenue increase of \$19.3 and positive foreign currency exchange rate changes of \$1.2, partially offset by decreases attributable to net acquisitions and divestitures of \$12.1. Net effects of acquisitions and divestitures primarily related to the disposition of two businesses in 2005 and three businesses in 2004.

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The organic revenue increase was primarily driven by growth in public relations and sports marketing business both domestically and internationally as a result of increased revenue from existing clients and new client wins. Domestically, the increase in the sports marketing business was offset by a decline in the events marketing business. Although the events marketing business declined domestically it had an overall positive impact to our organic revenue increase due to international client wins.

SEGMENT OPERATING INCOME

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2005	2004		
Segment operating income	\$ 53.0	\$ 83.7	\$ (30.7)	(36.7)%
Operating margin	5.6%	8.9%		

For the year ended December 31, 2005, CMG operating income decreased by \$30.7, or 36.7%, which was the result of a \$23.3 increase in salary and related expenses and a \$15.8 increase in office and general expenses, offset by a \$8.4 increase in revenue.

The decrease in operating income, excluding the impact of foreign currency and net effects of acquisition and divestitures, was primarily driven by increases in salary expense across all businesses due to increased headcount to further address weaknesses in our accounting and control environment. In addition, the decrease in operating income was attributable to increases in salary expenses in public relations to support ongoing revenue growth.

CORPORATE AND OTHER

Certain corporate and other charges are reported as a separate line 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. The following significant expenses are included in corporate and other:

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2005	2004		
Salaries, benefits and related expenses	\$ 201.3	\$ 151.2	\$ 50.1	33.1%
Professional fees	199.3	145.3	54.0	37.2%
Rent and depreciation	50.3	38.0	12.3	32.4%
Corporate Insurance	26.0	29.7	(3.7)	(12.5)%
Bank fees	2.2	2.8	(0.6)	(21.4)%
Other	(1.5)	9.6	(11.1)	(115.6)%
Expenses allocated to operating divisions	(161.3)	(133.4)	(27.9)	20.9%
Total corporate and other	<u>\$ 316.3</u>	<u>\$ 243.2</u>	<u>\$ 73.1</u>	<u>30.1%</u>

Salaries, benefits and related expenses include salaries, pension, bonus and medical and dental insurance expenses for corporate office employees, as well as the cost of temporary employees at the corporate office. Professional fees include costs related to the internal control compliance, cost of Prior Restatement efforts, financial statement audits, legal, information technology and other consulting fees, which are engaged and managed through the corporate office. Professional fees also include the cost of

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temporary financial professionals associated with work on our Prior Restatement activities. Rent and depreciation includes rental expense and depreciation of leasehold improvements for properties occupied by corporate office employees. Corporate insurance expense includes the cost for fire, liability and automobile premiums. Bank fees relate to cash management activity administered by the corporate office. The amounts allocated to operating divisions are calculated monthly based on a formula that uses the revenues of the operating unit. Amounts allocated also include specific charges for information technology related projects which are allocated based on utilization.

The increase in corporate and other expense of \$73.1 or 30.1% is primarily related to the increase in salaries and related expenses and professional fees. The increase in salary expenses was the result of additional staffing to address weaknesses in our accounting and control environment, and develop shared services. The increase in professional fees are the result of costs associated with internal control compliance, costs associated with the Prior Restatement process, and related audit costs. Amounts allocated to operating divisions primarily increased due to the implementation of new information technology related projects and the consolidation of information technology support staff, the costs of which are now being allocated back to operating divisions.

Segment Results of Operations — Three Months Ended December 31, 2005 Compared to Three Months Ended December 31, 2004

The following table summarizes revenue and operating income (loss) by segment for the three months ended December 31, 2005 and 2004. Other than long-lived asset impairment and contract termination costs, the operating results of Motorsports are not material to our consolidated results, and are therefore not discussed below:

	For the Three Months Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2005</u>	<u>2004</u>		
Revenue:				
IAN	\$ 1,614.8	\$ 1,700.0	\$ (85.2)	(5.0)%
CMG	280.6	261.0	19.6	7.5%
Motorsports	0.3	4.7	(4.4)	(93.6)%
Consolidated revenue	<u>\$ 1,895.7</u>	<u>\$ 1,965.7</u>	<u>\$ (70.0)</u>	<u>(3.6)%</u>
Segment operating income (loss):				
IAN	\$ 221.2	\$ 359.2	\$ (138.0)	(38.4)%
CMG	30.7	29.7	1.0	3.4%
Motorsports	(0.3)	(2.0)	1.7	(85.0)%
Corporate and other	(100.5)	(73.4)	(27.1)	36.9%

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	For the Three Months Ended December 31,									
	2005					2004				
	IAN	CMG	Motorsports	Corporate	Total	IAN	CMG	Motorsports	Corporate	Total
Reconciliation to consolidated operating income:										
Consolidated operating income (loss)	\$ 130.4	\$ 27.7	\$ (0.3)	\$ (100.2)	\$ 57.6	\$ 353.3	\$ 33.3	\$ (2.3)	\$ (72.2)	\$ 312.1
Adjustments:										
Restructuring reversals (charges)	1.2	(2.9)	—	0.3	(1.4)	(1.7)	4.9	—	1.2	4.4
Long lived asset impairment and other charges:	(92.0)	(0.1)	—	—	(92.1)	(4.2)	(1.3)	(0.3)	—	(5.8)
Segment operating income (loss)	<u>\$ 221.2</u>	<u>\$ 30.7</u>	<u>\$ (0.3)</u>	<u>\$ (100.5)</u>		<u>\$ 359.2</u>	<u>\$ 29.7</u>	<u>\$ (2.0)</u>	<u>\$ (73.4)</u>	

INTEGRATED AGENCY NETWORKS ("IAN")

REVENUE

The components of the 2005 change were as follows:

Three Months Ended	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
December 31, 2004	<u>\$ 1,700.0</u>		<u>\$ 838.3</u>		<u>49.3%</u>	<u>\$ 861.7</u>		<u>50.7%</u>
Foreign currency changes	(9.9)	(0.6)%	—	0.0%		(9.9)	(1.1)%	
Net acquisitions/divestitures	(17.1)	(1.0)%	(14.3)	(1.7)%		(2.8)	(0.3)%	
Organic	(58.2)	(3.4)%	(0.9)	(0.1)%		(57.3)	(6.6)%	
Total change	(85.2)	(5.0)%	(15.2)	(1.8)%		(70.0)	(8.1)%	
December 31, 2005	<u>\$ 1,614.8</u>		<u>\$ 823.1</u>		<u>51.0%</u>	<u>\$ 791.7</u>		<u>49.0%</u>

IAN experienced a net decrease in revenue as compared to 2004 of \$85.2, or 5.0%, which was comprised of an organic decrease in revenue of \$58.2, a decrease attributable to net acquisitions and divestitures of \$17.1 and a decrease in foreign currency exchange rate changes of \$9.9. Excluding out of period adjustments of \$17.8 recorded in the three months ended December 31, 2005, the net revenue decrease would have been \$67.4.

The organic decrease in revenue excluding the impact of out of period adjustments was primarily driven by decreases at McCann, Lowe and Deutsch. McCann experienced a decline in revenues primarily due to a reduction in revenue from existing international clients, particularly in Europe and Asia Pacific. This reduction was partially offset by new client wins, particularly in Europe. Lowe's decline in revenue was primarily driven by a change in the structure of certain client contracts which resulted in a deferral of revenue and a reduction in revenue from existing international clients, particularly in Europe. Deutsch experienced a decline in revenues primarily due to lost clients and a reduction in revenue from existing clients in the U.S. partially offset by new client wins.

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SEGMENT OPERATING INCOME

	For the Three Months Ended December 31,		\$ Change	% Change
	2005	2004		
Segment operating income	\$ 221.2	\$ 359.2	\$ (138.0)	(38.4)%
Operating margin	13.7%	21.1%		

For the three months ended December 31, 2005, IAN operating income decreased by \$138.0, or 38.4%, which was the result of a decrease in revenue of \$85.2, an increase in salaries and related expenses of \$41.1 and increased office and general expenses of \$11.7. Excluding out of period adjustments of \$22.1, the total operating income decrease would have been \$115.9.

The decrease in IAN's operating income, excluding the impact of out of period adjustments and foreign currency and net effects of acquisitions and divestitures, was primarily driven by decreased operating income at McCann and Lowe. The operating income decrease at McCann was primarily due to increased severance, production and media expenses, occupancy costs and temporary staffing costs. Higher severance expense was the result of domestic and international headcount reductions. The increase in production and media expenses was due to an increase in arrangements entered into where we act as a principal, which requires us to record expenses on a gross basis. The increase in occupancy costs was primarily due to the termination of several operating leases. Temporary staffing was impacted by additional staffing necessary to address weaknesses in our accounting and control environment. In the fourth quarter of 2005, we recorded approximately \$10.0 for certain client negotiations. The operating income decrease at Lowe was primarily due to the organic decrease in revenue as compared to the prior year.

CONSTITUENCY MANAGEMENT GROUP ("CMG")

REVENUE

The components of the 2005 change were as follows:

Three Months Ended	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
December 31, 2004	\$ 261.0		\$ 144.9		55.5%	\$ 116.1		44.5%
Foreign currency changes	(2.5)	(1.0)%	—	0.0%		(2.5)	(2.2)%	
Net acquisitions/divestitures	(2.0)	(0.8)%	(0.7)	(0.5)%		(1.3)	(1.1)%	
Organic	24.1	9.2%	16.7	11.5%		7.4	6.4%	
Total change	19.6	7.5%	16.0	11.0%	57.3%	3.6	3.1%	42.7%
December 31, 2005	\$ 280.6		\$ 160.9		57.3%	\$ 119.7		42.7%

For the three months ended December 31, 2005, CMG experienced a net increase in revenue as compared to 2004 of \$19.6, or 7.5%, which was comprised of an organic revenue increase of \$24.1, partially offset by a decrease in foreign currency exchange rate changes of \$2.5 and decreases attributable to net acquisitions and divestitures of \$2.0. Excluding out of period adjustments of \$0.5, the net revenue increase would have been \$19.1.

The organic revenue increase excluding the impact of out of period adjustments was primarily driven by worldwide growth in sports marketing business, events marketing business and public relations business as a result of increased revenue from existing clients and new client wins.

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SEGMENT OPERATING INCOME

	For the Three Months Ended December 31,		\$ Change	% Change
	2005	2004		
Segment operating income	\$ 30.7	\$ 29.7	\$ 1.0	3.4%
Operating margin	10.9%	11.4%		

For the three months ended December 31, 2005, CMG operating income increased by \$1.0, or 3.4%, which was the result of an increase in revenue of \$19.6, offset by increased salaries and related expenses of \$10.4 and office and general expenses of \$8.2. Excluding out of period adjustments of \$3.5, the total operating income increase would have been \$4.5.

The increase in CMG's operating income, excluding the impact of out of period adjustments and foreign currency and net effects of acquisitions and divestitures, was due to an organic revenue increase primarily driven by worldwide growth in sports marketing business as a result of increased revenue from existing clients and new client wins. This increase was partially offset by an increase in professional fees as a result of costs associated with the Prior Restatement process and internal control compliance and an increase in salary expenses across all businesses due to increased headcount to further address weaknesses in our accounting and control environment.

CORPORATE AND OTHER

Certain corporate and other charges are reported as a separate line 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. The following significant expenses are included in corporate and other:

	For the Three Months Ended December 31,		\$ Change	% Change
	2005	2004		
Salaries, benefits and related expenses	\$ 70.7	\$ 34.3	\$ 36.4	106.1%
Professional fees	53.0	56.7	(3.7)	(6.5)%
Rent and depreciation	14.2	10.0	4.2	42.0%
Corporate Insurance	6.2	6.0	0.2	3.3%
Bank fees	0.6	0.7	(0.1)	(14.3)%
Other	(7.8)	2.0	(9.8)	(490.0)%
Expenses allocated to operating divisions	(36.4)	(36.3)	(0.1)	0.3%
Total corporate and other	\$ 100.5	\$ 73.4	\$ 27.1	36.9%

Salaries, benefits and related expenses include salaries, pension, bonus and medical and dental insurance expenses for corporate office employees, as well as the cost of temporary employees at the corporate office. Professional fees include costs related to the internal control compliance, cost of Prior Restatement efforts, financial statement audits, legal, information technology and other consulting fees, which are engaged and managed through the corporate office. Professional fees also include the cost of temporary financial professionals associated with work on our Prior Restatement activities. Rent and depreciation includes rental expense and depreciation of leasehold improvements for properties occupied by corporate office employees. Corporate insurance expense includes the cost for fire, liability and automobile

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premiums. Bank fees relate to cash management activity administered by the corporate office. The amounts allocated to operating divisions are calculated monthly based on a formula that uses the revenues of the operating unit. Amounts allocated also include specific charges for information technology related projects which are allocated based on utilization.

The increase in corporate and other expense of \$27.1 or 36.9% for the three months ended December 31, 2005 is primarily related to the increase in salaries and related expenses, partially offset by a decrease in professional fees. The increase in salary expenses was the result of additional staffing to address weaknesses in our accounting and control environment, and develop shared services. The decrease in professional fees is the result of a reduction in temporary employees as compared to prior year in conjunction with the additional staffing.

Consolidated Results of Operations — 2004 Compared to 2003

REVENUE

The components of the 2004 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2003	\$ 6,161.7		\$ 3,459.3		56.1%	\$ 2,702.4		43.9%
Foreign currency changes	237.7	3.9%	—	0.0%		237.7	8.8%	
Net acquisitions/divestitures	(88.0)	(1.4)%	(35.4)	(1.0)%		(52.6)	(1.9)%	
Organic	75.6	1.2%	85.3	2.5%		(9.7)	(0.4)%	
Total change	225.3	3.7%	49.9	1.4%		175.4	6.5%	
2004	\$ 6,387.0		\$ 3,509.2		54.9%	\$ 2,877.8		45.1%

For the year ended December 31, 2004, consolidated revenues increased \$225.3, or 3.7%, as compared to 2003, which was attributable to foreign currency exchange rate changes of \$237.7 and organic revenue growth of \$75.6, partially offset by the effect of net acquisitions and divestitures of \$88.0.

The increase due to foreign currency changes was attributable to the strengthening of the Euro and Pound Sterling in relation to the U.S. Dollar. The net effect of acquisitions and divestitures resulted largely from the sale of the Motorsports business during 2004.

During 2004, organic revenue change of \$75.6, or 1.2%, was driven by an increase at IAN, partially offset by decrease at CMG. The increase at IAN was a result of client wins, additional business from existing clients, and overall growth in domestic markets. The decrease at CMG was as a result of weakness in demand for branding and sports marketing services, partially offset by growth in the public relations business.

For the three months ended December 31, 2004, consolidated revenues increased \$109.0, or 5.9%, as compared to the comparable period in 2003, which was attributable to an increase related to foreign currency exchange rate changes of \$87.4 and an organic increase in revenue of \$44.5, partially offset by a decrease in net acquisitions and divestitures of \$22.9.

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OPERATING EXPENSES

	For the Years Ended December 31,					
	2004		2003		\$ Change	% Change
	\$	% of Revenue	\$	% of Revenue		
Salaries and related expenses	\$ 3,733.0	58.4%	\$ 3,501.4	56.8%	\$ 231.6	6.6%
Office and general expenses	2,250.4	35.2%	2,225.3	36.1%	25.1	1.1%
Restructuring charges	62.2		172.9		(110.7)	(64.0)%
Long-lived asset impairment and other charges	322.2		294.0		28.2	9.6%
Motorsports contract termination costs	113.6		—		113.6	100.0%
Total operating expenses	<u>\$ 6,481.4</u>		<u>\$ 6,193.6</u>		<u>\$ 287.8</u>	<u>4.6%</u>

Salaries and Related Expenses

The components of the 2004 change were as follows:

	Total		% of Revenue
	\$	% Change	
2003	<u>\$ 3,501.4</u>		<u>56.8%</u>
Foreign currency changes	129.5	3.7%	
Net acquisitions/divestitures	(40.5)	(1.2)%	
Organic	142.6	4.1%	
Total change	<u>231.6</u>	<u>6.6%</u>	
2004	<u>\$ 3,733.0</u>		<u>58.4%</u>

Salaries and related expenses are the largest component of operating expenses and consist primarily of salaries and related benefits, and performance incentives. During 2004, salaries and related expenses increased to 58.4% of revenues, compared to 56.8% in 2003. In 2004, salaries and related expenses increased \$142.6, excluding the increase related to foreign currency exchange rate changes of \$129.5 and a decrease related to net acquisitions and divestitures of \$40.5.

Salaries and related expenses were impacted by changes in foreign currency rates, attributable to the strengthening of the Euro and Pound Sterling in relation to the U.S. Dollar. The increase due to foreign currency rate changes was partially offset by the impact of net acquisitions and divestitures activity, which resulted largely from the sale of the Motorsports business during 2004.

The increase in salaries and related expenses, excluding the impact of foreign currency and net acquisitions and divestitures, was primarily the result of increases in employee headcount at certain locations and increased utilization of temporary and freelance staffing and higher performance incentive expense at a number of agencies that experienced an increase in operating results. Furthermore, during the year, we hired additional personnel within our operating units and in the corporate group to support our back office processes, including accounting and shared services initiatives, as well as our ongoing efforts in achieving Sarbanes-Oxley compliance. We reduced staff at certain operations after client accounts were lost. Cost savings associated with headcount reductions were partially offset by increased severance costs associated with the headcount reductions.

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For the three months ended December 31, 2004, salaries and related expenses increased \$73.6, excluding the increase related to foreign currency exchange rate changes of \$38.8 and a decrease related to net acquisitions and divestitures of \$8.8 as compared to 2003.

Office and General Expenses

The components of the 2004 change were as follows:

	<u>Total</u>		<u>% of Revenue</u>
	<u>\$</u>	<u>% Change</u>	
2003	<u>\$ 2,225.3</u>		<u>36.1%</u>
Foreign currency changes	102.8	4.6%	
Net acquisitions/divestitures	(63.8)	(2.9)%	
Organic	(13.9)	(0.6)%	
Total change	25.1	1.1%	
2004	<u>\$ 2,250.4</u>		<u>35.2%</u>

Office and general expenses primarily consist of rent, office and equipment, depreciation, professional fees, other overhead expenses and certain out-of-pocket expenses related to our revenue. During 2004, office and general expenses decreased to 35.2% of revenues, compared to 36.1% in 2003. In 2004, office and general expenses decreased \$13.9, excluding the increase related to foreign currency exchange rate changes of \$102.8 and a decrease related to net acquisitions and divestitures of \$63.8.

Office and general expenses were impacted by changes in foreign currency rates, attributable to the strengthening of the Euro and Pound Sterling in relation to the U.S. Dollar. The increase due to foreign currency rate changes was offset by the impact of net acquisitions and divestitures activity, which resulted largely from the sale of the Motorsports business in 2004.

The decrease in office and general expenses, excluding the impact of foreign currency and net acquisition and divestitures activity, was primarily the result of lower occupancy and overhead costs, and a decrease related to charges recorded by CMG in 2003 to secure certain sports television rights. These decreases, however, were partially offset by increases driven by a rise in professional fees as part of our ongoing efforts in achieving Sarbanes-Oxley compliance, and the preliminary application development and maintenance of information technology systems and processes related to our shared services initiatives.

For the three months ended December 31, 2004, office and general expenses increased \$47.1, excluding an increase related to foreign currency exchange rate changes of \$27.2 and a decrease related to net acquisitions and divestitures of \$20.0 when compared to 2003.

Restructuring (Reversals) Charges

During 2004 and 2003, we recorded net (reversals) and charges related to lease termination and other exit costs and severance and termination costs for the 2003 and 2001 restructuring programs of \$62.2 and \$172.9, respectively. Included in the net (reversals) and charges were adjustments resulting from changes in management's estimates for the 2003 and 2001 restructuring programs which decreased the restructuring reserves by \$32.0 and \$2.4 in 2004 and 2003, respectively. 2004 net charges primarily related to the vacating of 43 offices and workforce reduction of approximately 400 employees related to the 2003 restructuring program and adjustments to management's estimates for the 2001 restructuring program. 2003 net charges primarily related to the vacating of 55 offices and workforce reduction of approximately

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2,900 employees related to the 2003 restructuring program and adjustments to management's estimates for the 2001 restructuring program. A summary of the net (reversals) and charges by segment is as follows:

	Lease Termination and Other Exit Costs			Severance and Termination Costs			
	2003 Program	2001 Program	Total	2003 Program	2001 Program	Total	Total
2004 Net (Reversals) Charges							
IAN	\$ 40.3	\$ (7.3)	\$ 33.0	\$ 14.1	\$ (4.3)	\$ 9.8	\$ 42.8
CMG	8.1	4.0	12.1	5.1	(0.7)	4.4	16.5
Corporate	3.7	(1.0)	2.7	0.3	(0.1)	0.2	2.9
Total	<u>\$ 52.1</u>	<u>\$ (4.3)</u>	<u>\$ 47.8</u>	<u>\$ 19.5</u>	<u>\$ (5.1)</u>	<u>\$ 14.4</u>	<u>\$ 62.2</u>
2003 Net (Reversals) Charges							
IAN	\$ 23.1	\$ 8.8	\$ 31.9	\$ 106.6	\$ (0.1)	\$ 106.5	\$ 138.4
CMG	12.7	6.1	18.8	15.7	—	15.7	34.5
Motorsports	—	—	—	0.4	—	0.4	0.4
Corporate	(2.2)	(1.3)	(3.5)	3.1	—	3.1	(0.4)
Total	<u>\$ 33.6</u>	<u>\$ 13.6</u>	<u>\$ 47.2</u>	<u>\$ 125.8</u>	<u>\$ (0.1)</u>	<u>\$ 125.7</u>	<u>\$ 172.9</u>

In addition to amounts recorded as restructuring charges, we recorded charges of \$11.1 and \$16.5 during 2004 and 2003, respectively, related to the accelerated amortization of leasehold improvements on properties included in the 2003 program. These charges were included in office and general expenses on the Consolidated Statements of Operations. For additional information, see Note 6 to the Consolidated Financial Statements.

During the three months ended December 31, 2004 and 2003, we recorded net (reversals) and charges related to lease termination and other exit costs and severance and termination costs for the 2003 and 2001 restructuring programs of \$(4.4) and \$30.2, respectively. 2004 net reversals primarily consisted of changes to management's estimates for the 2003 and 2001 restructuring programs primarily relating to our lease termination costs. 2003 net charges related primarily to the vacating of offices and workforce reduction related to the 2003 restructuring program and adjustments to management's estimates for the 2001 restructuring program.

Long-Lived Asset Impairment and Other Charges

The following table summarizes the long-lived asset impairment and other charges for 2004 and 2003:

	For the Years Ended December 31,							
	2004				2003			
	IAN	CMG	Motor-sports	Total	IAN	CMG	Motor-sports	Total
Goodwill impairment	\$ 220.2	\$ 91.7	\$ —	\$ 311.9	\$ 0.4	\$ 218.0	\$ —	\$ 218.4
Fixed asset impairment	2.0	0.4	3.0	5.4	2.3	—	63.8	66.1
Other	4.9	—	—	4.9	9.1	0.4	—	9.5
Total	<u>\$ 227.1</u>	<u>\$ 92.1</u>	<u>\$ 3.0</u>	<u>\$ 322.2</u>	<u>\$ 11.8</u>	<u>\$ 218.4</u>	<u>\$ 63.8</u>	<u>\$ 294.0</u>

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2004 Impairments

IAN — During the third quarter of 2004, we recorded goodwill impairment charges of approximately \$220.2 at The Partnership reporting unit, which was comprised of Lowe Worldwide, Draft Worldwide, Mullen, Dailey & Associates and BGW. Our long-term projections showed previously unanticipated declines in discounted future operating cash flows due to recent client losses, reduced client spending, and declining industry valuation metrics. These discounted future operating cash flow projections caused the estimated fair value of The Partnership to be less than their book values. The Partnership was subsequently disbanded in the fourth quarter of 2004 and the remaining goodwill was allocated based on the relative fair value of the agencies at the time of disbandment.

CMG — As a result of the annual impairment review, a goodwill impairment charge of \$91.7 was recorded at our CMG reporting unit, which was comprised of Weber Shandwick, GolinHarris, DeVries, MWW Group and FutureBrand. The fair value of CMG was adversely affected by declining industry market valuation metrics, specifically, a decrease in the EBITDA multiples used in the underlying valuation calculations. The impact of the lower EBITDA multiples caused the calculated fair value of CMG goodwill to be less than the related book value.

2003 Impairments

CMG — We recorded an impairment charge of \$218.0 to reduce the carrying value of goodwill at Octagon. The Octagon impairment charge reflects the reduction of the unit's fair value due principally to poor financial performance in 2003 and lower than expected future financial performance. Specifically, there was significant pricing pressure in both overseas and domestic TV rights distribution, declining fees from athlete representation, and lower than anticipated proceeds from committed future events, including ticket revenue and sponsorship.

Motorsports — We recorded fixed asset impairment charges of \$63.8, consisting of \$38.0 in connection with the sale of a business comprised of the four owned auto racing circuits, \$9.6 related to the sales of other Motorsports entities and a fixed asset impairment of \$16.2 for outlays that Motorsports was contractually required to spend to improve the racing facilities.

During the three months ended December 31, 2003, we recorded charges of \$44.9. This primarily related to a Motorsports' fixed asset impairment charge of \$38.0 in conjunction with the sale of a business comprised of Motorsports four owned auto racing circuits.

For additional information, see Note 9 to the Consolidated Financial Statements.

Motorsports Contract Termination Costs

As discussed in Note 5 to the Consolidated Financial Statements, during the year ended December 31, 2004, we recorded a pretax charge of \$113.6 related to a series of agreements with the British Racing Drivers Club and Formula One Administration Limited which released us from certain guarantees and lease obligations in the United Kingdom. We have exited this business and do not anticipate any additional material charges.

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EXPENSE AND OTHER INCOME

	For the Years Ended December 31,		\$ Change	% Change
	2004	2003		
Interest expense	\$ (172.0)	\$ (206.6)	\$ 34.6	(16.7)%
Debt prepayment penalty	(9.8)	(24.8)	15.0	(60.5)%
Interest income	50.8	39.3	11.5	29.3%
Investment impairments	(63.4)	(71.5)	8.1	(11.3)%
Litigation (reversals) charges	32.5	(127.6)	160.1	(125.5)%
Other income (expense)	(10.7)	50.3	(61.0)	(121.3)%
Total	<u>\$ (172.6)</u>	<u>\$ (340.9)</u>	<u>\$ 168.3</u>	<u>(49.4)%</u>

Interest Expense

The decrease in interest expense was primarily due to the redemption of our \$250.0 1.80% Convertible Subordinate Notes in January 2004 and the early redemption of our borrowings under the Prudential Agreements during the third quarter of 2003. During the three months ended December 31, 2003, we recorded interest expense of \$51.6.

Debt Prepayment Penalty

During the fourth quarter of 2004, a prepayment penalty of \$9.8 was recorded related to the early redemption of \$250.0 of our 7.875% Senior Unsecured Notes due in 2005, which represented one half of the \$500.0 outstanding. During the third quarter of 2003, we repaid our borrowings under the Prudential Agreements, repaying \$142.5 principal amount and incurring a prepayment penalty of \$24.8.

Interest Income

The increase in interest income in 2004 was primarily due to an increase in our average balance of short-term investments held during the year, as well as an increase in interest rates when compared to 2003. During the three months ended December 31, 2003, we recorded interest income of \$11.5.

Investment Impairments

During 2004, we recorded investment impairment charges of \$63.4, primarily related to a \$50.9 charge for our unconsolidated investment in German advertising agency Springer & Jacoby as a result of a decrease in projected operating results. Additionally, we recorded impairment charges of \$4.7 related to unconsolidated affiliates primarily in Israel, Brazil, Japan and India, and \$7.8 related to several other available-for-sale investments.

During 2003, we recorded \$71.5 of investment impairment charges related to 20 investments. The charge related principally to investments in Fortune Promo 7 of \$9.5 in the Middle East, Koch Tavares of \$7.7 in Latin America, Daiko of \$10.0 in Japan, Roche Macaulay Partners of \$7.9 in Canada, Springer & Jacoby of \$6.5 in Germany and GlobalHue of \$6.9 in the U.S. The majority of the impairment charges resulted from deteriorating economic conditions in the countries in which the agencies operate or the loss of one or several key clients.

During the three months ended December 31, 2004, investment impairments decreased \$15.6 as compared to the comparable period in the prior year.

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Litigation Charges

During 2004, with the court approval of the settlement of the class action shareholder suits discussed in Note 21 to the Consolidated Financial Statements, we received \$20.0 from insurance proceeds which we recorded as a reduction in litigation charges because we had not previously established a receivable. We also recorded a reduction of \$12.5 relating to a decrease in the share price between the tentative settlement date and the final settlement date.

During 2003, we recorded litigation charges of \$127.6 for various legal matters, of which \$115.0 related to a then-tentative settlement of the class action shareholder suits discussed above. Under the terms of the settlement, we were required to pay \$20.0 in cash and issue 6.6 shares of our common stock. The ultimate amount of the litigation charge related to the settlement was dependent upon our stock price at the time of the final settlement (as the number of shares was fixed in the agreement), which took place in December 2004.

Other Income (Expense)

In 2004, other income (expense) included \$18.2 of net losses on the sale of 19 agencies. The losses related primarily to the sale of Transworld Marketing, a U.S.-based promotions agency, which resulted in a loss of \$8.6, and a \$6.2 loss for the final liquidation of the Motorsports investment. See Note 5 to the Consolidated Financial Statements for further discussion of the Motorsports disposition.

In December 2003, we sold approximately 11.0 shares of Modem Media for net proceeds of approximately \$57.0 in December, resulting in a pre-tax gain of \$30.3. Also in December, we sold all of the approximately 11.7 shares of TNS we had acquired through the sale of NFO, for approximately \$42.0 of net proceeds. A pre-tax gain of \$13.3 was recorded.

During the three months ended December 31, 2004, other income (expense) decreased by \$8.7, primarily due to the losses described above for the sale of Transworld Marketing and the Motorsports liquidation.

OTHER ITEMS**Income Taxes**

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>		
Provision for income taxes	\$ 262.2	\$ 242.7	\$ 19.5	8.0%
Effective tax rate	<u>98.2%</u>	<u>65.1%</u>		

Our effective tax rate was negatively impacted in both 2004 and 2003 by the establishment of valuation allowances, as described below, restructuring charges, and non-deductible long-lived asset impairment charges. In 2004, our effective tax rate was also impacted by pretax charges and related tax benefits resulting from the Motorsports contract termination costs. The difference between the effective tax rate and the statutory federal rate of 35% is also due to state and local taxes and the effect of non-U.S. operations.

For the three months ended December 31, 2004 and 2003, we recorded an income tax provision of \$130.6 and \$247.6, respectively.

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Valuation Allowance

During 2004, the valuation allowance of \$236.0 was established in continuing operations on existing deferred tax assets and current year losses with no benefit. The total valuation allowance as of December 31, 2004 was \$488.6. Our income tax expense recorded in the future will be reduced to the extent of offsetting decreases in our valuation allowance. The establishment or reversal of valuation allowances could have a significant negative or positive impact on future earnings.

During 2003, the valuation allowance of \$111.4 was established in continuing operations on existing deferred tax assets and losses in 2003 with no benefit. In addition, \$3.7 of valuation allowances were established for certain U.S. capital and other loss carryforwards. The total valuation allowance as of December 31, 2003 was \$252.6.

For additional information, see Note 11 to the Consolidated Financial Statements.

Minority Interest and Unconsolidated Affiliates

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>		
Income applicable to minority interests	\$ (21.5)	\$ (27.0)	\$ 5.5	(20.4)%
Equity in net income of unconsolidated affiliates, net of tax	\$ 5.8	\$ 2.4	\$ 3.4	141.7%

The decrease in income applicable to minority interests was primarily due to lower earnings of majority-owned international businesses, primarily in Europe, and the sale of majority-owned businesses in Latin America.

The increase in equity in net income of unconsolidated affiliates was primarily due to the impact of prior year losses at Modem Media, which was sold in 2003, and the impact of higher 2003 losses at an unconsolidated investment in Brazil and a U.S.-based sports and entertainment event business.

During the three months ended December 31, 2004 and 2003, we recorded \$10.3 and \$13.6 of income applicable to minority interests, respectively. During the three months ended December 31, 2004 and 2003, we recorded \$1.1 and \$3.8 of equity in net income of unconsolidated affiliates, respectively.

NET LOSS

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>		
Loss from continuing operations	\$ (544.9)	\$ (640.1)	\$ 95.2	(14.9)%
Income from discontinued operations, net of taxes of \$3.5 and \$18.5, respectively	6.5	101.0	(94.5)	(93.6)%
Net loss	(538.4)	(539.1)	0.7	(0.1)%
Less: Preferred stock dividends	19.8	—	19.8	100.0%
Net loss applicable to common stockholders	<u>\$ (558.2)</u>	<u>\$ (539.1)</u>	<u>\$ (19.1)</u>	<u>3.5%</u>

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Loss from Continuing Operations

In 2004, our loss from continuing operations decreased by \$95.2 or 14.9% as a result of an increase in revenue of \$225.3 and a decrease in expense and other income primarily driven by higher litigation costs in 2003, as a result of the shareholder suit settlement. These changes were partially offset by an increase in operating expenses of \$287.8, which includes Motorsports contract termination costs of \$113.6.

For the three months ended December 31, 2004 and 2003, we recorded income from continuing operations of \$130.3 and a loss from continuing operations of \$3.6, respectively.

Income from Discontinued Operations

Recorded within income from discontinued operations is the impact of our sale of NFO, our research unit, to TNS in 2003. NFO is classified in discontinued operations and the results of operations and cash flows of NFO have been removed from our results of continuing operations and cash flows for all periods. During 2003, we completed the sale of NFO for \$415.6 in cash (\$376.7, net of cash sold and expenses) and approximately 11.7 shares of TNS stock. We sold the TNS stock in December 2003 for net proceeds of approximately \$42.0. As a result of the sale of NFO, we recognized a pre-tax gain of \$99.1 (\$89.1, net of tax) in the third quarter of 2003 after certain post closing adjustments. The TNS shares sold resulted in a pre-tax gain of \$13.3. In July 2004, we received an additional \$10.0 (\$6.5, net of tax) from TNS as a final payment. For additional information, see Note 5 to the Consolidated Financial Statements.

Segment Results of Operations — 2004 Compared to 2003

The following table summarizes revenue and operating income (loss) by segment in 2004 and 2003. As previously discussed, in 2004 and 2003 we had a third reportable segment, comprised of our Motorsports operations, which were sold during 2004. Other than long-lived asset impairment and contract termination costs, the operating results of Motorsports are not material to our consolidated results, and are therefore not discussed below:

	For the Years Ended December 31,		\$ Change	% Change
	2004	2003		
Revenue:				
IAN	\$ 5,399.2	\$ 5,140.5	\$ 258.7	5.0%
CMG	935.8	942.4	(6.6)	(0.7)%
Motorsports	52.0	78.8	(26.8)	(34.0)%
Consolidated revenue	<u>\$ 6,387.0</u>	<u>\$ 6,161.7</u>	<u>\$ 225.3</u>	<u>3.7%</u>
Segment operating income (loss):				
IAN	\$ 577.1	\$ 551.6	\$ 25.5	4.6%
CMG	83.7	55.7	28.0	50.3%
Motorsports	(14.0)	(43.5)	29.5	(67.8)%
Corporate and other	(243.2)	(128.8)	(114.4)	88.8%

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	For the Years Ended December 31,									
	2004					2003				
	IAN	CMG	Motorsports	Corporate	Total	IAN	CMG	Motorsports	Corporate	Total
Reconciliation to consolidated operating income:										
Consolidated operating income (loss)	\$ 307.2	\$(24.9)	\$ (130.6)	\$ (246.1)	\$ (94.4)	\$ 401.4	\$ (197.2)	\$ (107.7)	\$ (128.4)	\$ (31.9)
Adjustments:										
Restructuring reversals (charges)	(42.8)	(16.5)	—	(2.9)	(62.2)	(138.4)	(34.5)	(0.4)	0.4	(172.9)
Long lived asset impairment and other charges:	(227.1)	(92.1)	(116.6)	—	(435.8)	(11.8)	(218.4)	(63.8)	—	(294.0)
Segment operating income (loss)	<u>\$ 577.1</u>	<u>\$ 83.7</u>	<u>\$ (14.0)</u>	<u>\$ (243.2)</u>		<u>\$ 551.6</u>	<u>\$ 55.7</u>	<u>\$ (43.5)</u>	<u>\$ (128.8)</u>	

INTEGRATED AGENCY NETWORKS ("IAN")

REVENUE

The components of the 2004 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2003	<u>\$ 5,140.5</u>		<u>\$ 2,862.1</u>		<u>55.7%</u>	<u>\$ 2,278.4</u>		<u>44.3%</u>
Foreign currency changes	194.1	3.8%	—	0.0%		194.1	8.5%	
Net acquisitions/divestitures	(40.0)	(0.8)%	(27.5)	(1.0)%		(12.5)	(0.5)%	
Organic	104.6	2.0%	98.7	3.4%		5.9	0.3%	
Total change	258.7	5.0%	71.2	2.5%		187.5	8.2%	
2004	<u>\$ 5,399.2</u>		<u>\$ 2,933.3</u>		<u>54.3%</u>	<u>\$ 2,465.9</u>		<u>45.7%</u>

For the year ended December 31, 2004, IAN experienced net increases in revenue as compared to 2003 by \$258.7, or 5.0%, which was comprised of organic revenue growth of \$104.6 and an increase in foreign currency exchange rate changes of \$194.1, partially offset by a decrease attributable to net acquisitions and divestitures of \$40.0. The increase due to foreign currency was primarily attributable to the strengthening of the Euro and Pound Sterling in relation to the U.S. Dollar. This increase was partially offset by the net effect of divestitures and acquisitions, primarily related to the sale of some small businesses at McCann, Lowe, and Draft, and increased equity ownership in two businesses at Lowe.

The organic revenue increase was primarily driven by increases at McCann, Draft, FCB, and Deutsch, partially offset by decreases at Lowe. McCann experienced an organic revenue increase as a result of new client wins and increased business from existing clients, primarily in our U.S. and European agencies. Draft experienced an organic revenue increase mainly in the U.S. due to client wins and increased business by existing clients, partially offset by poor economic conditions in Europe and the closing of its field marketing business in 2003. FCB experienced an organic revenue increase due to increased spending by existing clients and client wins, partially offset by a decrease in revenues as a result of clients lost during the year, mainly in the U.S. and Germany. Deutsch experienced organic revenue growth stemming from

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new client wins and increased business from existing clients. Lowe experienced an organic revenue decline, primarily the result of client losses and reduced business from major multinational clients.

For the three months ended December 31, 2004 IAN experienced a net increase in revenue as compared to 2003 of \$119.7, or 7.6%, which was comprised of an increase in foreign currency exchange rate changes of \$76.0 and an organic increase in revenue of \$53.2, partially offset by a decrease attributable to net acquisitions and divestitures of \$9.5.

SEGMENT OPERATING INCOME

	For the Years Ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>		
Segment operating income	\$ 577.1	\$ 551.6	\$ 25.5	4.6%
Operating margin	<u>10.7%</u>	<u>10.7%</u>		

For the year ended December 31, 2004, IAN operating income increased by \$25.5, or 4.6%, which was a result of an increase in revenue of \$258.7, offset by an increase in salaries and related expenses of \$201.4 and increased office and general expenses of \$31.8.

Segment operating income growth, excluding the impact of foreign currency and net effects of acquisitions and divestitures, was primarily driven by increases at McCann, and to a lesser extent, Deutsch and FCB, partially offset by a decrease at Lowe. McCann experienced an organic revenue increase with essentially flat operating expenses. Operating expenses at McCann reflect higher compensation costs to support new client business and an increase in contractual compensation payments made to individuals for the achievement of specific operational targets as part of certain prior year acquisition agreements. These increases were offset by lower depreciation expense incurred as a result of limited capital purchases, as well as a decrease in bad debt expense due to improved collection of accounts receivable. Deutsch and FCB experienced increases as a result of organic revenue increases, partially offset by an increase in operating expense related to increased employee incentives and additional salaries and freelance costs to support the increase in business activity. The decrease in operating income at Lowe was the result of a significant organic revenue decrease partially offset by moderate decreases in operating expenses. The decrease in operating expenses at Lowe was the result of lower headcount and reduced office space requirements.

For the three months ended December 31, 2004, IAN operating income decreased by \$27.4, or 7.1%, which was the result of an increase in salaries and related expenses of \$130.6 and increased office and general expenses of \$16.5, offset by an increase in revenue of \$119.7.

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CONSTITUENCY MANAGEMENT GROUP ("CMG")

REVENUE

The components of the 2004 change were as follows:

	Total		Domestic			International		
	\$	% Change	\$	% Change	% of Total	\$	% Change	% of Total
2003	\$ 942.4		\$ 593.2		62.9%	\$ 349.2		37.1%
Foreign currency changes	34.4	3.7%	—	0.0%		34.4	9.9%	
Net acquisitions/divestitures	(11.0)	(1.2)%	(7.9)	(1.3)%		(3.1)	(0.9)%	
Organic	(30.0)	(3.2)%	(9.3)	(1.6)%		(20.7)	(5.9)%	
Total change	(6.6)	(0.7)%	(17.2)	(2.9)%		10.6	3.0%	
2004	\$ 935.8		\$ 576.0		61.6%	\$ 359.8		38.4%

For the year ended December 31, 2004, CMG experienced decreased revenues as compared to 2003 by \$6.6, or 0.7%, which was comprised of an organic revenue decrease of \$30.0 and the impact of acquisitions and divestitures of \$11.0, partially offset by an increase in foreign currency exchange rate changes of \$34.4. The increase due to foreign currency exchange rate was primarily attributable to the strengthening of the Euro and Pound Sterling in relation to the U.S. Dollar. Net effects of acquisitions and divestitures primarily related to the disposition of three businesses in 2004 and two businesses in 2003.

The organic revenue decline was primarily driven by a decrease in the branding and sports marketing businesses, offset slightly by growth in our public relations business.

For the three months ended December 31, 2004, CMG experienced a net decrease in revenue as compared to 2004 of \$6.5, or 2.4%, which was comprised of an organic revenue decrease of \$11.0 and decreases attributable to net acquisitions and divestitures of \$5.7, offset by an increase in foreign currency exchange rate changes of \$10.2.

Segment Operating Income

	For the Years Ended December 31,		\$ Change	% Change
	2004	2003		
Segment operating income	\$ 83.7	\$ 55.7	\$ 28.0	50.3%
Operating margin	8.9%	5.9%		

For the year ended December 31, 2004, CMG operating income increased by \$28.0, or 50.3%, which was the result of a \$46.6 decrease in office and general expenses, offset by a \$6.6 decrease in revenue and \$12.0 increase in salary and related expenses.

Segment operating income growth, excluding the impact of foreign currency and net effects of acquisition and divestitures, was primarily driven by an increase at sports marketing business, partially offset by an increase in CMG corporate office expense. While there was an organic revenue decrease sports marketing business operating expenses decreased at a higher rate than the organic revenue decrease, due to a decrease related to charges recorded by CMG in 2003 to secure certain sports television rights. Increased corporate office expenses was driven by higher expenses recorded for performance incentive awards as a result of improved revenue performance and additional accruals for post employment and other benefits for management personnel.

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For the three months ended December 31, 2004, CMG operating income decreased by \$18.8, or 38.8%, which was the result of a decrease in revenue of \$6.5 and increased salaries and related expenses of \$15.0, partially offset by a decrease in office and general expenses of \$2.7.

CORPORATE AND OTHER

Certain corporate and other charges are reported as a separate line within total segment operating income and include corporate office expenses and shared service center expenses, as well as certain other centrally managed expenses which are not fully allocated to operating divisions. The following significant expenses are included in corporate and other:

	For the Years Ended December 31,		\$ Change	% Change
	2004	2003		
Salaries, benefits and related expenses	\$ 151.2	\$ 129.0	\$ 22.2	17.2%
Professional fees	145.3	50.6	94.7	187.2%
Rent and depreciation	38.0	30.6	7.4	24.2%
Corporate Insurance	29.7	26.5	3.2	12.1%
Bank fees	2.8	1.6	1.2	75.0%
Other	9.6	8.9	0.7	7.9%
Expenses allocated to operating divisions	(133.4)	(118.4)	(15.0)	12.7%
Total corporate and other	<u>\$ 243.2</u>	<u>\$ 128.8</u>	<u>\$ 114.4</u>	<u>88.8%</u>

Salaries, benefits and related expenses include salaries, pension, the cost of medical, dental and other insurance coverage and other compensation-related expenses for corporate office employees, as well as the cost of temporary employees at the corporate office. Professional fees include costs related to the preparation for Sarbanes-Oxley Act compliance, the financial statement audit, legal counsel, information technology and other consulting fees. Rent and depreciation includes rental expense and depreciation of leasehold improvements for properties occupied by corporate office employees. Corporate insurance expense includes the cost for fire, liability and automobile premiums. Bank fees relates to our debt and credit facilities. The amounts of expenses allocated to operating segments are calculated monthly based on a formula that uses the revenues of the operating unit.

The increase in corporate and other expense of \$114.4 or 88.8% is primarily related to the increase in professional fees and salaries and related expenses. The increase in professional fees primarily resulted from costs associated with complying with the requirements of the Sarbanes-Oxley Act. We also incurred increased expenses for the preliminary application development and maintenance of systems and processes related to our shared services initiatives. The increase in payroll related expenses is due mainly to an increase in the use of temporary employees in order to enhance monitoring controls at the corporate office as well as to support our significant ongoing efforts to achieve Sarbanes-Oxley compliance. Increased headcount and expanded office space at the corporate office also contributed to this increase. Also, certain contractual bonuses for management increased as compared to prior year.

The increase in corporate and other expense of \$7.0 or 10.5% for the three months ended December 31, 2004 is primarily related to the increase in professional fees offset by the decrease in salaries and related expenses. The increase in professional fees are the result of costs associated with internal control compliance, costs associated with the Prior Restatement process, and related audit costs. Amounts allocated to operating divisions primarily increased due to the implementation of new information

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December 31, 2005 technology related projects and the consolidation of information technology support staff, the costs of which are now being allocated back to operating divisions.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

Operating cash flow

Our operating activities utilized cash of approximately \$20.2, compared to cash provided by operating activities of \$464.8 in 2004 and \$502.6 in 2003. The decrease in cash provided by operating activities in 2005 was primarily attributable to significant increases in our operating costs as well as a decline in revenues. Additional cash was used during 2005 for severance costs primarily related to international headcount reductions, salary costs primarily attributable to our hiring additional creative talent to enable future revenue growth and additional staff to address weaknesses in our accounting and control environment, and professional fees primarily related to the Prior Restatement and our ongoing efforts in internal control compliance. The decrease in cash provided by operating activities in 2005 was also attributable in part to year-over-year changes in accounts payable and other changes in working capital accounts.

We conduct media buying on behalf of clients, which affects our working capital and operating cash flow. In most of our businesses, we collect funds from our clients which we use, on their behalf, to pay production costs and media costs. The amounts involved substantially exceed our revenues, and the current assets and current liabilities on our balance sheet reflect these pass-through arrangements. Our assets include both cash received and accounts receivable from customers for these pass-through arrangements, while our liabilities include amounts owed on behalf of customers to media and production suppliers. Generally, we pay production and media charges after we have received funds from our clients, and our risk from client nonpayment has historically not been significant.

We manage substantially all our domestic cash and liquidity centrally through the corporate treasury department. Each day, domestic agencies with excess funds invest these funds with corporate treasury and domestic agencies that require funding will borrow funds from corporate treasury. The corporate treasury department aggregates the net domestic cash position on a daily basis. The net position is either invested or borrowed. Given the amount of cash on hand, we have not had short-term domestic borrowings over the past two years.

The amount of our cash held by the banks under our International pooling arrangements is subject to a full right of offset against the amounts advanced to us, and the cash and advances are recorded net on our balance sheet. The gross amounts vary depending on how much funding is provided to agencies through the pooling arrangements. At December 31, 2005 and 2004, cash of \$842.6 and \$939.9, respectively, was netted against an equal amount of advances under pooling arrangements. We typically pay interest on our larger arrangements based on the gross amounts of the advances and receive interest income on the gross amount of cash deposited, albeit at a lower rate.

Funding requirements

Our most significant funding requirements include: non-cancelable operating lease obligations, capital expenditures, payments related to vendor discounts and credits, payments related to past acquisitions, interest payments, preferred stock dividends and taxes.

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Our non-cancelable lease commitments primarily relate to office premises and equipment. These commitments are partially offset by sublease rental income we receive under non-cancelable subleases. Our projected obligations for 2005 and beyond are set forth below under Contractual Obligations.

Our capital expenditures are primarily to upgrade computer and telecommunications systems and to modernize offices. Our principal bank credit facility currently limits spending on capital expenditures in any calendar year to \$210.0. Our capital expenditures were \$140.7 in 2005, \$194.0 in 2004 and \$159.6 in 2003.

We acquired a large number of agencies through 2001, but in recent years the number and value of acquisitions have been significantly less. There were no acquisitions in 2005 and cash paid for acquisitions was approximately \$14.6 in 2004 and \$4.0 in 2003. Under the contractual terms of certain of our past acquisitions we have long-term obligations to pay additional consideration or to purchase additional equity interests in certain consolidated or unconsolidated subsidiaries if specified conditions, mostly operating performance, are met. Some of the consideration under these arrangements is in shares of our common stock, but most is in cash. We made cash payments for past acquisitions of \$97.0 in 2005, \$161.7 in 2004 and \$221.2 in 2003. Our projected obligations for 2006 and beyond are set forth below under Contractual Obligations.

We are required to post letters of credit primarily to support commitments to purchase media placements, predominantly in locations outside the U.S., or to satisfy other obligations. We generally obtain these letters of credit from our principal bank syndicate under the Three-Year Revolving Credit Facility described under Credit Arrangements below. The outstanding amount of letters of credit was \$162.4 and \$165.4 as of December 31, 2005 and 2004, respectively. These letters of credit have not been drawn upon in recent years.

Sources of funds

At December 31, 2005 our total of cash and cash equivalents plus short-term marketable securities was \$2,191.5 compared to \$1,970.4 at December 31, 2004.

We have obtained financing through the capital markets by issuing debt securities, convertible preferred stock and common stock. Our outstanding debt securities and convertible preferred stock are described under Long-Term Debt, 4.50% Convertible Senior Notes ("4.50% Notes") and Convertible Preferred Stock below.

In July 2005, we issued \$250.0 of Floating Rate Notes due 2008 in a private placement to refinance maturing debt, as described below. In October 2005, we issued 0.525 shares of Series B Cumulative Convertible Perpetual Preferred Stock at gross proceeds of \$525.0 with the proceeds to be used for general corporate purposes as described below under Convertible Preferred Stock.

We have committed and uncommitted credit facilities, the terms of which are described below. We maintain our committed credit facility primarily as stand-by short-term liquidity and for the issuance of letters of credit. We have not drawn on our committed facility over the past two years, although letters of credit have been and continue to be issued under this facility, as described above. Our outstanding borrowings under uncommitted credit facilities were \$53.7 and \$67.8 as of December 31, 2005 and 2004, respectively. We use uncommitted credit lines for working capital needs at some of our operations outside the United States. If we lose access to these credit lines, we may be required to provide funding directly to some overseas operations.

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Liquidity outlook

We expect our operating cash flow and cash on hand to be sufficient to meet our anticipated operating requirements at a minimum for the next twelve months. We have no significant scheduled amounts of long-term debt due until 2008 when \$250.0 of our Floating Rate Senior Unsecured Notes are due. In addition, holders of our \$800.0 4.50% Notes may require us to repurchase the 4.50% Notes for cash at par in March 2008. We continue to have a level of cash and cash equivalents that we consider to be conservative, particularly after receiving net proceeds of approximately \$507.3 from our offering of Series B Preferred Stock in October 2005. We consider this approach to be important in view of the cash requirements resulting, among other things, from the higher professional fees, from our liabilities to our customers for vendor discounts and credits and from any potential penalties or fines that may have to be paid in connection with our SEC investigation. In 2006, we will be required to pay to the IRS and state and local taxing authorities approximately \$93.4 (including interest), related to tax audit matters. This amount has been reclassified from non-current liabilities to current liabilities on the balance sheet. As a result of our Prior Restatement review, we estimate that we will pay approximately \$250.0 related to Vendor Discounts or Credits, Internal Investigations and International Compensation Agreements over the next 18 months. We regularly evaluate market conditions for opportunities to raise additional financing on favorable terms, in order to enhance our financial flexibility.

Substantially all of our operating cash flow is generated by the agencies. Our liquid assets are held primarily at the holding company level, but also at our larger subsidiaries. The legal or contractual restrictions on our ability to transfer funds within the group, whether in the form of dividends, loans or advances, do not significantly reduce our financial flexibility.

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FINANCING

Long-Term Debt

A summary of our long-term debt is as follows:

	December 31,	
	2005	2004
7.875% Senior Unsecured Notes due 2005	\$ —	\$ 255.0
Floating Rate Senior Unsecured Notes due 2008	250.0	—
5.40% Senior Unsecured Notes due 2009 (less unamortized discount of \$0.3)	249.7	249.7
7.25% Senior Unsecured Notes due 2011	499.2	500.0
6.25% Senior Unsecured Notes due 2014 (less unamortized discount of \$0.9)	350.3	347.3
4.50% Convertible Senior Notes due 2023	800.0	800.0
Other notes payable and capitalized leases — at interest rates from 3.3% to 14.44%	36.9	42.1
Total long-term debt	2,186.1	2,194.1
Less: current portion	3.1	258.1
Long-term debt, excluding current portion	<u>\$ 2,183.0</u>	<u>\$ 1,936.0</u>

Annual repayments of long-term debt as of December 31, 2005 are scheduled as follows:

2006	\$ 3.1
2007	4.7
2008*	256.7
2009	250.8
2010	0.8
Thereafter*	1,670.0
Total long-term debt	<u>\$ 2,186.1</u>

* Holders of our \$800.0 4.50% Notes may require us to repurchase the 4.50% Notes for cash at par in March 2008. If all holders require us to repurchase these Notes, a total of \$1,056.7 will be payable in 2008 in respect of long-term debt. These Notes will mature in 2023 if not converted or repurchased.

Redemption and Repurchase of Long-Term Debt

In August 2005, we redeemed the remainder of the outstanding 7.875% Senior Unsecured Notes with an aggregate principal amount of \$250.0 at maturity at gross proceeds of approximately \$258.6, which included the principal amount of the Notes, accrued interest to the redemption date and a prepayment penalty. To redeem these Notes we used the proceeds from the sale and issuance in July 2005 of \$250.0 Floating Rate Senior Unsecured Notes due in July 2008.

Consent Solicitation

In March 2005, we completed a consent solicitation to amend the indentures governing five series of our outstanding public debt to provide, among other things, that our failure to file with the trustee our

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SEC reports, including our 2004 Annual Report on Form 10-K and Quarterly Reports for the first and second quarters of 2005 on Form 10-Q, would not constitute a default under the indentures until October 1, 2005.

The indenture governing our 4.50% Notes was also amended in March 2005 to provide for: (i) an extension from March 15, 2008 to September 15, 2009 of the date on or after which we may redeem the 4.50% Notes and (ii) an additional "make-whole" adjustment to the conversion rate in the event of a change of control meeting specified conditions.

4.50% Convertible Senior Notes

Our 4.50% Notes are convertible to common stock at a conversion price of \$12.42 per share, subject to adjustment in specified circumstances. They are convertible at any time if the average price of our common stock for 20 trading days immediately preceding the conversion date is greater than or equal to a specified percentage, beginning at 120% in 2003 and declining 0.5% each year until it reaches 110% at maturity, of the conversion price. They are also convertible, regardless of the price of our common stock, if: (i) we call the 4.50% Notes for redemption; (ii) we make specified distributions to shareholders; (iii) we become a party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash or property (other than securities) or (iv) the credit ratings assigned to the 4.50% Notes by any two of Moody's Investors Service, Standard & Poor's and Fitch Ratings are lower than Ba2, BB and BB, respectively, or the 4.50% Notes are no longer rated by at least two of these ratings services. Because of our current credit ratings, the 4.50% Notes are currently convertible into approximately 64.4 shares of our common stock.

Holders of the 4.50% Notes may require us to repurchase the 4.50% Notes on March 15, 2008 for cash and on March 15, 2013 and March 15, 2018, for cash or common stock or a combination of both, at our election. Additionally, investors may require us to repurchase the 4.50% Notes in the event of certain change of control events that occur prior to March 15, 2008 for cash or common stock or a combination of both, at our election. If at any time on or after March 13, 2003 we pay cash dividends on our common stock, we will pay contingent interest in an amount equal to 100% of the per share cash dividend paid on the common stock multiplied by the number of shares of common stock issuable upon conversion of the 4.50% Notes. At our option, we may redeem the 4.50% Notes on or after September 15, 2009 for cash. The redemption price in each of these instances will be 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any. The 4.50% Notes also provide for an additional "make-whole" adjustment to the conversion rate in the event of a change of control meeting specified conditions.

In accordance with EITF Issue No. 03-6, *Participating Securities and the Two — Class Method under FASB Statement No. 128, Earnings Per Share*, the 4.50% Notes are considered securities with participation rights in earnings available to common stockholders due to the feature of these securities that allows investors to participate in cash dividends paid on our common stock. For periods in which we experience net income, the impact of these securities' participation rights is included in the calculation of earnings per share. For periods in which we experience a net loss, the 4.50% Notes have no impact on the calculation of earnings per share due to the fact that the holders of these securities do not participate in our losses.

Convertible Preferred Stock

We currently have two series of convertible preferred stock outstanding: our 5.375% Series A Mandatory Convertible Preferred Stock ("Series A Preferred Stock") and our 5.25% Series B Cumulative Convertible Perpetual Preferred Stock ("Series B Preferred Stock").

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Series B Preferred Stock — On October 24, 2005, we completed a private offering of 0.525 shares of our Series B Preferred Stock at an aggregate offering price of \$525.0. The net proceeds from the sale were approximately \$507.3 after deducting discounts to the initial purchasers and the estimated expenses of the offering.

Each share of the Series B Preferred Stock has a liquidation preference of \$1,000.00 per share and is convertible at the option of the holder at any time into 73.1904 shares of our common stock, subject to adjustment upon the occurrence of certain events, which represents a conversion price of approximately \$13.66, representing a conversion premium of approximately 30% over our closing stock price on October 18, 2005 of \$10.51 per share. On or after October 15, 2010, each share of the Series B Preferred Stock may be converted at our option if the closing price of our common stock multiplied by the conversion rate then in effect equals or exceeds 130% of the liquidation preference of \$1,000.00 per share for 20 trading days during any consecutive 30 trading day period. Holders of the Series B Preferred Stock will be entitled to an adjustment to the conversion rate if they convert their shares in connection with a fundamental change meeting certain specified conditions.

The Series B Preferred Stock is junior to all of our existing and future debt obligations, on parity with our Series A Preferred Stock and senior to our common stock, with respect to payments of dividends and rights upon liquidation, winding up or dissolution, to the extent of the liquidation preference of \$1,000.00 per share. There are no registration rights with respect to the Series B Preferred Stock, shares of our common stock issuable upon conversion thereof or any shares of our common stock that may be delivered in connection with a dividend payment.

In accordance with EITF Issue No. 03-6, the Series B Preferred Stock is not considered a security with participation rights in earnings available to common stockholders due to the contingent nature of the conversion feature of these securities.

Series A Preferred Stock — We currently have outstanding 7.475 shares of our Series A Preferred Stock with a liquidation preference of \$50.00 per share. On the automatic conversion date of December 15, 2006, each share of the Series A Preferred Stock will convert, subject to certain adjustments, into between 3.0358 and 3.7037 shares of common stock, depending on the then-current market price of our common stock.

At any time prior to December 15, 2006, holders may elect to convert each share of their Series A Preferred Stock, subject to certain adjustments, into 3.0358 shares of our common stock. If the closing price per share of our common stock exceeds \$24.71 for at least 20 trading days within a period of 30 consecutive trading days, we may elect, subject to certain limitations, to cause the conversion of all of the shares of Series A Preferred Stock then outstanding into shares of our common stock at a conversion rate of 3.0358 shares of our common stock for each share of our Series A Preferred Stock.

The Series A Preferred Stock is junior to all of our existing and future debt obligations, on parity with our Series B Preferred Stock and senior to our common stock, with respect to payments of dividends and rights upon liquidation, winding up or dissolution, to the extent of the liquidation preference of \$50.00 per share.

In accordance with EITF Issue No. 03-6, the Series A Preferred Stock is considered a security with participation rights in earnings available to common stockholders due to the conversion feature of these securities. For periods in which we experience net income, the impact of these securities' participation rights is included in the calculation of earnings per share. For periods in which we experience a net loss, the Series A Preferred Stock has no impact on the calculation of earnings per share due to the fact that the holders of these securities do not participate in our losses.

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Credit Arrangements

We have committed and uncommitted credit facilities with various banks that permit borrowings at variable interest rates. At December 31, 2005 and 2004, there were no borrowings under our committed facilities. However, there were borrowings under the uncommitted facilities made by several of our subsidiaries outside the U.S. totaling \$53.7 and \$67.8, respectively. We have guaranteed the repayment of some of these borrowings by our subsidiaries. The weighted-average interest rate on outstanding balances under the uncommitted short-term facilities at December 31, 2005 and 2004 was approximately 5% in each year. A summary of our credit facilities is as follows:

	December 31,							
	2005				2004			
	Total Facility	Amount Outstanding	Letters of Credit	Total Available	Total Facility	Amount Outstanding	Letters of Credit	Total Available
Committed								
364-Day Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ 250.0	\$ —	\$ —	\$ 250.0
Three-Year Revolving Credit Facility	500.0	—	162.4	337.6	450.0	—	165.4	284.6
Other Facilities	0.7	—	—	0.7	0.8	—	—	0.8
	<u>\$ 500.7</u>	<u>\$ —</u>	<u>\$ 162.4</u>	<u>\$ 338.3</u>	<u>\$ 700.8</u>	<u>\$ —</u>	<u>\$ 165.4</u>	<u>\$ 535.4</u>
Uncommitted								
Non-U.S.	\$ 516.2	\$ 53.7	\$ —	\$ 462.5	\$ 738.1	\$ 67.8	\$ —	\$ 670.3

Our primary bank credit agreement is a three-year revolving credit facility (as amended, the “Three-Year Revolving Credit Facility”). The Three-Year Revolving Credit Facility expires on May 9, 2007 and provides for borrowings of up to \$500.0, of which \$200.0 is available for the issuance of letters of credit. This facility was amended as of October 17, 2005 to increase the amount that we may borrow under the facility by \$50.0 to \$500.0. Our \$250.0 364-Day Revolving Credit Facility expired on September 30, 2005.

The terms of our Three-Year Revolving Credit Facility at December 31, 2005 do not permit us: (i) to make cash acquisitions in excess of \$50.0 until October 2006, or thereafter in excess of \$50.0 until expiration of the agreement in May 2007, subject to increases equal to the net cash proceeds received during the applicable period from any disposition of assets or any business; (ii) to make capital expenditures in excess of \$210.0 annually; (iii) to repurchase our common stock or to declare or pay dividends on our capital stock, except that we may declare or pay dividends in shares of our common stock, declare or pay cash dividends on our preferred stock, and repurchase our capital stock in connection with the exercise of options by our employees or with proceeds contemporaneously received from an issue of new shares of our capital stock; or (iv) to incur new debt at our subsidiaries, other than unsecured debt incurred in the ordinary course of business of our subsidiaries outside the U.S. and unsecured debt, which may not exceed \$10.0 in the aggregate, incurred in the ordinary course of business of our U.S. subsidiaries. The terms also permit the issuance of letters of credit with expiration dates beyond the termination date of the facility, subject to certain conditions. Such conditions include the requirement for us, on the 105th day prior to the termination date of the facility, to provide a cash deposit in an amount equal to the total amount of outstanding letters of credit with expiration dates beyond the termination date of the facility. These terms were previously modified by three amendments on March 31, June 22 and September 27, 2005, respectively. The March 21, 2006 amendment effective as of December 31, 2005 added one new financial covenant so that we are required to maintain, based on a five business day testing period, in cash and securities, an average daily ending balance of \$300.0 plus the aggregate principal amount of

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borrowings under the credit facility in domestic accounts with our lenders. For further explanation of these and other amendments see Note 13 of the Consolidated Financial Statements. We also obtained a waiver from the lenders under the Three-Year Revolving Credit Facility on March 21, 2006, to waive any default arising from the restatement of our financial data presented in this report.

Our Three-Year Revolving Credit Facility now contains certain financial covenants. These covenants have been modified by amendments and waivers on March 31, 2005, June 22, 2005, September 27, 2005, November 7, 2005 (effective as of September 30, 2005) and March 21, 2006 (effective as of December 31, 2005). We have been in compliance with all covenants under the Three-Year Revolving Credit Facility, as amended or waived from time to time. For further detail of these changes to the financial covenants see Note 13 of the Consolidated Financial Statements. Our financial covenants, effective as of December 31, 2005, require us to maintain with respect to each fiscal quarter set forth below:

(i) an interest coverage ratio for the four fiscal quarters then ended of not less than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Ratio
December 31, 2005	*
March 31, 2006	*
June 30, 2006	*
September 30, 2006	1.75 to 1
December 31, 2006	2.15 to 1
March 31, 2007	2.50 to 1

* The March 21, 2006 amendment, effective as of December 31, 2005, removed the financial covenant requirements with respect to the interest coverage ratio for the fiscal quarters ending December 31, 2005, March 31, 2006 and June 30, 2006.

(ii) a debt to EBITDA ratio, where debt is the balance at period-end and EBITDA is for the four fiscal quarters then ended, of not greater than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Ratio
December 31, 2005	*
March 31, 2006	*
June 30, 2006	*
September 30, 2006	5.15 to 1
December 31, 2006	4.15 to 1
March 31, 2007	3.90 to 1

* The March 21, 2006 amendment, effective as of December 31, 2005, removed the financial covenant requirements with respect to the debt to EBITDA ratio for the fiscal quarters ending December 31, 2005, March 31, 2006 and June 30, 2006.

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and (iii) minimum levels of EBITDA for the four fiscal quarters then ended of not less than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Amount
December 31, 2005	\$ 233.0
March 31, 2006	175.0
June 30, 2006	100.0
September 30, 2006	440.0
December 31, 2006	545.0
March 31, 2007	585.0

The terms used in these ratios, including EBITDA, interest coverage and debt, are subject to specific definitions set forth in the agreement. Under the definition set forth in the Three-Year Revolving Credit Facility, EBITDA is determined by adding to net income or loss the following items: interest expense, income tax expense, depreciation expense, amortization expense, and certain specified cash payments and non-cash charges subject to limitations on time and amount set forth in the agreement. Interest coverage is defined as a ratio of EBITDA of the period of four fiscal quarters then ended to interest expense during such period.

We have in the past been required to seek and have obtained amendments and waivers of the financial covenants under our committed bank facility. There can be no assurance that we will be in compliance with these covenants in future periods. If we do not comply and are unable to obtain the necessary amendments or waivers at that time, we would be unable to borrow or obtain additional letters of credit under the Three-Year Revolving Credit Facility and could choose to terminate the facility and provide a cash deposit in connection with any amount under the outstanding letters of credit. The lenders under the Three-Year Revolving Credit Facility would also have the right to terminate the facility, accelerate any outstanding principal and require us to provide a cash deposit in an amount equal to the aggregate amount of outstanding letters of credit. The outstanding amount of letters of credit was \$162.4 as of December 31, 2005. We have not drawn under the Three-Year Credit Facility over the past two years, and we do not currently expect to do so. So long as there are no amounts to be accelerated under the Three-Year Revolving Credit Facility, termination of the facility would not trigger the cross-acceleration provisions of our public debt.

Credit Agency Ratings

Our credit ratings at year-end 2005 and 2004 were as follows:

	2005		December 31, 2004	
	Senior Unsecured	Outlook	Senior Unsecured	Outlook
Moody's	Ba1	Negative	Baa3	Stable
Standard & Poor's	B+	Negative	BB+	Credit watch Negative
Fitch	B+	Stable	BB+	Stable

Although a ratings downgrade by any of the ratings agencies will not trigger an acceleration of any of our indebtedness, a downgrade may adversely affect our ability to access capital and would likely result in more stringent covenants and higher interest rates under the terms of any new indebtedness. Our current long-term debt credit ratings as of March 15, 2006 are Ba1 with negative outlook, B+ with negative

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outlook and B+ with stable outlook, as reported by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

Payment of Dividends

We have not paid any dividends on our common stock since December of 2002. As previously discussed, our ability to declare or pay dividends on common stock is currently restricted by the terms of our Three-Year Revolving Credit Facility. In addition, 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 contemporaneously are declared and paid, or provision for the payment thereof has been made.

We pay annual dividends on each share of Series A Preferred Stock in the amount of \$2.6875. Annual dividends on each share of Series A Preferred Stock are payable quarterly in cash or, if certain conditions are met, in common stock, at our option, on March 15, June 15, September 15 and December 15 of each year. In addition to the stated annual dividend, if at any time on or before December 15, 2006, we pay a cash dividend on our common stock, the holders of Series A Preferred Stock participate in such distributions via adjustments to the conversion ratio, thereby increasing the number of common shares into which the Preferred Stock will ultimately convert. In March 2006, the Board of Directors declared a dividend of \$0.671875 per share on our Series A Preferred Stock, resulting in a maximum possible aggregate dividend of \$5.0.

We pay annual dividends on each share of Series B Preferred Stock in the amount of \$52.50 per share. The initial dividend on our Series B Preferred Stock is \$11.8125 per share and was declared on December 19, 2005 and paid in cash on January 17, 2006. Annual dividends on each share of Series B Preferred Stock are payable quarterly in cash or, if certain conditions are met, in common stock, at our option, on January 15, April 15, July 15 and October 15 of each year. The dividend rate of the Series B Preferred Stock will be increased by 1.0% if we do not pay dividends on the Series B Preferred Stock for six quarterly periods (whether consecutive or not). The dividend rate will revert back to the original rate once all unpaid dividends are paid in full. The dividend rate of the Series B Preferred Stock will also be increased by 1.0% if we do not file our periodic reports with the SEC within 15 days after the required filing date during the first two-year period following the closing of the offering. In March 2006, the Board of Directors declared a dividend of \$13.125 per share on our Series B Preferred Stock, resulting in a maximum possible aggregate dividend of \$6.9.

Dividends on each series of our preferred stock are cumulative from the date of issuance and are payable on each payment date to the extent that we are in compliance with our Three-Year Revolving Credit Facility, assets are legally available to pay dividends and our Board of Directors or an authorized committee of our Board declares a dividend payable. If we do not pay dividends on any series of our preferred stock for six quarterly periods (whether consecutive or not), then holders of all series of our preferred stock then outstanding will have the right to elect two additional directors to the Board. These additional directors will remain on the Board until all accumulated and unpaid dividends on our cumulative preferred stock have been paid in full, or to the extent our series of non-cumulative preferred stock is outstanding, until non-cumulative dividends have been paid regularly for at least one year.

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CONTRACTUAL OBLIGATIONS

The following summarizes our estimated contractual obligations at December 31, 2005, and their effect on our liquidity and cash flow in future periods:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Long-term debt*	\$ 3.1	\$ 4.7	\$ 256.7	\$ 250.8	\$ 0.8	\$ 1,670.0	\$ 2,186.1
Interest payments	\$ 128.1	\$ 128.8	\$ 123.5	\$ 107.6	\$ 58.1	\$ 123.8	\$ 669.9
Non-cancelable operating lease obligations	\$ 287.1	\$ 250.2	\$ 222.5	\$ 194.6	\$ 172.2	\$ 793.6	\$ 1,920.2

* Holders of our \$800.0 4.50% Notes may require us to repurchase the 4.50% Notes for cash at par in March 2008. If all holders require us to repurchase these Notes, a total of \$1,056.7 will be payable in 2008 in respect of long-term debt. These Notes will mature in 2023 if not converted or repurchased.

We have contingent obligations under guarantees of certain obligations of our subsidiaries ("parent company guarantees") relating principally to credit facilities, guarantees of certain media payables and operating leases of certain subsidiaries. The amount of such parent company guarantees was approximately \$306.8 and \$601.8 at December 31, 2005 and 2004, respectively. In the event of non-payment by the applicable subsidiary of the obligations covered by a guarantee, we would be obliged to pay the amounts covered by that guarantee. As of December 31, 2005, there are no material assets pledged as security for such parent company guarantees.

We have not included obligations under our pension and postretirement benefit plans in the contractual obligations table. Our funding policy regarding our funded pension plan is to contribute amounts necessary to satisfy minimum pension funding requirements plus such additional amounts from time to time as are determined to be appropriate to improve the plans' funded status. The funded status of our pension plans is dependent upon many factors, including returns on invested assets, level of market interest rates and levels of voluntary contributions to the plans. Declines in long-term interest rates have had a negative impact on the funded status of the plans. For 2006, we expect to contribute \$17.8 to fund our domestic pension plans, and expect to contribute \$22.1 to our foreign pension plans.

We have structured certain acquisitions with additional contingent purchase price obligations in order to reduce the potential risk associated with negative future performance of the acquired entity. In addition, we have entered into agreements that may require us to purchase additional equity interests in certain consolidated and unconsolidated subsidiaries. The amounts relating to these transactions are based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors. We have not recorded a liability for these items on the balance sheet since the definitive amounts payable are not determinable or distributable. When the contingent acquisition obligations have been met and the consideration is distributable, we will record the fair value of this consideration as an additional cost of the acquired entity. The following table details the estimated liability and the estimated amount that would be paid under such options, in the event of exercise at the earliest exercise date. All payments 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.

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The following contingent acquisition obligations are net of compensation expense, except as noted below, as defined by the terms and conditions of the respective acquisition agreements and employment terms of the former owners of the acquired businesses. This future expense will not be allocated to the assets and liabilities acquired. As of December 31, 2005, our estimated contingent acquisition obligations are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Acquisition Payments							
Cash	\$ 18.3	\$ 1.8	\$ 0.9	\$ 10.5	\$ —	\$ —	\$ 31.5
Stock	11.3	0.3	—	—	—	—	11.6
Put Options with Consolidated Affiliates*							
Cash	23.4	2.3	11.4	2.8	1.8	2.9	44.6
Stock	0.1	0.3	0.5	—	—	—	0.9
Put Options with Unconsolidated Affiliates*							
Cash	1.3	2.5	11.5	0.3	—	—	15.6
Stock	0.4	1.0	0.6	0.3	—	—	2.3
Call Options with Consolidated Affiliates*							
Cash	3.3	0.4	0.4	0.1	2.7	—	6.9
Stock	0.1	—	—	—	—	—	0.1
Subtotal — Cash	<u>46.3</u>	<u>7.0</u>	<u>24.2</u>	<u>13.7</u>	<u>4.5</u>	<u>2.9</u>	<u>98.6</u>
Subtotal — Stock	<u>11.9</u>	<u>1.6</u>	<u>1.1</u>	<u>0.3</u>	<u>—</u>	<u>—</u>	<u>14.9</u>
Total Contingent Acquisition Payments	<u>\$ 58.2</u>	<u>\$ 8.6</u>	<u>\$ 25.3</u>	<u>\$ 14.0</u>	<u>\$ 4.5</u>	<u>\$ 2.9</u>	<u>\$ 113.5</u>

In accounting for acquisitions, we recognize deferred payments and purchases of additional interests after the effective date of purchase that are contingent upon the future employment of owners as compensation expense in our Consolidated Statement of Operations. As of December 31, 2005, our estimated contingent acquisition payments with associated compensation expense impacts are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Compensation Expense- Related Payments							
Cash	\$ 16.6	\$ 0.8	\$ 12.8	\$ 5.4	\$ 1.3	\$ 0.9	\$ 37.8
Stock	0.1	—	—	—	—	—	0.1
Subtotal	<u>16.7</u>	<u>0.8</u>	<u>12.8</u>	<u>5.4</u>	<u>1.3</u>	<u>0.9</u>	<u>37.9</u>
Total Payments	<u>\$ 74.9</u>	<u>\$ 9.4</u>	<u>\$ 38.1</u>	<u>\$ 19.4</u>	<u>\$ 5.8</u>	<u>\$ 3.8</u>	<u>\$ 151.4</u>

* We have entered into certain acquisitions that contain both put and call options with similar terms and conditions. In such instances, we have included the related estimated contingent acquisition obligations with Put Options.

We maintain certain put options with consolidated affiliates that are exercisable at the discretion of the minority owners as of December 31, 2005. These put options are assumed to be exercised in the earliest possible period subsequent to December 31, 2005. Therefore, the related estimated acquisition payments of \$33.5 have been included within the total payments expected to be made in 2006 in the table above. These payments, if not made in 2006, will continue to carry-forward into 2007 or beyond until they are exercised or expire.

The 2006 obligations relate primarily to acquisitions that were completed prior to December 31, 2001.

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DERIVATIVES AND HEDGING ACTIVITIES

We periodically enter into interest rate swap agreements and forward contracts to manage exposure to interest rate fluctuations and to mitigate foreign exchange volatility. In January 2005, we executed an interest rate swap which synthetically converted \$150.0 of the \$500.0, 7.25% Senior Unsecured Notes due August 2011, of fixed rate debt to floating rates. We entered into the swap to hedge a portion of our floating interest rate exposure on our cash investments. In May of 2005, we terminated all of our long-term interest rate swap agreements covering the \$350.0 6.25% Senior Unsecured Notes and \$150.0 of the \$500.0 7.25% Senior Unsecured Notes. In connection with the interest rate swap termination, our net cash receipts were approximately \$1.1, which will be recorded as an offset to interest expense over the remaining life of the related debt.

We have entered into foreign currency transactions in which various foreign currencies are bought or sold forward. These contracts were entered into to meet currency requirements arising from specific transactions. The changes in value of these forward contracts have been recorded as other income or expense in our Consolidated Statement of Operations. As of December 31, 2005 and 2004, we had contracts covering approximately \$6.2 and \$1.8, respectively, of notional amount of currency and the fair value of the forward contracts was negligible.

The terms of the 4.50% Notes include two embedded derivative instruments and the terms of our Series B Preferred Stock include one embedded derivative. The fair value of the three derivatives on December 31, 2005 was negligible.

INTERNAL CONTROL OVER FINANCIAL REPORTING

We have identified numerous material weaknesses in our internal control over financial reporting, as set forth in greater detail in Item 8, Management's Assessment on Internal Control Over Financial Reporting and Item 9A, Controls and Procedures, of this report. Each of our material weaknesses results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result, we have assessed that our internal control over financial reporting was not effective as of December 31, 2005.

We are in the process of developing and implementing remedial measures to address the material weaknesses in our internal control over financial reporting. However, because of our decentralized structure and our many disparate accounting systems of varying quality and sophistication, we have extensive work remaining to remedy these material weaknesses. We are in the process of developing a work plan for remedying all of the identified material weaknesses and this work will extend beyond the 2006 fiscal year. At present, there can be no assurance as to when these material weaknesses will be remedied. Until our remediation is completed, we will continue to incur the expenses and management burdens associated with the manual procedures and additional resources required to prepare our Consolidated Financial Statements. There will also continue to be a substantial risk that we will be unable to file our periodic reports with the SEC in a timely manner. We discuss these risks in Item 1A, Risk Factors, of this Annual Report.

LIABILITIES RELATING TO OUR PRIOR RESTATEMENT

Restatement Related Matters

As described in Note 1 to the Consolidated Financial Statements, in our 2004 Annual Report on Form 10-K filed in September 2005, we restated previously reported financial statements for 2003, 2002, 2001, 2000 and for the first three quarters of 2004 and all four quarters of 2003. We refer to that restatement as the "Prior Restatement". During our Prior Restatement, we conducted an extensive

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examination of financial information and significant transactions and recorded expense and liabilities related to Vendor Discounts or Credits, Internal Investigations, and International Compensation Arrangements.

A summary of the remaining liabilities related to these matters is as follows:

	Balance as of 12/31/05	Balance as of 12/31/04
Vendor Discounts or Credits*	\$ 284.8	\$ 283.9
Internal Investigations* (includes asset reserves)	24.7	61.7
International Compensation Arrangements	36.2	40.3
Total	\$ 345.7	\$ 385.9

* \$37.5 of vendor credits disclosed within Internal Investigations as of December 31, 2004 has been reclassified to Vendor Discounts or Credits for current year presentation.

Vendor Discounts or Credits

We receive credits from our vendors and media outlets for the acquisition of goods and services that are entered into on behalf of our clients. The expenses include the purchase of various forms of media, including television, radio, and print advertising space, or production costs, such as the creation of advertising campaigns, commercials, and print advertisements. Revenues in the advertising and communicative services business are frequently recorded net of third party costs as the business is primarily an agent for its clients. Since these costs are billed to clients, there are times when vendor credits or price differences can affect the net revenue recorded by the agency. These third party discounts, rebates, or price differences are frequently referred to as credits.

Our contracts are typically "fixed-fee" arrangements or "cost-based" arrangements. In "fixed-fee" arrangements, the amount we charge our clients is comprised of a fee for our services. The fee we earn, however, is not affected by the level of expenses incurred. Therefore, any rebates or credits received in servicing these accounts do not create a liability to the client. In "cost-based" arrangements, we earn a percentage commission or flat fee based on or incremental to the expenses incurred. In these cases, rebates or credits received may accrue to the benefit of our clients and create a liability payable to the client. The interpretation of cost language included in our contracts can vary across international and domestic markets in which we operate and can affect whether or not we have a liability to the client.

The terms of agreements with our clients are significantly impacted by the following: 1) the types of vendor credits obtained (rebates, discounts, media and production credits); 2) differing contract types with clients (fixed fee vs. cost-based arrangements); 3) varying industry practices and laws in the regions of the world in which we operate; 4) determining which contract (global, regional or local) governs our relationships with clients; and 5) unique contract provisions in specific contracts.

Prior to filing our 2004 Annual Report, we performed an extensive examination of our client contracts and arrangements and considered local law in the international jurisdictions where we conduct business to determine the impact of improperly recognizing these vendor credits as additional revenue instead of recognizing a liability to our clients. We identified areas where there were differences in prices billed to customers and prices received from vendors. All differences associated with cost-based contracts not already passed back to customers were established as liabilities.

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Following the filing of the 2004 10-K in September of 2005, we began contacting clients to notify them of these liabilities and to negotiate an appropriate settlement. During this process the additional following information came to our attention.

- Additional global or regional master contracts, with contractual terms that required us to rebate vendor discounts or credits, took precedence over local contracts that did not require us to rebate vendor discounts or credits.
- Certain misinterpretations of contractual terms and or applicable local law in our Prior Restatement led us to re-examine our agencies' legal assessment process. As a result, our legal department coordinated the engagement of local counsel in order to provide definitive guidance regarding specific local laws, existing legal precedent and historical, as well as, ongoing legal market practices. This legal guidance required additional adjustments to be made to the liabilities established in the Prior Restatement.
- The liability recorded during our Prior Restatement in some instances either covered too many years or did not cover enough years as required by the statute of limitations, based on the contract we determined ultimately governed. We adjusted our liabilities for all years required under the statute of limitations in the appropriate jurisdiction.
- In connection with our Prior Restatement, we estimated certain amounts of our exposures. We have determined that in certain instances our initial estimate of the liability recorded required adjustment. Additionally, certain entries originally recorded as estimates have been revised based on actual data retrieved from agency books and records.
- We performed a detailed review of situations in which billings from vendors and billings to our clients were different. An appropriate adjustment was recorded for any known scenarios where such information was fully reconciled and the difference was not related to a cost-based contract.
- For certain liabilities where the statute of limitations has lapsed, we appropriately released such liabilities, unless the liabilities were associated with customers with whom we are in the process of settling or we intend to settle such liabilities.

We have included a table that depicts the beginning balance, the additional liabilities recorded and the adjustment reducing these liabilities. While we had changes to our original reserve positions, the net impact of adjustments, excluding fluctuations related to payments and foreign currency and other was an increase to the liability balance of \$22.9, and that was primarily attributable to the out of period vendor discounts or credits adjustments.

	<u>Balance as of</u> <u>12/31/04</u>	<u>Liability</u> <u>Reversals</u>	<u>Additional</u> <u>Liabilities</u>	<u>Payments</u>	<u>Other</u>	<u>Balance as of</u> <u>12/31/05</u>
Vendor Discounts or Credits	\$ 283.9	(76.5)	99.4	(11.6)	(10.4)	\$ 284.8

Internal Investigations

In our Prior Restatement review, we noted instances of possible employee misconduct. As a result, through December 31, 2004, we recorded adjustments with a cumulative impact on income of \$114.8. Of this amount, \$61.7 related to liabilities and asset reserves, \$15.6 to asset write-offs, and \$37.5 related to Vendor Discounts or Credits as of December 31, 2004. These adjustments were recorded to correct certain unintentional errors in our accounting that were discovered as a result of investigations and primarily related to agencies outside the United States. However, certain of these investigations revealed deliberate

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falsification of accounting records, evasion of taxes in jurisdictions outside the United States, inappropriate charges to clients, diversion of corporate assets, non-compliance with local laws and regulations, and other improprieties. These errors were not prevented or detected earlier because of material weaknesses in our control environment and decentralized operating structure. We recorded liabilities related to these matters, for business locations under investigation in our Prior Restatement review, which represented management's best estimate of probable exposure based on the facts available at that time.

The law firm of Dewey Ballantine LLP was retained to advise the Audit Committee of the Board of Directors regarding the discharge of its obligations. Through the filing of this document, Dewey Ballantine has reviewed all internal investigations cases that were included in our Prior Restatement and continues to oversee our related remediation plans. Dewey Ballantine retained a forensic accounting firm to assist with its review.

During 2005, we recorded a net decrease in our liabilities for Internal Investigations of \$37.0. The decrease is primarily due to write-off of assets reserves, the recognition of deferred revenue, and payment of taxes, penalties and interest. We also divested certain agencies in Greece, Spain, Azerbaijan, Ukraine, Uzbekistan, Bulgaria and Kazakhstan. We have increased our reserves related to additional VAT and payroll related taxes.

Below is an update of our significant cases.

At our McCann and FCB agencies in Turkey we recorded adjustments related to the retention of vendor discounts that should have been remitted to clients, the improper valuation of a previously acquired business over-billing clients for payments to vendors and evasion of local taxes. In 2005, the investigation has concluded and we have taken the appropriate personnel actions, including the termination of local senior management. As of December 31, 2005 and 2004, the remaining liabilities were \$12.6 and \$19.8, respectively.

At Media First in New York City we recorded adjustments related primarily to inadequate recordkeeping and the payment of certain employee salaries through accounts payable, without appropriate tax withholdings, resulting in increased earn-out payments. In 2005, we recorded asset write-offs and have taken the appropriate personnel actions, including the termination of local senior management. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$1.2 and \$10.8, respectively.

At our FCB agency in Spain we recorded adjustments related to the use of companies that were formed to account for the production and media volume discounts received from production suppliers on a separate set of books and records, to prevent the detection of discounts and rebates in the event of a client audit. In addition compensation was paid to an agency executive's personal service company out of these companies without proper withholding for income taxes. In 2005, we have divested our interest in a component of FCB Spain and signed an affiliation agreement with the management, with an appropriate control structure to assure future business is properly conducted. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$0 and \$9.8, respectively.

At five McCann agencies in Azerbaijan, Ukraine, Uzbekistan, Bulgaria and Kazakhstan we recorded adjustments related to the failure to record and pay compensation-related taxes, value added taxes and corporate income taxes, and inadequate record keeping. In 2005, we have sold these entities and signed affiliation agreements with Azerbaijan, Uzbekistan Bulgaria and Kazakhstan and intend to sign an affiliation agreement with Ukraine agency management. There will be an appropriate control structure to assure business is properly conducted. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$6.2 and \$8.7, respectively.

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In addition, we also conducted other investigations in our Prior Restatement review for errors found that were similar in nature to those described above. In the aggregate, for these other investigations, we recorded \$4.7 and \$12.6 in liabilities as of December 31, 2005 and 2004, respectively.

International Compensation Arrangements

In our Prior Restatement review, we performed an extensive examination of employee compensation practices across our organization. While most practices were found to be acceptable, we identified some practices in certain jurisdictions that required additional review. In certain jurisdictions in which we operate, particularly in Europe and Latin America, it is common for individuals to establish a personal service company ("PSC"), in which case the hiring company will normally contract directly with the PSC for the services of the individual. We reviewed every situation where one of our agencies had contracted with a PSC and determined that in a number of instances, the use of a PSC was determined not to be supportable. We also identified other arrangements or practices in certain jurisdictions, such as payment of personal expenses outside the normal payroll mechanism, split salary payments, equity grants and retirement payments, and independent contractors/employees that led to an avoidance of paying certain taxes as well as not reporting compensation to local authorities.

For these issues, liabilities represented our best estimate of expected payments to various governmental organizations in the jurisdictions involved. These amounts were estimates as of such date of our liabilities that we believed were sufficient to cover the obligations that we may have had to various authorities. As a result of the disclosures that were made in our 2004 Annual Report, we anticipate that the authorities in certain jurisdictions may undertake reviews to determine whether any of the activities disclosed violated local laws and regulations. This may lead to further investigations and the levy of additional assessments including possible fines and penalties. While we intend to defend against any assessment that we determine to be unfounded, nevertheless we could receive assessments which may be substantial. However, it cannot be determined at this time whether such investigations would be commenced or, if they are, what the outcome will be with any reasonable certainty.

During 2005, we recorded a net decrease in our liabilities for International Compensation Arrangements of \$4.1. The decrease is comprised of reductions in our liabilities due to the expiration of one year under the statutes of limitations, changes in management's estimates and the favorable outcome of audits in certain jurisdictions. The decrease is net of increases to our accruals due to additional liabilities incurred in 2005 through the continued use of a PSC or other such arrangements which we are in the process of terminating, as well as interest on amounts not yet settled.

OUT OF PERIOD ADJUSTMENTS

In the fourth quarter, we identified certain vendor discounts and credits, tax, and other miscellaneous adjustments in which our previously reported financial statements were in error or did not conform to GAAP. Because these changes are not material to our financial statements for the periods prior to 2005, or to 2005 as a whole, we have recorded them in the fourth quarter of 2005.

The errors in our previously reported financial information, and the failure to prevent them or detect them in our financial reporting process, were largely attributable to weak internal controls. We concluded that our control environment has not progressed sufficiently to serve as an effective foundation for all other components of internal control. See Management's Assessment on Internal Control Over Financial Reporting.

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The following tables summarize the impact to the fourth quarter of 2005 of amounts recorded in the fourth quarter of 2005 which relate to reported revenue, operating income (loss), income (loss) from continuing operations before provision for income taxes, loss from continuing operations and loss per share.

	Impact of Adjustments on Revenue
	For the Three Months Ended December 31, 2005
Revenue as reported	\$1,895.7
Impact of adjustments:	
Vendor Discounts or Credits	21.2
Other adjustments	(3.9)
Total net adjustments	17.3
Revenue (exclusive of out of period amounts)	<u>\$1,913.0</u>
	Impact of Adjustments on Operating Income
	For the Three Months Ended December 31, 2005
Operating Income as reported	\$57.6
Impact of adjustments:	
Vendor Discounts or Credits	23.2
Other adjustments	(1.6)
Total net adjustments	21.6
Operating Income (exclusive of out period amounts)	<u>\$79.2</u>
	Impact of Adjustments on Income from Continuing Operations Before Provision For Income Taxes
	For the Three Months Ended December 31, 2005
Income from continuing operations before provision for income taxes as reported	\$44.6
Impact of adjustments:	
Vendor Discounts or Credits	22.9
Other adjustments	(2.2)
Total net adjustments	20.7
Income from continuing operations before provision for income taxes (exclusive of out of period amounts)	<u>\$65.3</u>

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	Impact of Adjustments on Loss from Continuing Operations and Loss per Share
	For the Three Months Ended December 31, 2005
Loss from continuing operations as reported	\$ (31.9)
Impact of adjustments:	
Vendor Discounts or Credits	22.9
Other adjustments	(2.2)
Total adjustments (pre-tax)	20.7
Tax adjustments	19.5
Equity in net income of unconsolidated affiliates	3.9
Total net adjustments	(2.7)
Loss from continuing operations (exclusive of out of period amounts)	\$ (34.6)
Loss per share of common stock — basic and diluted:	
Loss per share as reported	\$ (0.10)
Effect of adjustments	(0.01)
Loss per share (exclusive of out of period amounts)	(0.11)
Weighted-average shares	425.5

The impact to 2004, 2003 and prior periods related to out of period amounts recorded in the fourth quarter of 2005 was immaterial.

Description of Out of Period Adjustments:

Vendor Discounts or Credits:

We performed extensive procedures as a result of the initiation of settlement discussions with clients. The procedures broadly considered global or regional contracts, review of key changes in legal interpretations, review of statutes of limitations, estimated exposures and vendor price differences related to cost-based contracts. As a result of these additional procedures, adjustments were recorded to our previously established liabilities.

Other Adjustments

We have identified other items which do not conform to GAAP and recorded adjustments to our 2005 Consolidated Financial Statements which relate to previously reported periods. The most significant include accounting related to the capitalization of software costs, acquisition related costs and international compensation arrangements.

Tax Adjustments

We recorded adjustments to correct the Accrued and Deferred income taxes for items primarily related to the computation of income tax benefits on the 2004 Long-lived Asset Impairment Charges, the establishment of certain valuation allowances, the accounting for certain international tax structures and

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the computation of interest accruals on certain non-US income tax contingencies. The impact of amounts recorded in the fourth quarter of 2005 was \$8.7 of tax benefit.

We also record the tax impact of the out of period adjustments described above, where applicable, based on the local statutory tax rate in the jurisdiction of the entity recording the adjustment. The impact of amounts recorded in the fourth quarter of 2005 was \$10.8 of tax benefit.

CRITICAL ACCOUNTING ESTIMATES

Our Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles 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 notes. 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 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 programs in various media and the planning and execution of other marketing and communications programs. 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 also becoming increasingly complex arrangements that frequently include provisions for incentive compensation and govern 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 various agencies. In arranging for such services to be provided, it is possible for both a global and local agreement to be initiated. Multiple 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) collectibility is reasonably assured; and (iv) services have been performed. Depending on the terms of the client contract, fees for services performed can be primarily recognized three ways: proportional performance, straight-line (or monthly basis) or completed contract.

- Fees are generally recognized as earned based on the proportional performance method of revenue recognition in situations where our fee is reconcilable to the actual hours incurred to service the client as detailed in a contractual staffing plan or where the fee is earned on a per hour basis, with the amount of revenue recognized in both situations limited to the amount realizable under the client contract. We believe an input based measure (the "hour") is appropriate in situations where the client arrangement essentially functions as a time and out-of-pocket expense contract and the client receives the benefit of the services provided throughout the contract term.
- Fees are recognized on a straight-line or monthly basis when service is provided essentially on a pro rata basis and the terms of the contract support monthly basis accounting.

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- Certain fees (such as for major marketing events) are deferred until contract completion as the final act is so significant in relation to the service transaction taken as a whole. Fees are also recognized on a completed contract basis when the terms of the contract call for the delivery of discrete projects (“milestone” arrangements), if any of the criteria of SAB No. 104 were not satisfied prior to job completion or the terms of the contract do not otherwise qualify for proportional performance or monthly basis recognition.

Incremental direct costs incurred related to contracts where revenue is accounted for on a completed contract basis are generally expensed as incurred. There are certain exceptions made for significant contracts or for certain agencies where the majority of the contracts are project-based and systems are in place to properly capture appropriate direct costs. 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 the revenue to our performance relative to both qualitative and quantitative goals. 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. Therefore, 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. 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 financial statements, and particularly on the allocation of revenues between periods.

Substantially all 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 financial statements, because of various pass-through expenses such as production and media costs. In compliance with EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, we assess whether the agency or the third-party supplier is the primary obligor. 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 (primarily sales promotion, event, sports and entertainment marketing and corporate and brand identity services) where the key indicators suggest we act as a principal, we record the gross amount billed to the client as revenue and the related costs incurred as operating expenses.

The determination whether revenue in a particular line of business should be recognized net or gross involves difficult 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, but have no impact on our operating income. Conversely, if it were determined that we must recognize a significant portion of revenues on a net basis rather than a gross basis, it would negatively impact revenues, but have no impact on our operating income.

As we provide services as part of our core operations, we generally incur incidental expenses, which, in practice, are commonly referred to as “out of pocket” expenses. These expenses often include expenses related to airfare, mileage, hotel stays, out of town meals and telecommunication charges. In accordance

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with EITF Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*, we record the reimbursements received for incidental expenses as revenue.

We receive credits from our vendors and media outlets for transactions entered into on behalf of our clients, which are passed through to our clients in accordance with contractual provisions and local law. If a pass-through is not required, then these credits are a reduction of vendor cost, and are generally recorded as additions to revenue. In connection with our Prior Restatement, where it was impractical to review client contracts, we used statistical methods to estimate our exposure that could arise from credits, discounts and other rebates owed to clients. If our estimate is insufficient, we may be required to recognize additional liabilities. If the initial estimate of the liability recorded is subsequently determined to be over or under provided for, the difference is recorded as an adjustment to revenue. If we are able to negotiate a favorable settlement of a recorded liability, however, the reversal of this amount is recorded in a non-operating income account since negotiating a favorable outcome with a client is not considered a revenue generating activity. See Note 2 to the Consolidated Financial Statements for further information.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on the aging of accounts receivable, reviews of client credit reports, industry trends and economic indicators, as well as analysis of recent payment history for specific customers. The estimate is based largely on a formula-driven calculation but is supplemented with economic indicators and knowledge of potential write-offs of specific client accounts. Though we consider the balance to be adequate, changes in general domestic and international economic conditions in specific markets could have a material impact on the required reserve balance. A 10% increase in the allowance for doubtful accounts would result in a \$10.6 increase in bad debt expense for 2005.

Income Taxes

The provision for income taxes includes 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 recovered or settled. We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The realization of our deferred tax assets is primarily dependent on future earnings. Any reduction in estimated forecasted results may require that we record additional valuation allowances against our deferred tax assets. In connection with the U.S. deferred tax assets, management believes that it is more likely than not that a substantial amount of the deferred tax assets will be realized; a valuation allowance has been established for the remainder. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future U.S. taxable income are lower than anticipated. Once a valuation allowance has been established, it will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that the deferred tax assets will be realized. A pattern of sustained profitability will generally be considered as sufficient positive evidence to reverse a valuation allowance. If the allowance is reversed in a future period, our income tax provision will be correspondingly reduced. Accordingly, the establishment and reversal of valuation allowances has had and could have a significant negative or positive impact on our future earnings. See Note 11 to the Consolidated Financial Statements for further information.

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We measure deferred tax assets and liabilities using enacted tax rates that, if changed, would result in either an increase or decrease in the provision for income taxes in the period of change.

Undistributed earnings of our foreign subsidiaries are permanently reinvested. While the American Jobs Creation Act of 2004 (the "Jobs Act") creates a temporary incentive for U.S. corporations to repatriate undistributed international earnings by providing an 85% dividends received deduction, we have reviewed the provisions and determined not to take advantage of this provision to repatriate undistributed earnings of our foreign subsidiaries to the U.S.

Land, Buildings and Equipment

The assignment of useful lives to buildings and equipment involves judgments and the use of estimates. Buildings and equipment are depreciated generally using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture, equipment and computer software costs, 10 to 35 years for buildings and the shorter of the useful life of the asset (which ranges from 3 to 10 years) or the remaining lease term for leasehold improvements. A one-year decrease in the useful lives of these assets would result in an \$19.1 increase in annual depreciation expense for 2005.

Certain events or changes in circumstances could cause us to conclude that the carrying value of our buildings and equipment may not be recoverable. Events or circumstances that might require impairment testing include, but are not limited to, decrease in market price, negative forecasted cash flow, or a significant adverse change in business climate of the asset grouping. If the total estimate of the expected future undiscounted cash flows of an asset grouping over its useful life is less than its carrying value, an impairment loss is recognized in the financial statements equal to the difference between the estimated fair value and carrying value of the asset grouping. If our estimates change, it may have a material impact on our financial statements.

Investments

We regularly review our cost and equity method investments to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. In the event a decline in fair value of an investment occurs, we must determine if the decline has been other than temporary. We consider our investments strategic and long-term in nature, so we must determine if the fair value decline is recoverable within a reasonable period. For investments accounted for using the cost or equity basis, we evaluate fair value based on specific information (valuation methodologies, estimates of appraisals, financial statements, etc.) in addition to quoted market price, if available. Factors indicative of an other than temporary decline also include recurring operating losses, credit defaults and subsequent rounds of financing with pricing that is below the cost basis of the investment. This list is not all-inclusive; we consider all known quantitative and qualitative factors in determining if an other than temporary decline in value of an investment has occurred. Our assessments of fair value represent our best estimates at the time of impairment review. If different fair values are later estimated, it could have a material impact on our financial statements. See Note 10 to the Consolidated Financial Statements for further information.

Goodwill and Other Intangible Assets

We account for our business combinations using the purchase accounting method. The total costs of the acquisitions are allocated to the underlying net assets, based on their respective estimated fair market values and the remainder allocated to goodwill and other intangible assets. Considering the characteristics

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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. Determining the fair market value of assets acquired and liabilities assumed requires management's judgment and involves the use of significant estimates, including future cash inflows and outflows, discount rates, asset lives and market multiples.

We review goodwill and other intangible assets with indefinite lives not subject to amortization (e.g., customer lists, trade names and customer relationships) annually or 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 16 reporting units that are either the entities at the operating segment level or one level below the operating segment level. For 2005, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we did not test certain reporting units whose 2004 fair value determination exceeded their carrying amount by a substantial margin, where no significant event occurred since the last fair value determination that would significantly change this margin and where the reporting units did not have a triggering event during 2005. The remaining reporting units were tested either as part of the 2005 annual impairment testing as their 2004 fair value did not significantly exceed their carrying value by a substantial margin or as a result of a triggering event. 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. Intangible assets with definite lives subject to amortization are amortized on a straight-line basis with estimated useful lives generally ranging from 1 to 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, or a significant adverse change in business climate or regulations.

SFAS No. 142 specifies a two-step process for testing for goodwill impairment and measuring the magnitude of any impairment. The first step of the impairment test is a comparison of the fair value of a reporting unit to its carrying value, including goodwill. 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. The second step 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.

The fair value of a reporting unit is estimated using our projections of discounted future operating cash flows (without interest) of the unit. Such projections require the use of significant estimates and assumptions as to matters such as future revenue growth, profit margins, capital expenditures, assumed tax rates and discount rates. We believe that the estimates and assumptions made are reasonable but they are susceptible to change from period to period. For example, our strategic decisions or changes in market valuation multiples could lead to impairment charges. Actual results of operations, cash flows and other factors used in a discounted cash flow valuation will likely differ from the estimates used and it is possible that differences and changes could be material.

For the year ended December 31, 2005, we changed the date of our annual impairment test for goodwill and other intangible assets with indefinite lives from September 30th to October 1st. During 2005 we performed this annual impairment test on September 30th and then again on October 1st to ensure that multiples used in the reporting units tested were consistent. By moving the date into the fourth

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quarter we will be able to utilize the most current and accurate plan and forecast information. The new date also provides us additional time to meet future accelerated public reporting requirements. This change did not delay, accelerate or avoid an impairment charge. This change in accounting principle also did not have an effect on our Consolidated Financial Statements. Accordingly, we believe that the accounting change described above is an alternative accounting principle that is preferable.

Our annual impairment reviews as of September 30th and October 1st, 2005 resulted in an impairment charge at a reporting unit within our sports and entertainment marketing business. In addition, during the fourth quarter of 2005, there was a loss of a significant client at one of our reporting units that caused us to perform additional impairment testing. As a result, we recorded \$97.0 of impairments during 2005. See Notes 8 and 9 to the Consolidated Financial Statements for further information. The excess of the low range of the fair value over the carrying value for each of the non-impaired reporting units ranged from approximately \$2.4 to \$1,501.9 and \$6.4 to \$1,501.9 in 2005 and 2004, respectively. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of each reporting unit. The hypothetical 10% decrease applied to 2005 fair values for each of the non-impaired reporting units would result in a range of an impairment charge of approximately \$38.2 to excess fair value over carrying value of approximately \$871.9. This hypothetical 10% decrease would result in excess fair value over carrying value for each of the non-impaired reporting units ranging from approximately \$3.4 to \$871.9 in 2004.

Acquisitions

The majority of our acquisitions involve an initial payment at the time of closing and provide for additional contingent purchase price payments over a specified time. The initial purchase price of an acquisition is allocated to identifiable assets acquired and liabilities assumed based on estimated fair values with any excess being recorded as goodwill and other intangible assets. These contingent payments, which are also known as "earn-outs" and "put options," are calculated based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors. Earn-outs and put options are recorded within the financial statements as an increase to goodwill and other intangible assets once the terms and conditions of the contingent acquisition obligations have been met and the consideration is distributable or expensed as compensation based on the acquisition agreement and the terms and conditions of employment for the former owners of the acquired businesses. See the Liquidity and Capital Resources section of this report and Note 21 to the Consolidated Financial Statements for further information regarding future contingent acquisition obligations.

Restructuring Reserves

When appropriate, we establish restructuring reserves for severance and termination costs and lease termination and other exit costs related to our restructuring programs. We have established reserves for restructuring programs initiated in 2001 and 2003. The reserves reflect our best estimates for the costs of the plans. However, actual results may differ from the estimated amounts based on, but not limited to, changes in demand for advertising services and unexpected usage of leased properties. Comparison of actual results to estimates may materially impact the amount of the restructuring charges or reversals. We will continue to monitor our restructuring reserves and may adjust the current balances based on future events. See Note 6 to the Consolidated Financial Statements for further information.

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Pension and Postretirement Benefits

We use various actuarial methods and assumptions in determining our pension and postretirement benefit costs and obligations, including the discount rate used to determine the present value of future benefits, expected long-term rate of return on plan assets and healthcare cost trend rates. The discount rate determination is one of the significant assumptions that impacts our benefit cost and recorded obligations for pension and postretirement plans. Discount rates used for our benefit plans attempt to match the duration of the underlying liability with highly rated securities that could be used to effectively settle the obligation. For example, in 2005, a 25 basis point decrease in the discount rate would have increased our net benefit cost by approximately \$2.0. See Note 16 to the Consolidated Financial Statements for further information.

OTHER MATTERS

SEC Investigation

The SEC opened a formal investigation in response to the restatement we first announced in August 2002 and, as previously disclosed, the SEC staff's investigation has expanded to encompass our Prior Restatement. In particular, since we filed our 2004 Form 10-K, we have received subpoenas from the SEC relating to matters addressed in our Prior Restatement. We continue to cooperate with the investigation. We expect that the investigation will result in monetary liability, but because the investigation is ongoing, in particular with respect to the Prior Restatement, we cannot reasonably estimate either the timing of a resolution or the amount. Accordingly, we have not yet established any accounting provision relating to these matters.

RECENT ACCOUNTING STANDARDS

See Note 22 to the Consolidated Financial Statements for a complete description of recent accounting pronouncements that have affected us or may affect us.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risks related to interest rates and foreign currency rates. From time to time, we use derivatives, 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, involve little complexity and are not used for trading or speculative purposes. See Note 18 to the Consolidated Financial Statements.

Interest Rates

Our exposure to market risk for changes in interest rates relates primarily to our debt obligations. As further described in Note 13 to the Consolidated Financial Statements, our principal debt obligations at December 31, 2005 consisted of our 4.50% Notes and Senior Unsecured Notes, with expiration dates ranging from 2009 to 2014.

At December 31, 2005 and 2004, 86.0% and 81.1% of our debt obligations bore interest at fixed interest rates. Accordingly, assuming the fixed-rate debt is not refinanced, there would be no impact on interest expense or cash flow from either a 10% increase or decrease in market rates of interest. However, there would be an impact on the fair market value of the debt, as the fair market value of debt is sensitive to changes in interest rates. For 2005, the fair market value of the debt obligations would decrease by approximately \$27.7 if market rates were to increase by 10% and would increase by approximately \$28.0 if market rates were to decrease by 10%. For 2004, the fair market value of the debt obligations would have decreased by approximately \$16.3 if market rates increased by 10% and would have increased by approximately \$19.5 if market rates decreased by 10%. For that portion of the debt that bore interest at variable rates, based on outstanding amounts and rates at December 31, 2005, interest expense and cash out-flow would increase or decrease by approximately \$2.1 if market rates were to increase or decrease by 10%, respectively. For that portion of the debt that bore interest at variable rates, based on outstanding amounts and rates at December 31, 2004, interest expense and cash out-flow would have increased or decreased by approximately \$1.8 if market rates increased or decreased by 10%, respectively. From time to time we have used interest rate swaps to manage the mix of our fixed and floating rate debt obligations. In May 2005, we terminated all our existing long-term interest rate swap agreements, and currently have none outstanding.

Foreign Currencies

We face translation and transaction risks related to changes in foreign currency exchange rates. Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in the stockholders' equity section of our Consolidated Balance Sheet. Our foreign subsidiaries generally collect revenues and pay expenses in currencies other than the U.S. Dollar, mitigating transaction risk. Since the functional currency of our foreign operations is generally the local currency, foreign currency translation of the balance sheet is reflected as a component of stockholders' equity and does not impact operating results. Revenues and expenses in foreign currencies translate into varying amounts of U.S. Dollars depending upon whether the U.S. Dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may either positively or negatively affect our consolidated revenues and expenses (as expressed in U.S. Dollars) from foreign operations. Currency transaction gains or losses arising from transactions in currencies other than the functional currency are included in results of operations and were not significant in the years ended December 31, 2005 and 2004. We have not entered into a material amount of foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

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Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S ASSESSMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is 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 in the United States of America ("GAAP"). We recognize that 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 and procedures may deteriorate.

To evaluate the effectiveness of our internal control over financial reporting, management used the criteria described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness (within the meaning of PCAOB Auditing Standard No. 2) in internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management's assessment is that our internal control over financial reporting was not effective as of December 31, 2005 because of the material weaknesses identified and described below. The material weaknesses identified by us at December 31, 2005 are grouped according to the components of the COSO framework to which they relate. These material weaknesses resulted in restatements, misstatements and audit adjustments as described below, and could result in misstatements that would be material to the annual or interim consolidated financial statements that would not be prevented or detected.

Control Environment

1. The Company did not maintain an effective control environment. Specifically, controls were not designed and in place to ensure compliance with the Company's policies and procedures, including those contained in the Company's Code of Conduct. Further, the Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of GAAP commensurate with the Company's financial reporting requirements. The Company also failed to implement processes to ensure periodic monitoring of its existing internal control activities over financial reporting by placing heavy reliance on manual procedures without quality control review and other monitoring controls in place to adequately identify and assess significant risks that may impact financial statements and related disclosures. This deficiency results in a control environment that allowed instances of falsified books and records, violations of laws, regulations and the Company's policies, misappropriation of assets and improper customer charges and dealings with vendors. This deficiency resulted in a restatement of the first three interim periods of 2005 and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to annual or interim consolidated financial statements that would not be prevented or detected. This deficiency has had a pervasive impact on the Company's control environment and has contributed to the material weaknesses described below.

Control Activities

2. The Company did not maintain effective controls over the accounting for purchase business combinations. Specifically, the Company did not have controls designed and in place to ensure the completeness, accuracy and valuation of revenue and expenses of acquired companies related to periods after the closing date of the transactions. In addition, the Company did not maintain effective controls to ensure the completeness, accuracy and valuation of assets and liabilities recorded for compensatory earn-out and put arrangements or derivatives embedded within acquisition transactions. This deficiency resulted in a restatement of the first three interim periods of 2005 and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements,

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which primarily impacted accounts receivable, net, accounts payable, minority interests in consolidated subsidiaries, goodwill, and other income. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including, but not limited to, the aforementioned accounts above that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

3. The Company did not maintain effective controls over the accuracy and presentation and disclosure of recording of revenue. Specifically, controls were not designed and in place to ensure that customer contracts were authorized, that customer contracts were analyzed to select the appropriate method of revenue recognition, and billable job costs were compared to client cost estimates to ensure that no amounts were owed to clients. In addition, controls were not designed and in place to ensure that revenue transactions were analyzed for appropriate presentation and disclosure of billable client pass-through expenses or for recognition of revenue on a gross or net basis. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted revenue, office and general expenses, accounts receivable, net, expenditures billable to clients, accounts payable, and accrued liabilities. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

4. The Company did not maintain effective controls to ensure that certain financial statement transactions were appropriately initiated, authorized, processed, documented and accurately recorded. This was primarily evident in the following specific areas:

- i. client contracts, and client or vendor incentives and rebates;
- ii. accounts receivable transactions, expenditures and fees billable to clients;
- iii. fixed assets purchases, disposals, depreciable lives and leases;
- iv. accounts payable and accrued liabilities;
- v. payments made for employee and executive compensation and payments for benefits;
- vi. cash and cash equivalents, wire transfers, and foreign currency transactions;
- vii. arrangements with derivative instruments;
- viii. intercompany transactions;
- ix. purchase of equity of investments in unconsolidated entities;
- x. purchase, disposal or write-off of intangible assets; and
- xi. debt and equity transactions.

This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

5. The Company did not maintain effective controls over the complete and accurate recording of leases in accordance with GAAP. Specifically, the Company did not completely evaluate and accurately account for leases with rent holidays, rent escalation clauses, leasehold improvements or asset retirement obligations associated with real estate leases. This deficiency resulted in audit adjustments to the 2005 annual and interim consolidated financial statements, which primarily impacted office and general expenses, restructuring charges, land, buildings and equipment, net, accrued liabilities and other non-current liabilities. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

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6. The Company did not maintain effective controls over the accounting for income taxes in domestic operations and operations outside of the United States to ensure amounts are accurately accounted for in accordance with GAAP. Specifically, the Company did not have controls designed and in place to ensure that accounting personnel performed the following: recorded income tax provision between current and deferred tax accounts in the balance sheet; reconciled prior years' income tax returns to the appropriate period income tax provision computations; timely identified income tax exposures and contingencies, including interest and penalties; and reconciled tax accounts to tax filings. This deficiency resulted in misstatements and audit adjustments, including out of period adjustments, to the 2005 annual consolidated financial statements, which impacted accrued liabilities, deferred income taxes, other non-current liabilities and the provision for income taxes. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

7. The Company did not maintain effective controls over reporting local income tax in the local statutory accounts or local income tax returns in operations outside of the United States. Specifically, the Company did not have controls designed and in place to ensure that accounting personnel adhere to policy and procedures regarding compliance with local laws and regulations, and reconcile its accounts between GAAP and local income tax reporting. This allowed in prior periods the violation of local tax regulations and incomplete and inaccurate recording of income taxes in the Company's consolidated financial statements. This deficiency did not result in an audit adjustment to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure, including, but not limited to, accrued liabilities, deferred income taxes, other non-current liabilities and the provision for income taxes, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

8. The Company did not maintain effective controls relating to the completeness and accuracy of local payroll and compensation related liabilities in certain operations outside of the United States. Specifically the Company did not have controls designed and in place to identify instances where local reporting regulations and payroll tax withholding requirements were not met or identification of compensation practices which were either not supportable under local law or were not fully in accordance with the Company's policies and procedures. This allowed in prior periods improperly omitting, or instances of purposefully omitting, certain liabilities in the consolidated financial statements. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted salaries and related expenses and accrued liabilities. Additionally, this deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

9. The Company did not maintain effective controls over the accuracy and completeness of the processing and monitoring of intercompany transactions, including appropriate authorization for intercompany charges. Specifically, controls were not designed and in place to ensure that intercompany balances were accurately classified and completely reported in the Company's consolidated financial statements, and intercompany confirmations were not completed timely or accurately between the Company's agencies to ensure proper elimination as part of the consolidation process. This deficiency resulted in immaterial audit adjustments to the 2005 annual and interim consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

10. The Company did not maintain effective controls over the reconciliation of certain financial statement accounts. Specifically, controls were not designed and in place to ensure that the Company's accounts were accurate and agreed to detailed support. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period

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adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

11. The Company did not maintain effective control over the monitoring of financial statement accounts to value and record them in a timely, accurate and complete manner. Specifically, controls were not designed and in place to:

- i. compare revenue recorded to amounts billed to clients;
- ii. identify contracts with potential client rebates and vendor incentives;
- iii. analyze collectibility of aged accounts receivable or expenditures billable to clients;
- iv. compare billable job costs to client cost estimates;
- v. review fixed asset records for under utilized, missing or fully depreciated assets;
- vi. ensure that the underlying records support liabilities related to employee compensation, including an inventory of employee benefit plans, the calculation of pension liabilities and changes made to benefit plans which impact the Company's compliance with certain employment and tax regulations;
- vii. review intercompany balances and transactions for appropriate classification;
- viii. review cash, foreign currency translation adjustments and other derivative transactions;
- ix. analyze accrued expenses, including restructuring charges;
- x. test tangible and intangible assets for impairments and appropriate economic lives;
- xi. review of other asset and other liability accounts, equity and revenue and expense accounts for appropriate activity or roll-forward of balances; and
- xii. analyze amounts recorded as income tax liabilities or deferred tax assets or liabilities and the related income tax provision or benefit.

This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

12. The Company did not maintain effective controls over the period end financial reporting process. Specifically, controls were not designed and in place to ensure that (i) journal entries, both recurring and non-recurring, were reviewed and approved, (ii) timely and complete review procedures were properly performed over the accounts and disclosures in our financial statements by personnel with knowledge sufficient to reach appropriate accounting conclusions, and (iii) a reconciliation of its legal entity financial results to the financial results recorded in the consolidated financial statements was performed. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

13. The Company did not maintain effective controls over the safeguarding of assets. Controls were not designed and in place to segregate responsibility and authority between initiating, processing and recording of transactions which has impacted many accounts in the Company's consolidated financial statements. This deficiency has resulted in certain improper transactions being entered into and those transactions being recorded or not recorded in the Company's financial statements. This deficiency resulted

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in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

14. The Company did not maintain effective controls over certain independent service providers. Specifically, the Company was unable to document, test, and evaluate controls at third party vendors to which the Company outsources certain payroll processing services in North America. This deficiency did not result in an adjustment to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure, including salaries and related expenses and accrued liabilities that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

15. The Company did not maintain effective controls over access to the Company's financial applications and data as well as controls over changes to financial applications. Specifically, controls were not designed and in place to ensure that access to certain financial applications and data at certain locations were adequately restricted or changes to financial applications were documented or tested. In addition, the Company did not adequately monitor the access to financial applications and data. This deficiency has had a pervasive impact on the Company's information technology control environment. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

16. The Company did not maintain effective controls over spreadsheets used in the Company's financial reporting process. Specifically, controls were not designed and in place to ensure that access was restricted to appropriate personnel, and that unauthorized modification of the data or formulas within spreadsheets was prevented. This deficiency did not result in material adjustments to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Information and Communication

17. The Company did not maintain effective controls over the communication of policies and procedures. Specifically, controls were not designed and in place to ensure corporate communications, including the Company's code of conduct, were received by personnel across the Company. This deficiency has had a pervasive impact on the Company's control environment and has contributed to the material weaknesses described above. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Monitoring

18. The Company did not maintain effective controls over monitoring the performance of proper application of the Company's internal controls over financial reporting and related policies and procedures. Specifically, controls were not designed and in place to ensure that the Company identifies and remediates control deficiencies timely. This deficiency has had a pervasive impact on the Company's control environment and has contributed to the material weaknesses described above. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP (PwC), our independent registered public accounting firm. Refer to PwC's report within Item 8.

REMEDIATION OF MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

We continue to have extensive work remaining to remedy the material weaknesses described above. The magnitude of the work is attributable partly to our significantly decentralized structure and the number of our disparate accounting systems of varying quality and sophistication. We continue the process of developing and implementing a remediation plan to address our deficiencies and expect that this plan will extend into the 2006 fiscal year and beyond. The following list describes remedial actions that have been implemented to date or continue to be implemented across the Company's operating units.

Continuing meetings with management of our financial and operating units to ensure their understanding of the procedures to be followed and requirements to be met prior to executing required internal management certification letters to accompany the financial statements they submit. These meetings have been occurring and will continue.

Requiring Interpublic Group Code of Conduct compliance certifications by all significant management of the Company and our agencies prior to the submission of the financial and operating units' financial statements.

Continuing a focused effort to establish controls to deter and detect fraud with significant oversight and input by our Board of Directors and Audit Committee, including, but not limited to, ensuring proper follow-up and resolution of whistleblowers' assertions.

Established standard global documentation and testing requirements of internal controls over financial reporting to ensure consistency in the overall evaluation of internal controls within our operating units and to enable focused future remediation efforts related to our control deficiencies.

Implementing a new enterprise-wide resource-planning software system, starting with initial implementations at select entities during the latter part of 2005 with continuing rollouts through early 2007. This implementation will allow for more transparency in the reporting of our results of operations and will also allow for numerous controls to be automated as part of the system.

Continuing the development throughout 2006 of a shared service center program to consolidate various financial transactional functions to attain efficiencies and controls surrounding these activities.

Reorganizing and restructuring our Controllers and Finance Group by hiring additional qualified personnel and revising the reporting structure. We are also continuing our assessment of the accounting and finance departments at our agencies and, in some cases, have already either replaced personnel or hired additional resources. This assessment is continuing and the remediation will continue throughout 2006 before our agencies are appropriately staffed to levels we consider appropriate.

With assistance from the Corporate Controllers Group and the Internal Control Group, we continue to conduct surprise audits of selected income statement items and balance sheet accounts at various financial and operating units to ensure accuracy of results.

Updating and continuing to enhance accounting and finance-related policies and procedures. The maintenance of policies is a constantly evolving process subject to continuous update, and in that regard, we have recently issued or in the process of updated policies with respect to revenue recognition, accounting for expenditures under real estate leases, and the processing of inter-company transactions among others.

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Maintaining an ongoing program of continuing professional education for financial employees in various areas and disciplines, including revenue recognition, lease accounting, financial reporting and ethics.

Established standard global manual documentation requirements at the local reporting levels for the assessment of processing and monitoring of intercompany transactions, appropriate revenue recognition and the proper recognition of expenditures under real estate leases.

Establishing and continuing to improve ongoing analytical review procedures, at the local reporting levels as well as the consolidated level, as part of the monthly closing process and continuing the detailed monthly results analysis and meetings with all significant entities by the Corporate Controllers Group.

Establishing revised quarterly reporting for tax accounts, update and enhance tax related policies and procedures, and increase tax training at regional and local levels. We also hired a team of professionals solely responsible for interacting with all levels of financial personnel in the agencies to ensure that the tax reporting information is being provided timely and accurately.

Engaging outside professional tax advisors to review local income tax returns of each subsidiary outside of the U.S. prior to filing in order to ensure they are filed on a timely basis and are prepared in accordance with local law and regulations.

Requiring written approval of a corporate committee consisting of senior representatives of the human resources, tax, legal and accounting functions for any non-traditional employment arrangement or payroll practice. In addition, all existing non-traditional employment arrangements must be reviewed by senior agency financial executives and a formal plan proposed to eliminate those arrangements which are not supportable under both local law and practice as well as our policies and procedures.

Given the presence of material weaknesses in our internal control over financial reporting, there is more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our financial reporting process includes extensive procedures we undertake so that our published financial statements are presented in accordance with GAAP, notwithstanding the material weaknesses in internal control. We have significantly expanded our year-end closing procedures. We have expanded our review of customer contracts and agreements to address revenue recognition issues. In addition, we have other procedures to monitor account analysis, specifically related to liabilities arising from vendor discounts or credits, future obligations related to prior acquisitions, internal investigations and international compensation arrangements, as well as account reconciliations. All of the above mentioned procedures have been designed so that our consolidated financial statements are presented in accordance with GAAP. As a result, management, to the best of its knowledge, believes that (i) this report does not contain any untrue statements of a material fact or omits any material fact and (ii) the consolidated financial statements and other financial information included in this report for the year ended December 31, 2005 have been prepared in conformity with GAAP and fairly present in all material respects our financial condition, results of operations and cash flows.

Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of The Interpublic Group of Companies, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of The Interpublic Group of Companies, Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 8 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes 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. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 8 to the consolidated financial statements the Company has changed the date of its annual goodwill impairment test from September 30 to October 1.

Internal control over financial reporting

Also, we have audited management's assessment, included in Management's Assessment on Internal Control Over Financial Reporting appearing under Item 8, that The Interpublic Group of Companies, Inc. did not maintain effective internal control over financial reporting as of December 31, 2005, because the Company did not maintain: (1) an effective control environment; (2) effective controls over the accounting for purchase business combinations; (3) effective controls over the accuracy and presentation and disclosure of recording of revenue; (4) effective controls to ensure that certain financial statement transactions were appropriately initiated, authorized, processed, documented and accurately recorded; (5) effective controls over the complete and accurate recording of leases in accordance with GAAP; (6) effective controls over the accounting for income taxes in domestic operations and operations outside of the United States to ensure amounts are accurately accounted for in accordance with GAAP; (7) effective controls over reporting local income tax in the local statutory accounts or local income tax returns in operations outside of the United States; (8) effective controls relating to the completeness and accuracy of local payroll and compensation related liabilities in certain operations outside of the United States; (9) effective controls over the accuracy and completeness of the processing and monitoring of intercompany transactions, including appropriate authorization for intercompany charges; (10) effective controls over the reconciliation of certain financial statement accounts; (11) effective control over the monitoring of financial statement accounts to value and record them in a timely, accurate and complete manner; (12) effective controls over the period end financial reporting process; (13) effective controls over the safeguarding of assets; (14) effective controls over certain independent service providers; (15) effective

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controls over access to the Company's financial applications and data as well as controls over changes to financial applications; (16) effective controls over spreadsheets used in the Company's financial reporting process; (17) effective controls over the communication of policies and procedures; and (18) effective controls over monitoring the performance of proper application of the Company's internal controls over financial reporting and related policies and procedures, 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 maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides 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.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment.

1. The Company did not maintain an effective control environment. Specifically, controls were not designed and in place to ensure compliance with the Company's policies and procedures, including those contained in the Company's Code of Conduct. Further, the Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of GAAP commensurate with the Company's financial reporting requirements. The Company also failed to implement processes to ensure periodic monitoring of its existing internal control activities over financial reporting by placing heavy reliance on manual procedures without quality control review and other monitoring controls in place to adequately identify and assess significant risks that may impact financial statements and related disclosures. This deficiency results in a control environment that allowed instances of falsified books and records, violations of laws, regulations and the Company's policies, misappropriation of assets and improper customer charges and dealings with vendors. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial

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statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to annual or interim consolidated financial statements that would not be prevented or detected. This deficiency has had a pervasive impact on the Company's control environment and has contributed to the material weaknesses described below.

2. The Company did not maintain effective controls over the accounting for purchase business combinations. Specifically, the Company did not have controls designed and in place to ensure the completeness, accuracy and valuation of revenue and expenses of acquired companies related to periods after the closing date of the transactions. In addition, the Company did not maintain effective controls to ensure the completeness, accuracy and valuation of assets and liabilities recorded for compensatory earn-out and put arrangements or derivatives embedded within acquisition transactions. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which primarily impacted accounts receivable, net, accounts payable, minority interests in consolidated subsidiaries, goodwill, and other income. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including, but not limited to, the aforementioned accounts above that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

3. The Company did not maintain effective controls over the accuracy and presentation and disclosure of recording of revenue. Specifically, controls were not designed and in place to ensure that customer contracts were authorized, that customer contracts were analyzed to select the appropriate method of revenue recognition, and billable job costs were compared to client cost estimates to ensure that no amounts were owed to clients. In addition, controls were not designed and in place to ensure that revenue transactions were analyzed for appropriate presentation and disclosure of billable client pass-through expenses or for recognition of revenue on a gross or net basis. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted revenue, office and general expenses, accounts receivable, net, expenditures billable to clients, accounts payable, and accrued liabilities. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

4. The Company did not maintain effective controls to ensure that certain financial statement transactions were appropriately initiated, authorized, processed, documented and accurately recorded. This was primarily evident in the following specific areas:

- i. client contracts, and client or vendor incentives and rebates;
- ii. accounts receivable transactions, expenditures and fees billable to clients;
- iii. fixed assets purchases, disposals, depreciable lives and leases;
- iv. accounts payable and accrued liabilities;
- v. payments made for employee and executive compensation and payments for benefits;
- vi. cash and cash equivalents, wire transfers, and foreign currency transactions;
- vii. arrangements with derivative instruments;
- viii. intercompany transactions;
- ix. purchase of equity of investments in unconsolidated entities;
- x. purchase, disposal or write-off of intangible assets; and
- xi. debt and equity transactions.

This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure,

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including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

5. The Company did not maintain effective controls over the complete and accurate recording of leases in accordance with GAAP. Specifically, the Company did not completely evaluate and accurately account for leases with rent holidays, rent escalation clauses, leasehold improvements or asset retirement obligations associated with real estate leases. This deficiency resulted in audit adjustments to the 2005 annual and interim consolidated financial statements, which primarily impacted office and general expenses, restructuring charges, land, buildings and equipment, net, accrued liabilities and other non-current liabilities. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

6. The Company did not maintain effective controls over the accounting for income taxes in domestic operations and operations outside of the United States to ensure amounts are accurately accounted for in accordance with GAAP. Specifically, the Company did not have controls designed and in place to ensure that accounting personnel performed the following: recorded income tax provision between current and deferred tax accounts in the balance sheet; reconciled prior years' income tax returns to the appropriate period income tax provision computations; timely identified income tax exposures and contingencies, including interest and penalties; and reconciled tax accounts to tax filings. This deficiency resulted in misstatements and audit adjustments, including out of period adjustments, to the 2005 annual consolidated financial statements, which impacted accrued liabilities, deferred income taxes, other non-current liabilities and the provision for income taxes. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

7. The Company did not maintain effective controls over reporting local income tax in the local statutory accounts or local income tax returns in operations outside of the United States. Specifically, the Company did not have controls designed and in place to ensure that accounting personnel adhere to policy and procedures regarding compliance with local laws and regulations, and reconcile its accounts between GAAP and local income tax reporting. This allowed in prior periods the violation of local tax regulations and incomplete and inaccurate recording of income taxes in the Company's consolidated financial statements. This deficiency did not result in an audit adjustment to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure, including, but not limited to, accrued liabilities, deferred income taxes, other non-current liabilities and the provision for income taxes, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

8. The Company did not maintain effective controls relating to the completeness and accuracy of local payroll and compensation related liabilities in certain operations outside of the United States. Specifically the Company did not have controls designed and in place to identify instances where local reporting regulations and payroll tax withholding requirements were not met or identification of compensation practices which were either not supportable under local law or were not fully in accordance with the Company's policies and procedures. This allowed in prior periods improperly omitting, or instances of purposefully omitting, certain liabilities in the consolidated financial statements. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted salaries and related expenses and accrued liabilities. Additionally, this deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

9. The Company did not maintain effective controls over the accuracy and completeness of the processing and monitoring of intercompany transactions, including appropriate authorization for intercompany charges.

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Specifically, controls were not designed and in place to ensure that intercompany balances were accurately classified and completely reported in the Company's consolidated financial statements, and intercompany confirmations were not completed timely or accurately between the Company's agencies to ensure proper elimination as part of the consolidation process. This deficiency resulted in immaterial audit adjustments to the 2005 annual and interim consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

10. The Company did not maintain effective controls over the reconciliation of certain financial statement accounts. Specifically, controls were not designed and in place to ensure that the Company's accounts were accurate and agreed to detailed support. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

11. The Company did not maintain effective control over the monitoring of financial statement accounts to value and record them in a timely, accurate and complete manner. Specifically, controls were not designed and in place to:

- i. compare revenue recorded to amounts billed to clients;
- ii. identify contracts with potential client rebates and vendor incentives;
- iii. analyze collectibility of aged accounts receivable or expenditures billable to clients;
- iv. compare billable job costs to client cost estimates;
- v. review fixed asset records for under utilized, missing or fully depreciated assets;
- vi. ensure that the underlying records support liabilities related to employee compensation, including an inventory of employee benefit plans, the calculation of pension liabilities and changes made to benefit plans which impact the Company's compliance with certain employment and tax regulations;
- vii. review intercompany balances and transactions for appropriate classification;
- viii. review cash, foreign currency translation adjustments and other derivative transactions;
- ix. analyze accrued expenses, including restructuring charges;
- x. test tangible and intangible assets for impairments and appropriate economic lives;
- xi. review of other asset and other liability accounts, equity and revenue and expense accounts for appropriate activity or roll-forward of balances; and
- xii. analyze amounts recorded as income tax liabilities or deferred tax assets or liabilities and the related income tax provision or benefit.

This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure, including the aforementioned accounts above, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

12. The Company did not maintain effective controls over the period end financial reporting process. Specifically, controls were not designed and in place to ensure that (i) journal entries, both recurring and non-recurring, were reviewed and approved, (ii) timely and complete review procedures were properly performed over the accounts and disclosures in our financial statements by personnel with knowledge sufficient to reach appropriate accounting conclusions, and (iii) a reconciliation of its legal entity financial results to the financial results recorded in the consolidated financial statements was performed. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit

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adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

13. The Company did not maintain effective controls over the safeguarding of assets. Controls were not designed and in place to segregate responsibility and authority between initiating, processing and recording of transactions which has impacted many accounts in the Company's consolidated financial statements. This deficiency has resulted in certain improper transactions being entered into and those transactions being recorded or not recorded in the Company's financial statements. This deficiency resulted in a restatement of the first three interim periods of 2005, and misstatements and audit adjustments, including the out of period adjustments, to the 2005 annual and interim consolidated financial statements, which impacted substantially all accounts in the Company's consolidated financial statements. Additionally, this control deficiency could result in a misstatement of account balances or disclosure that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

14. The Company did not maintain effective controls over certain independent service providers. Specifically, the Company was unable to document, test, and evaluate controls at third party vendors to which the Company outsources certain payroll processing services in North America. This deficiency did not result in an adjustment to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure, including salaries and related expenses and accrued liabilities that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

15. The Company did not maintain effective controls over access to the Company's financial applications and data as well as controls over changes to financial applications. Specifically, controls were not designed and in place to ensure that access to certain financial applications and data at certain locations were adequately restricted or changes to financial applications were documented or tested. In addition, the Company did not adequately monitor the access to financial applications and data. This deficiency has had a pervasive impact on the Company's information technology control environment. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

16. The Company did not maintain effective controls over spreadsheets used in the Company's financial reporting process. Specifically, controls were not designed and in place to ensure that access was restricted to appropriate personnel, and that unauthorized modification of the data or formulas within spreadsheets was prevented. This deficiency did not result in material adjustments to the consolidated financial statements. However, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

17. The Company did not maintain effective controls over the communication of policies and procedures. Specifically, controls were not designed and in place to ensure corporate communications, including the Company's code of conduct, were received by personnel across the Company. This deficiency has had a pervasive impact on the Company's control environment and has contributed to the material weaknesses described above. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

18. The Company did not maintain effective controls over monitoring the performance of proper application of the Company's internal controls over financial reporting and related policies and procedures. Specifically, controls were not designed and in place to ensure that the Company identifies and remediates control deficiencies timely. This deficiency has had a pervasive impact on the Company's control

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environment and has contributed to the material weaknesses described above. Additionally, this deficiency could result in a misstatement of account balances or disclosure to substantially all accounts that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. Also, in our opinion, because of the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 22, 2006

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in Millions, Except Per Share Amounts)

	Years Ended December 31,		
	2005	2004	2003
REVENUE	\$ 6,274.3	\$ 6,387.0	\$ 6,161.7
OPERATING (INCOME) EXPENSES:			
Salaries and related expenses	3,999.1	3,733.0	3,501.4
Office and general expenses	2,288.1	2,250.4	2,225.3
Restructuring (reversals) charges	(7.3)	62.2	172.9
Long-lived asset impairment and other charges	98.6	322.2	294.0
Motorsports contract termination costs	—	113.6	—
Total operating (income) expenses	6,378.5	6,481.4	6,193.6
OPERATING LOSS	(104.2)	(94.4)	(31.9)
EXPENSES AND OTHER INCOME:			
Interest expense	(181.9)	(172.0)	(206.6)
Debt prepayment penalty	(1.4)	(9.8)	(24.8)
Interest income	80.0	50.8	39.3
Investment impairments	(12.2)	(63.4)	(71.5)
Litigation reversals (charges)	—	32.5	(127.6)
Other income (expense)	33.1	(10.7)	50.3
Total expenses and other income	(82.4)	(172.6)	(340.9)
Loss from continuing operations before provision for income taxes	(186.6)	(267.0)	(372.8)
Provision for income taxes	81.9	262.2	242.7
Loss from continuing operations of consolidated companies	(268.5)	(529.2)	(615.5)
Income applicable to minority interests (net of tax)	(16.7)	(21.5)	(27.0)
Equity in net income of unconsolidated affiliates (net of tax)	13.3	5.8	2.4
Loss from continuing operations	(271.9)	(544.9)	(640.1)
Income from discontinued operations (net of tax)	9.0	6.5	101.0
Net loss	(262.9)	(538.4)	(539.1)
Dividends on preferred stock	26.3	19.8	—
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	\$ (289.2)	\$ (558.2)	\$ (539.1)
Earnings (loss) per share of common stock:			
Basic and diluted:			
Continuing operations	\$ (0.70)	\$ (1.36)	\$ (1.66)
Discontinued operations	0.02	0.02	0.26
Total	\$ (0.68)	\$ (1.34)	\$ (1.40)
Weighted-average shares:			
Basic and diluted	424.8	415.3	385.5

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, Except Per Share Amounts)

	December 31	
	2005	2004
ASSETS:		
Cash and cash equivalents	\$ 2,075.9	\$ 1,550.4
Marketable securities	115.6	420.0
Accounts receivable, net of allowance of \$105.5 and \$136.1	4,015.7	4,319.2
Expenditures billable to clients	917.6	882.9
Deferred income taxes	184.3	261.0
Prepaid expenses and other current assets	188.3	184.6
Total current assets	7,497.4	7,618.1
Land, buildings and equipment, net	650.0	722.9
Deferred income taxes	297.3	274.2
Investments	170.6	168.7
Goodwill	3,030.9	3,141.6
Other assets	299.0	328.2
Total non-current assets	4,447.8	4,635.6
TOTAL ASSETS	\$ 11,945.2	\$ 12,253.7
LIABILITIES:		
Accounts payable	\$ 4,245.4	\$ 4,733.5
Accrued liabilities	2,554.3	2,485.2
Short-term debt	56.8	325.9
Total current liabilities	6,856.5	7,544.6
Long-term debt	2,183.0	1,936.0
Deferred compensation and employee benefits	592.1	590.7
Other non-current liabilities	319.0	408.9
Minority interests in consolidated subsidiaries	49.3	55.2
Total non-current liabilities	3,143.4	2,990.8
TOTAL LIABILITIES	9,999.9	10,535.4
Commitments and contingencies (Note 21)		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, shares authorized: 20.0		
Series A shares issued and outstanding: 2005 — 7.5; 2004 — 7.5	373.7	373.7
Series B shares issued and outstanding: 2005 — 0.5	525.0	—
Common stock, \$0.10 par value, shares authorized: 800.0	43.0	42.5
shares issued: 2005 — 430.3; 2004 — 424.9		
shares outstanding: 2005 — 429.9; 2004 — 424.5		
Additional paid-in capital	2,224.1	2,208.9
Accumulated deficit	(841.1)	(578.2)
Accumulated other comprehensive loss, net of tax	(276.0)	(248.6)
	2,048.7	1,798.3
Less:		
Treasury stock, at cost: 2005 — 0.4 shares; 2004 — 0.4 shares	(14.0)	(14.0)
Unamortized deferred compensation	(89.4)	(66.0)
TOTAL STOCKHOLDERS' EQUITY	1,945.3	1,718.3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,945.2	\$ 12,253.7

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

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

	Years Ended December 31,		
	2005	2004	2003
	(Revised — See Note 1)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (262.9)	\$ (538.4)	\$ (539.1)
Income from discontinued operations, net of tax	(9.0)	(6.5)	(101.0)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Depreciation and amortization of fixed assets and intangible assets	168.8	185.1	216.5
Provision for bad debt	16.9	36.7	32.6
Amortization of restricted stock and other non-cash compensation	42.3	31.4	38.8
Amortization of bond discounts and deferred financing costs	9.1	22.9	35.0
Deferred income tax provision	44.6	128.2	58.1
Equity in (income) loss of unconsolidated affiliates, net of dividends	(7.4)	3.5	6.4
Income applicable to minority interests, net of tax	16.7	21.5	27.0
Restructuring charges (reversals) — non-cash	(0.1)	6.7	—
Long-lived asset impairment and other charges	98.6	322.2	294.0
Investment impairments	12.2	63.4	71.5
Litigation (reversals) charges	—	(12.5)	127.6
Gain on sales of investments	(16.3)	(5.4)	(47.9)
(Gain) loss on sales of businesses	(10.1)	18.2	0.3
Other	9.8	(6.6)	0.9
Change in assets and liabilities, net of acquisitions and disposals:			
Accounts receivable	39.6	(38.4)	385.0
Expenditures billable to clients	(54.3)	(34.4)	(136.0)
Prepaid expenses and other current assets	(6.6)	50.6	83.1
Accounts payable and accrued expenses	(152.4)	202.4	(122.1)
Other non-current assets and liabilities	40.3	14.2	77.8
Net cash used in operating activities of discontinued operations	—	—	(5.9)
Net cash provided by (used in) operating activities	(20.2)	464.8	502.6
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, including deferred payments, net of cash acquired	(91.7)	(175.4)	(224.6)
Capital expenditures	(140.7)	(194.0)	(159.6)
Proceeds from sales of businesses and fixed assets	61.8	30.4	26.8
Proceeds from sales of investments	70.4	43.0	128.8
Purchases of investments	(39.9)	(34.3)	(65.8)
Maturities of short-term marketable securities	690.5	1,148.4	177.0
Purchases of short-term marketable securities	(384.0)	(1,372.7)	(339.1)
Proceeds from the sale of discontinued operations, net of cash sold	—	10.0	376.7
Net cash used in investing activities of discontinued operations	—	—	(5.8)
Net cash provided by (used in) investing activities	166.4	(544.6)	(85.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank borrowings	(35.9)	7.0	(214.4)
Payments of long-term debt	(257.1)	(843.0)	(745.6)
Proceeds from long-term debt	252.4	602.3	801.2
Debt issuance costs and consent fees	(17.9)	(8.0)	(27.0)
Issuance of preferred stock, net of issuance costs	508.0	—	361.6
Issuance of common stock, net of issuance costs	3.2	25.6	335.3
Distributions to minority interests, net	(22.6)	(23.6)	(26.4)
Preferred stock dividends	(20.0)	(19.8)	—
Net cash used in financing activities of discontinued operations	—	—	(1.7)
Net cash provided by (used in) financing activities	410.1	(259.5)	483.0
Effect of exchange rates on cash and cash equivalents	(30.8)	17.8	18.7
Increase (decrease) in cash and cash equivalents	525.5	(321.5)	918.7
Cash and cash equivalents at beginning of year	1,550.4	1,871.9	953.2
Cash and cash equivalents at end of year	<u>\$ 2,075.9</u>	<u>\$ 1,550.4</u>	<u>\$ 1,871.9</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	\$ 180.2	\$ 162.8	\$ 155.6
Cash paid for income taxes, net of \$34.1 and \$47.3 of refunds in 2005 and 2004, respectively	\$ 94.9	\$ 66.2	\$ 122.7

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 (LOSS)
(Amounts in Millions, Except Per Share Amounts)

	Years Ended December 31,		
	2005	2004	2003
COMMON STOCK			
Balance at beginning of year	\$ 42.5	\$ 41.8	\$ 38.9
Restricted stock, net of forfeitures and amortization	0.4	0.3	—
Employee stock purchases	—	0.1	0.1
Issuance of common stock, net of fees	—	—	2.6
Issuance of shares for acquisitions	0.1	0.2	0.2
Issuance of common stock- litigation settlement	—	0.1	—
Balance at end of year	<u>43.0</u>	<u>42.5</u>	<u>41.8</u>
PREFERRED STOCK			
Balance at beginning of year, Series A	373.7	373.7	—
Issuance of preferred stock	—	—	373.7
Balance at end of year, Series A	<u>373.7</u>	<u>373.7</u>	<u>373.7</u>
Balance at beginning of year, Series B	—	—	—
Issuance of preferred stock	525.0	—	—
Balance at end of year, Series B	<u>525.0</u>	<u>—</u>	<u>—</u>
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of year	2,208.9	2,076.0	1,797.8
Restricted stock, net of forfeitures and amortization	42.7	26.4	(3.9)
Employee stock purchases	1.2	7.6	9.6
Exercise of stock options, including tax benefit	2.1	7.8	1.6
Issuance of common stock, net of fees	—	—	326.9
Issuance of shares for acquisitions	12.9	33.9	(45.6)
Issuance of common stock- litigation settlement	—	72.6	—
Issuance of preferred stock	(17.4)	—	(12.1)
Preferred stock dividends	(26.3)	(19.8)	—
Other	—	4.4	1.7
Balance at end of year	<u>2,224.1</u>	<u>2,208.9</u>	<u>2,076.0</u>
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Balance at beginning of year	(578.2)	(39.8)	499.3
Net loss	(262.9)	(538.4)	(539.1)
Balance at end of year	<u>(841.1)</u>	<u>(578.2)</u>	<u>(39.8)</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of year	(248.6)	(259.1)	(395.2)
Adjustment for minimum pension liability (net of tax of (\$1.0), (\$5.4) and (\$0.6) in 2005, 2004 and 2003, respectively)	1.4	(47.6)	4.0
Changes in market value of securities available-for-sale, net of tax of (\$7.8) in 2005	14.6	3.4	10.1
Foreign currency translation adjustment	(43.0)	51.5	122.0
Recognition of previously unrealized loss on securities available-for-sale, net of tax	(0.4)	3.2	—
Net other comprehensive loss adjustments	(27.4)	10.5	136.1
Balance at end of year	<u>(276.0)</u>	<u>(248.6)</u>	<u>(259.1)</u>
TREASURY STOCK			
Balance at beginning of year	(14.0)	(11.3)	(119.2)
Issuance of shares for acquisitions	—	(2.7)	107.9
Balance at end of year	<u>(14.0)</u>	<u>(14.0)</u>	<u>(11.3)</u>
UNAMORTIZED DEFERRED COMPENSATION			
Balance at beginning of year	(66.0)	(62.5)	(99.0)
Restricted stock, net of forfeitures and amortization	(23.4)	(3.5)	36.5
Balance at end of year	<u>(89.4)</u>	<u>(66.0)</u>	<u>(62.5)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 1,945.3</u>	<u>\$ 1,718.3</u>	<u>\$ 2,118.8</u>
COMPREHENSIVE INCOME (LOSS)			
Net loss applicable to common stockholders	\$ (289.2)	\$ (558.2)	\$ (539.1)
Preferred stock dividends	26.3	19.8	—
Net other comprehensive income (loss) adjustments	(27.4)	10.5	136.1
Total comprehensive loss	<u>\$ (290.3)</u>	<u>\$ (527.9)</u>	<u>\$ (403.0)</u>
NUMBER OF COMMON SHARES			
Balance at beginning of year	424.9	418.4	389.3
Restricted stock, net of forfeitures and amortization	4.1	2.7	—
Employee stock purchases	0.1	0.7	0.9
Exercise of stock options, including tax benefit	0.3	0.5	—
Issuance of common stock, net of fees	—	—	25.8
Issuance of shares for acquisitions	0.9	1.8	2.4
Issuance of common stock- litigation settlement	—	0.8	—
Balance at end of year	<u>430.3</u>	<u>424.9</u>	<u>418.4</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Amounts)

Note 1: Summary of Significant Accounting Policies

Business Description

The Interpublic Group of Companies, Inc. and subsidiaries (the “Company”, “Interpublic”, “we”, “us” or “our”) is one of the world’s largest advertising and marketing services companies, comprised of hundreds of communication agencies around the world that deliver custom marketing solutions on behalf of our clients. Our agencies cover the spectrum of marketing disciplines and specialties, from traditional services such as consumer advertising and direct marketing, to services such as experiential marketing and branded entertainment. With offices in over 100 countries and approximately 43,000 employees, our agencies work with our clients to create global and local marketing campaigns. These marketing programs seek to build brands, influence consumer behavior and sell products.

Prior Restatement

In our 2004 Annual Report on Form 10-K, we restated our previously reported financial statements for the years ended December 31, 2003, 2002, 2001 and 2000, and for the first three quarters of 2004 and all four quarters of 2003 (the “Prior Restatement”). The Prior Restatement also affected periods prior to 2000, which was reflected as an adjustment to opening retained earnings as of January 1, 2000. All of the financial statements and financial information contained in this Form 10-K related to the prior periods mentioned above reflect the effect of the Prior Restatement adjustments.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company, most of which are wholly owned. Investments in companies in which we exercise significant influence, but not control, are accounted for using the equity method of accounting. Investments in companies in which we have less than a 20% ownership interest and do not exercise significant influence are accounted for at cost. All intercompany accounts and transactions have been eliminated in consolidation.

In accordance with Statements of Financial Accounting Standards (“SFAS”) Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* along with certain revisions, we have consolidated certain entities meeting the definition of variable interest entities. The inclusion of these entities does not have a material impact on our Consolidated Balance Sheets or Statements of Operations.

Reclassifications and Revisions

Certain classification revisions have been made to the prior period financial statements to conform to the current year presentation. These classification revisions included amounts previously recorded in current assets as accounts receivable of \$537.7 to expenditures billable to clients and amounts previously recorded in current liabilities as accounts payable of \$1,411.5 to accrued liabilities in the accompanying Consolidated Balance Sheet as of December 31, 2004. The classification of these amounts was revised to more appropriately reflect the composition of the year end balances of accounts receivable as amounts billed to clients and accounts payable as amounts for which we have received invoices from vendors. These classification revisions had no impact on our results of operations or changes in our stockholders’ equity.

During 2003, we completed the sale of NFO World Group Inc. (“NFO”), and its related activity is classified as discontinued operations for all periods presented. We have revised our 2004 and 2003 Consolidated Statements of Cash Flows to separately disclose the operating, investing and financing portions of the cash flows attributable to our discontinued operations. We had previously reported these amounts on a combined basis as a separate caption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)****Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as revenue recognition, allowances for doubtful accounts, depreciation and amortization, income taxes, restructuring reserves, valuation of tangible and intangible assets, recoverability of goodwill, business combinations, contingencies and pension and postretirement benefit obligations, among others.

Segments

As of December 31, 2005, we have three reportable segments: Integrated Agency Network (“IAN”), Constituency Management Group (“CMG”) and Motorsports. We also report results for the Corporate group. The largest segment, IAN, is comprised of McCann WorldGroup (“McCann”), The FCB Group (“FCB”), Lowe Worldwide (“Lowe”), Draft Worldwide (“Draft”) and our leading stand-alone agencies. Our stand-alone agencies include Campbell-Ewald, Hill Holliday, Deutsch and Mullen. The second segment, CMG, is comprised of Weber Shandwick, GolinHarris, DeVries, Jack Morton, MWW Group, FutureBrand and Octagon Worldwide (“Octagon”). Our third reportable segment is comprised of our Motorsports operations, which were sold during 2004 and had immaterial residual operating results in 2005.

Revenue Recognition

Our revenues are primarily derived from the planning and execution of advertising programs in various media and the planning and execution of other marketing and communications programs. 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 also becoming increasingly complex arrangements that frequently include provisions for incentive compensation and govern 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 various agencies. In arranging for such services to be provided, it is possible for both a global and local agreement to be initiated. Multiple agreements of this nature are reviewed by legal counsel to determine the governing terms to be followed by the offices and agencies involved.

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) collectibility is reasonably assured; and (iv) services have been performed. Depending on the terms of the client contract, fees for services performed can be primarily recognized three ways: proportional performance, straight-line (or monthly basis) or completed contract.

- Fees are generally recognized as earned based on the proportional performance method of revenue recognition in situations where our fee is reconcilable to the actual hours incurred to service the client as detailed in a contractual staffing plan or where the fee is earned on a per hour basis, with the amount of revenue recognized in both situations limited to the amount realizable under the client contract. We believe an input based measure (the ‘hour’) is appropriate in situations where the client arrangement essentially functions as a time and out-of-pocket expense contract and the client receives the benefit of the services provided throughout the contract term.
- Fees are recognized on a straight-line or monthly basis when service is provided essentially on a pro rata basis and the terms of the contract support monthly basis accounting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

- Certain fees (such as for major marketing events) are deferred until contract completion as the final act is so significant in relation to the service transaction taken as a whole. Fees are also recognized on a completed contract basis when the terms of the contract call for the delivery of discrete projects ('milestone' arrangements), if any of the criteria of Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition*, were not satisfied prior to job completion or the terms of the contract do not otherwise qualify for proportional performance or monthly basis recognition.

Incremental direct costs incurred related to contracts where revenue is accounted for on a completed contract basis are generally expensed as incurred. There are certain exceptions made for significant contracts or for certain agencies where the majority of the contracts are project-based and systems are in place to properly capture appropriate direct costs. 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 the revenue to our performance relative to both qualitative and quantitative goals. 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. Therefore, 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.

Substantially all 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 financial statements, because of various pass-through expenses such as production and media costs. In compliance with Emerging Issues Task Force ("EITF") Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, we assess whether the agency or the third-party supplier is the primary obligor. 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 (primarily sales promotion, event, sports and entertainment marketing and corporate and brand identity services) where the key indicators suggest we act as a principal, we record the gross amount billed to the client as revenue and the related costs incurred as operating expenses.

As we provide services as part of our core operations, we generally incur incidental expenses, which, in practice, are commonly referred to as "out-of-pocket" expenses. These expenses often include expenses related to airfare, mileage, hotel stays, out of town meals and telecommunication charges. In accordance with EITF Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred*, we record the reimbursements received for incidental expenses as revenue.

We receive credits from our vendors and media outlets for transactions entered into on behalf of our clients, which are passed through to our clients in accordance with contractual provisions and local law. If a pass-through is not required, then these credits are a reduction of vendor cost, and are recorded as additions to revenue. In connection with our Prior Restatement, where it was impractical to review client contracts, we used statistical methods to estimate our exposure that could arise from credits, discounts and other rebates owed to clients. If our estimate is insufficient, we may be required to recognize additional liabilities. If the initial estimate of the liability recorded is subsequently determined to be over or under provided for, the difference is recorded as an adjustment to revenue. If we are able to negotiate a favorable settlement of a recorded liability, however, the reversal of this amount is recorded in a non-operating

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

income account since negotiating a favorable outcome with a client is not considered a revenue generating activity. See Note 2 for further information.

Costs of Services (Salaries and Related Expenses and Office and General Expenses)

Salaries and related expenses consist of payroll costs and related benefits associated with client service professional staff and administrative staff, including severance associated with reductions in workforce and costs incurred for freelance contractors who are utilized to support business development. Office and general expenses include costs directly attributable to client engagements. These costs include out-of-pocket costs such as travel for client service professional staff, production costs and other direct costs that are rebilled to our clients. Office and general expenses also include expenses attributable to the support of client service professional staff, depreciation and amortization costs, rent expense, bad debt expense relating to accounts receivable, professional fees, the costs associated with the development of a shared services center and implementation costs associated with upgrading our information technology infrastructure.

Cash Equivalents and Short-Term Marketable Securities

Cash equivalents are highly liquid investments, including certificates of deposit, government securities and time deposits with original maturities of three months or less at the time of purchase and are stated at estimated fair value, which approximates cost. Cash is maintained at high-credit quality financial institutions.

As of December 31, 2005 and 2004, we held restricted cash of \$34.2 and \$32.0, respectively, included in prepaid expenses and other current assets on our Consolidated Balance Sheets. Restricted cash represents cash equivalents that are maintained on behalf of our clients and are legally restricted for a specified business purpose.

We classify all of our short-term marketable equity securities as available-for-sale. These securities are carried at fair value with the corresponding unrealized gains and losses reported as a separate component of comprehensive loss. The cost of securities sold is determined based upon the average cost of the securities sold.

Certain auction rate securities are classified as short-term marketable securities based upon our evaluation of the maturity dates associated with the underlying bonds. Although these securities are issued and rated as long-term bonds, with maturities ranging from 20 to 30 years, they are priced and traded as short-term instruments because of the significant degree of market liquidity provided through the interest rate resets.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on the aging of accounts receivable, reviews of client credit reports, industry trends and economic indicators, as well as analysis of recent payment history for specific customers. The estimate is based largely on a formula-driven calculation but is supplemented with economic indicators and knowledge of potential write-offs of specific client accounts.

Expenditures Billable to Clients

As is typical of our normal business operations, it is common for agencies to incur costs on behalf of clients, including media and production costs. These costs are applicable when providing advertising, marketing and other services to clients. Expenditures billable to clients is primarily comprised of production and media costs which have been incurred but have not yet been billed to clients, as well as internal labor and overhead amounts and other accrued receivables which have not yet been billed to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

clients. Unbilled amounts are presented in expenditures billable to clients regardless of whether they relate to fee or production/media. A provision is made for unrecoverable costs as deemed appropriate.

Investments

Investments are accounted for on the equity basis or cost basis, including investments to fund certain deferred compensation and retirement obligations. We regularly review our equity and cost method investments to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. In the event a decline in fair value of an investment occurs, we must determine if the decline has been other than temporary. We consider our investments strategic and long-term in nature, so we must determine if the fair value decline is recoverable within a reasonable period. For investments accounted for using the equity basis or cost basis, we evaluate fair value based on specific information (valuation methodologies, estimates of appraisals, financial statements, etc.) in addition to quoted market price, if available. Factors indicative of an other than temporary decline include recurring operating losses, credit defaults and subsequent rounds of financing with pricing that is below the cost basis of the investment. This list is not all-inclusive; we consider all known quantitative and qualitative factors in determining if an other than temporary decline in value of an investment has occurred. Our assessments of fair value represent our best estimates at the time of impairment review. See Note 10 for further information.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, net of accumulated depreciation. Buildings and equipment are depreciated generally using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture, equipment and computer software costs, 10 to 35 years for buildings and the shorter of the useful life of the asset (which ranges from 3 to 10 years) or the remaining lease term for leasehold improvements. The total depreciation expense for the years ended December 31, 2005, 2004 and 2003 was \$167.3, \$178.3 and \$204.4, respectively.

During 2005, we revised the estimated depreciable lives from 3 to 20 years for furniture, equipment, and computer software costs, 10 to 45 years for buildings and the shorter of the useful life of the asset (which ranged from 3 to 12 years) or the remaining lease term for leasehold improvements to more accurately reflect the productive lives of these assets. The change in depreciable lives was accounted for as a change in accounting estimate on a prospective basis from July 1, 2005 and had an immaterial impact on depreciation expense for 2005.

Certain events or changes in circumstances could cause us to conclude that the carrying value of our buildings and equipment may not be recoverable. Events or circumstances that might require impairment testing include, but are not limited to, decrease in market price, negative forecasted cash flow, or a significant adverse change in business climate of the asset. If the total estimate of the expected future undiscounted cash flows of an asset grouping over its useful life is less than its carrying value, an impairment loss is recognized in the financial statements equal to the difference between the estimated fair value and carrying value of the asset grouping.

Goodwill and Other Intangible Assets

We account for our business combinations using the purchase accounting method. The total costs of the acquisitions are allocated to the underlying net assets, based on their respective estimated fair market values and the remainder is allocated to goodwill and other intangible assets. 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 assets we acquire are mostly creative talent. As a result, a substantial portion of the purchase price is allocated to goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Determining the fair market value of assets acquired and liabilities assumed requires management's judgment and involves the use of significant estimates, including future cash inflows and outflows, discount rates, asset lives, and market multiples.

We review goodwill and other intangible assets with indefinite lives not subject to amortization (e.g., customer lists, trade names and customer relationships) annually or 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 16 reporting units that are either the entities at the operating segment level or one level below the operating segment level. For 2005, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we did not test certain reporting units because their 2004 fair value determination exceeded their carrying amount by a substantial margin, where no significant event occurred since the last fair value determination that would significantly change this margin and where the reporting units did not have a triggering event during 2005. The remaining reporting units were tested either as part of the 2005 annual impairment testing as their 2004 fair value did not significantly exceed their carrying value by a substantial margin or as a result of a triggering event. 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. 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, or a significant adverse change in business climate or regulations.

SFAS No. 142 specifies a two-step process for testing for goodwill impairment and measuring the magnitude of any impairment. The first step of the impairment test is a comparison of the fair value of a reporting unit to its carrying value, including goodwill. 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. The second step 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.

The fair value of a reporting unit is estimated using our projections of discounted future operating cash flows (without interest) of the unit. Such projections require the use of significant estimates and assumptions as to matters such as future revenue growth, profit margins, capital expenditures, assumed tax rates and discount rates. We believe that the estimates and assumptions made are reasonable but are susceptible to change from period to period. Additionally, our strategic decisions or changes in market valuation multiples could lead to impairment charges. Actual results of operations, cash flows and other factors used in a discounted cash flow valuation will likely differ from the estimates used and it is possible that differences and changes could be material.

For the year ended December 31, 2005, we changed the date of our annual impairment test for all goodwill and other intangible assets with indefinite lives from September 30th to October 1st. During 2005 we performed this annual impairment test on September 30th and then again on October 1st to ensure that multiples used in the reporting units tested were consistent. See Note 8 for further explanation.

Foreign Currencies

The financial statements of our foreign operations, when the local currency is the functional currency, are translated into U.S. Dollars at the exchange rates in effect at each year end for assets and liabilities and average exchange rates during each year for the results of operations. The related unrealized gains or losses from translation are reported as a separate component of comprehensive loss. Transactions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains or losses, which are reflected within other income (expense) in the Consolidated Statements of Operations.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term marketable securities, accounts receivable, expenditures billable to clients, interest rate instruments and foreign exchange contracts. We invest our excess cash in investment-grade, short-term securities with financial institutions and limit the amount of credit exposure to any one counterparty. Concentrations of credit risk with accounts receivable are limited due to our large number of clients and their dispersion across different industries and geographical areas. We perform ongoing credit evaluations of our clients and maintain an allowance for doubtful accounts based upon the expected collectibility of all accounts receivable. We are exposed to credit loss in the event of nonperformance by the counterparties of the foreign currency contracts. We limit our exposure to any one financial institution and do not anticipate nonperformance by these counterparties.

Income Taxes

The provision for income taxes includes federal, state, local and foreign taxes. Income taxes are accounted for under the liability method. 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 recovered or settled. We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. See Note 11 for further explanation.

Earnings (Loss) Per Share

In periods when we generate a loss, basic loss per share is computed by dividing the loss attributable to common shareholders by the weighted-average number of common shares and contingently issuable shares outstanding for the period. In periods when we generate income, basic Earnings Per Share ("EPS") is calculated using the two-class method, pursuant to EITF Issue No. 03-6, *Participating Securities and the Two — Class Method under SFAS Statement No. 128*. The two-class method is required as our 4.50% Convertible Senior Notes and Series A Mandatory Convertible Preferred Stock ("Series A Preferred Stock") qualify as participating securities, each having the right to receive dividends or dividend equivalents should dividends be declared on common stock. Under this method, earnings for the period (after deduction for contractual preferred stock dividends) are allocated on a pro-rata basis to the common shareholders and to the holders of participating securities based on their right to receive dividends. The weighted-average number of shares outstanding is increased to reflect the number of common shares into which the participating securities could convert.

Diluted earnings (loss) per share reflects the potential dilution that would occur if certain contingently issuable shares were issued and if stock-based incentives and option plans (including stock options, awards of restricted stock and restricted stock units), the 4.50% Notes as described in Note 13 and the Series A Preferred Stock as discussed in Note 14 were exercised or converted into common stock. The potential issuance of common stock is assumed to occur at the beginning of the year (or at the time of issuance of the dilution instrument, if later), and the incremental shares are included using the treasury stock or "if-converted" methods. The proceeds utilized in applying the treasury stock method consist of: (1) the amount, if any, to be paid upon exercise; (2) the amount of compensation cost attributed to future

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

service not yet recognized; and (3) any tax benefits credited to paid-in-capital related to the exercise. These proceeds are then assumed to be used by us to purchase common stock at the average market price during the period. The incremental shares (difference between the shares assumed to be issued and the shares assumed to be purchased), to the extent they would have been dilutive, are included in the denominator of the diluted EPS calculation.

Derivative Instruments and Hedging Activities

Derivative instruments, including those that are embedded in other contracts, are recorded at fair value in the balance sheet as either an asset or a liability. Changes in the fair value of the derivatives are recorded each period in earnings unless specific hedge accounting criteria are met. We do not enter into derivative financial instruments for speculative purposes and do not have a material portfolio of derivative financial instruments. See Note 18 for a further discussion.

Pension and Postretirement Benefits

We have pension and postretirement benefit plans covering certain domestic and international employees. We use various actuarial methods and assumptions in determining our pension and postretirement benefit costs and obligations, including the discount rate used to determine the present value of future benefits, expected long-term rate of return on plan assets and healthcare cost trend rates. See Note 16 for a further discussion.

Stock-Based Compensation

In accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, we have accounted for our various stock-based compensation plans under the intrinsic value recognition and measurement principles of Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related interpretations.

Generally, the exercise price of stock options granted equals the market price of the underlying shares on the date of the grant and, therefore, no compensation expense is recorded. The intrinsic value of restricted stock grants and certain other stock-based compensation issued to employees and Board Members as of the date of grant is amortized to compensation expense over the vesting period. Certain stock options and restricted stock units are subject to variable accounting. See Note 22 for information regarding recent accounting standards and Note 15 for further discussion of incentive plans.

On December 20, 2005, the Compensation Committee of our Board of Directors (“Compensation Committee”) approved the immediate acceleration of vesting of all of our “out-of-the-money” outstanding and unvested stock options previously awarded to our employees under equity compensation plans, excluding certain specified unvested options. See Note 15 for further discussion. On January 1, 2006, we plan to implement SFAS No. 123R using the modified prospective method, which requires that compensation expense be recorded for all unvested stock options and other equity-based awards. We estimate the impact of applying the provisions of SFAS No. 123R, *Share-Based Payment*, will result in an incremental pre-tax expense in our Consolidated Statements of Operations of approximately \$15.5 from 2006 through 2011 based on the outstanding options as of December 31, 2005. See Note 22 for further discussion.

If compensation expense for our stock option plans and Employee Stock Purchase Plan (“ESPP”) had been determined based on the fair value at the grant dates as defined by SFAS No. 123 and amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — An*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Amendment of FASB No. 123, our pro forma net loss applicable to common stockholders and loss per share would have been as follows:

	For the Years Ended December 31,		
	2005	2004	2003
As reported, net loss	\$ (262.9)	\$ (538.4)	\$ (539.1)
Dividends on preferred stock	(26.3)	(19.8)	—
Net loss applicable to common stockholders	(289.2)	(558.2)	(539.1)
Add:			
Stock-based employee compensation expense included in net loss applicable to common stockholders, net of tax	30.2	22.5	22.9
Less:			
Total fair value of stock-based employee compensation expense, net of tax	(62.6)	(51.3)	(57.6)
Pro forma net loss applicable to common stockholders	\$ (321.6)	\$ (587.0)	\$ (573.8)
<i>Loss per share</i>			
Basic and diluted loss per share*			
As reported	\$ (0.68)	\$ (1.34)	\$ (1.40)
Pro forma	\$ (0.76)	\$ (1.41)	\$ (1.49)

* Diluted loss per share is equal to basic loss per share for the years ended December 31, 2005, 2004 and 2003 due to the anti-dilutive impact of our stock options, restricted stock and convertible securities as a result of the net loss applicable to common stockholders in all related periods.

For purposes of this pro forma information, the weighted-average fair value of the 15% discount received by employees on the date that stock was purchased under the ESPP was \$1.97, \$2.03 and \$1.88 per share in 2005, 2004 and 2003, respectively, and is included in the total fair value of stock-based employee compensation expense. No stock was purchased under the ESPP during the second quarter of 2005. The ESPP expired effective June 30, 2005 and shares are no longer available for issuance under the ESPP.

We use the Black-Scholes option-pricing model which requires the input of subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Changes in the assumptions can materially affect the estimate of fair value of options granted and our pro forma results of operations could be materially impacted. In light of recent guidance in SAB No. 107, *Share-Based Payment*, we re-evaluated the assumptions used to estimate the value of stock options granted in the third quarter of 2005. The following assumptions have been modified:

Expected Volatility: We determined that implied volatility of publicly traded options in our common stock is expected to be more reflective of market conditions and, therefore, can be a reasonable indicator of expected volatility of our common stock, rather than based only on historical volatility of common stock. Therefore, we revised the expected volatility factor used to estimate the fair value of stock options awarded during the third quarter of 2005 to be based on a blend of historical volatility of our common stock and implied volatility of our tradable forward put and call options to purchase and sell shares of our common stock. Prior to the third quarter of 2005, we estimated future volatility based on historical volatility of our common stock over the most recent period commensurate with the estimated expected lives of our stock options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Expected Option Lives: In the third quarter of 2005, we revised our estimate of expected lives based on our review of historical patterns for exercises of stock options. We took the average of (1) an assumption that all outstanding options are exercised upon achieving their full vesting date and (2) an assumption that all outstanding options will be exercised at the midpoint between the current date (i.e., the date awards have ratably vested through) and their full contractual term. In determining the estimate, we considered several factors, including the historical option exercise behavior of our employees and the terms and vesting periods of the options granted.

The fair value of each option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	For the Years Ended December 31,		
	2005	2004	2003
Expected option lives	6 years	6 years	6 years
Risk free interest rate	4.0%	4.0%	3.3%
Expected volatility	41.0%	44.7%	43.9%
Dividend yield	0.0%	0.0%	0.0%
Weighted-average option grant price	\$ 12.39	\$ 14.19	\$ 10.59
Weighted-average fair value of options granted	\$ 5.62	\$ 6.91	\$ 4.96

Note 2: Liabilities Relating to our Prior Restatement

As described in Note 1, during our Prior Restatement, we conducted an extensive examination of financial information and significant transactions and recorded expense and liabilities related to Vendor Discounts or Credits, Internal Investigations, and International Compensation Arrangements.

A summary of the remaining liabilities related to these matters is as follows:

	Balance as of 12/31/05	Balance as of 12/31/04
Vendor Discounts or Credits*	\$ 284.8	\$ 283.9
Internal Investigations* (includes asset reserves)	24.7	61.7
International Compensation Arrangements	36.2	40.3
Total	\$ 345.7	\$ 385.9

* \$37.5 of vendor credits disclosed within Internal Investigations as of December 31, 2004 has been reclassified to Vendor Discounts or Credits for current year presentation.

Vendor Discounts or Credits

We receive credits from our vendors and media outlets for the acquisition of goods and services that are entered into on behalf of our clients. The expenses include the purchase of various forms of media, including television, radio, and print advertising space, or production costs, such as the creation of advertising campaigns, commercials, and print advertisements. Revenues in the advertising and communicative services business are frequently recorded net of third party costs as the business is primarily an agent for its clients. Since these costs are billed to clients, there are times when vendor credits or price differences can affect the net revenue recorded by the agency. These third party discounts, rebates, or price differences are frequently referred to as credits.

Our contracts are typically "fixed-fee" arrangements or "cost-based" arrangements. In "fixed-fee" arrangements, the amount we charge our clients is comprised of a fee for our services. The fee we earn, however, is not affected by the level of expenses incurred. Therefore, any rebates or credits received in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

servicing these accounts do not create a liability to the client. In “cost-based” arrangements, we earn a percentage commission or flat fee based on or incremental to the expenses incurred. In these cases, rebates or credits received may accrue to the benefit of our clients and create a liability payable to the client. The interpretation of cost language included in our contracts can vary across international and domestic markets in which we operate and can affect whether or not we have a liability to the client.

The terms of agreements with our clients are significantly impacted by the following: 1) the types of vendor credits obtained (rebates, discounts, media and production credits); 2) differing contract types with clients (fixed fee vs. cost-based arrangements); 3) varying industry practices and laws in the regions of the world in which we operate; 4) determining which contract (global, regional or local) governs our relationships with clients; and 5) unique contract provisions in specific contracts.

Prior to filing our 2004 Annual Report, we performed an extensive examination of our client contracts and arrangements and considered local law in the international jurisdictions where we conduct business to determine the impact of improperly recognizing these vendor credits as additional revenue instead of recognizing a liability to our clients. We identified areas where there were differences in prices billed to customers and prices received from vendors. All differences associated with cost-based contracts not already passed back to customers were established as liabilities.

Following the filing of the 2004 10-K in September of 2005, we began contacting clients to notify them of these liabilities and to negotiate an appropriate settlement. During this process the additional following information came to our attention.

- Additional global or regional master contracts, with contractual terms that required us to rebate vendor discounts or credits, took precedence over local contracts that did not require us to rebate vendor discounts or credits.
- Certain misinterpretation of contractual terms and or applicable local law in our Prior Restatement led us to re-examine our agencies’ legal assessment process. As a result, our legal department coordinated the engagement of local counsel in order to provide definitive guidance regarding specific local laws, existing legal precedent and historical, as well as, ongoing legal market practices. This legal guidance required additional adjustments to be made to the liabilities established in the Prior Restatement.
- The liability recorded during our Prior Restatement in some instances either covered too many years or did not cover enough years as required by the statute of limitations, based on the contract we determined ultimately governed. We adjusted our liabilities for all years required under the statute of limitations in the appropriate jurisdiction.
- In connection with our Prior Restatement, we estimated certain amounts of our exposures. We have determined that in certain instances our initial estimate of the liability recorded required adjustment. Additionally, certain entries originally recorded as estimates have been revised based on actual data retrieved from agency books and records.
- We performed a detailed review of situations in which billings from vendors and billings to our clients were different. An appropriate adjustment was recorded for any known scenarios where such information was fully reconciled and the difference was not related to a cost-based contract.
- For certain liabilities where the statute of limitations has lapsed, we appropriately released such liabilities, unless the liabilities were associated with customers with whom we are in the process of settling or we intend to settle such liabilities.

We have included a table that depicts the beginning balance, the additional liabilities recorded and the adjustment reducing these liabilities. While we had changes to our original reserve positions,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

the net impact of adjustments, excluding fluctuations related to payments and foreign currency and other was an increase to the liability balance of \$22.9, and that was primarily attributable to the out of period adjustments discussed below.

	<u>Balance as of</u> <u>12/31/04</u>	<u>Liability</u> <u>Reversals</u>	<u>Additional</u> <u>Liabilities</u>	<u>Payments</u>	<u>Other</u>	<u>Balance as of</u> <u>12/31/05</u>
Vendor Discounts or Credits	\$ 283.9	(76.5)	99.4	(11.6)	(10.4)	\$ 284.8

Internal Investigations

In our Prior Restatement review, we noted instances of possible employee misconduct. As a result, through December 31, 2004, we recorded adjustments with a cumulative impact on income of \$114.8. Of this amount, \$61.7 related to liabilities and asset reserves, \$15.6 to asset write-offs, and \$37.5 related to Vendor Discounts or Credits as of December 31, 2004. These adjustments were recorded to correct certain unintentional errors in our accounting that were discovered as a result of investigations and primarily related to agencies outside the United States. However, certain of these investigations revealed deliberate falsification of accounting records, evasion of taxes in jurisdictions outside the United States, inappropriate charges to clients, diversion of corporate assets, non-compliance with local laws and regulations, and other improprieties. These errors were not prevented or detected earlier because of material weaknesses in our control environment and decentralized operating structure. We recorded liabilities related to these matters, for business locations under investigation in our Prior Restatement review, which represented management's best estimate of probable exposure based on the facts available at that time.

The law firm of Dewey Ballantine LLP was retained to advise the Audit Committee of the Board of Directors regarding the discharge of its obligations. Through the filing of this document, Dewey Ballantine has reviewed all internal investigations cases that were included in our Prior Restatement and continues to oversee our related remediation plans. Dewey Ballantine retained a forensic accounting firm to assist with its review.

During 2005, we recorded a net decrease in our liabilities for Internal Investigations of \$37.0. The decrease is primarily due to write-off of assets reserves, the recognition of deferred revenue, and payment of taxes, penalties and interest. We also divested certain agencies in Greece, Spain, Azerbaijan, Ukraine, Uzbekistan, Bulgaria and Kazakhstan. We have increased our reserves related to additional VAT and payroll related taxes.

Below is an update of our significant cases.

At our McCann and FCB agencies in Turkey we recorded adjustments related to the retention of vendor discounts that should have been remitted to clients, the improper valuation of a previously acquired business and over-billing clients for payments to vendors and evasion of local taxes. In 2005, the investigation has concluded and we have taken the appropriate personnel actions, including the termination of local senior management. As of December 31, 2005 and 2004, the remaining liabilities were \$12.6 and \$19.8, respectively.

At Media First in New York City we recorded adjustments related primarily to inadequate recordkeeping and the payment of certain employee salaries through accounts payable, without appropriate tax withholdings, resulting in increased earn-out payments. In 2005, we recorded asset write-offs and have taken the appropriate personnel actions, including the termination of local senior management. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$1.2 and \$10.8, respectively.

At our FCB agency in Spain we recorded adjustments related to the use of companies that were formed to account for the production and media volume discounts received from production suppliers on a separate set of books and records, to prevent the detection of discounts and rebates in the event of a client

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

audit. In addition, compensation was paid to an agency executive's personal service company out of these companies without proper withholding for income taxes. In 2005, we have divested our interest in a component of FCB Spain and signed an affiliation agreement with the management, with an appropriate control structure to assure future business is properly conducted. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$0 and \$9.8, respectively.

At five McCann agencies in Azerbaijan, Ukraine, Uzbekistan, Bulgaria and Kazakhstan we recorded adjustments related to the failure to record and pay compensation-related taxes, value added taxes and corporate income taxes, and inadequate record keeping. In 2005, we have sold these entities and signed affiliation agreements with Azerbaijan, Uzbekistan, Bulgaria and Kazakhstan and intend to sign an affiliation agreement with Ukraine agency management. There will be an appropriate control structure to assure business is properly conducted. As of December 31, 2005 and 2004, the remaining liabilities and asset reserves were \$6.2 and \$8.7, respectively.

In addition, we also conducted other investigations in our Prior Restatement review for errors found that were similar in nature to those described above. In the aggregate, for these other investigations, we recorded \$4.7 and \$12.6 in liabilities as of December 31, 2005 and 2004, respectively.

International Compensation Arrangements

In our Prior Restatement review, we performed an extensive examination of employee compensation practices across our organization. While most practices were found to be acceptable, we identified some practices in certain jurisdictions that required additional review. In certain jurisdictions in which we operate, particularly in Europe and Latin America, it is common for individuals to establish a personal service company ("PSC"), in which case the hiring company will normally contract directly with the PSC for the services of the individual. We reviewed every situation where one of our agencies had contracted with a PSC and determined that in a number of instances, the use of a PSC was determined not to be supportable. We also identified other arrangements or practices in certain jurisdictions, such as payment of personal expenses outside the normal payroll mechanism, split salary payments, equity grants and retirement payments, and independent contractors/employees that led to an avoidance of paying certain taxes as well as not reporting compensation to local authorities.

For these issues, liabilities represented our best estimate of expected payments to various governmental organizations in the jurisdictions involved. These amounts were estimates as of such date of our liabilities that we believed were sufficient to cover the obligations that we may have had to various authorities. As a result of the disclosures that were made in our 2004 Annual Report, we anticipate that the authorities in certain jurisdictions may undertake reviews to determine whether any of the activities disclosed violated local laws and regulations. This may lead to further investigations and the levy of additional assessments including possible fines and penalties. While we intend to defend against any assessment that we determine to be unfounded, nevertheless we could receive assessments which may be substantial. However, it cannot be determined at this time whether such investigations would be commenced or, if they are, what the outcome will be with any reasonable certainty.

During 2005, we recorded a net decrease in our liabilities for International Compensation Arrangements of \$4.1. The decrease is comprised of reductions in our liabilities due to the expiration of one year under the statutes of limitations, changes in management's estimates and the favorable outcome of audits in certain jurisdictions. The decrease is net of increases to our accruals due to additional liabilities incurred in 2005 through the continued use of a PSC or other such arrangements which we are in the process of terminating, as well as interest on amounts not yet settled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Note 3: Out of Period Adjustments

In the fourth quarter, we identified certain vendor discounts and credits, tax, and other miscellaneous adjustments in which our previously reported financial statements were in error or did not conform to GAAP. Because these changes are not material to our financial statements for the periods prior to 2005, or to 2005 as a whole, we have recorded them in the fourth quarter of 2005.

The errors in our previously reported financial information, and the failure to prevent them or detect them in our financial reporting process, were largely attributable to weak internal controls. We concluded that our control environment has not progressed sufficiently to serve as an effective foundation for all other components of internal control. See Management's Assessment on Internal Control Over Financial Reporting.

The following tables summarize the impact to the fourth quarter of 2005 of amounts recorded in the fourth quarter of 2005 which relate to reported revenue, operating income (loss), income (loss) from continuing operations before provision for income taxes, loss from continuing operations and loss per share.

	<u>Impact of Adjustments on Revenue</u> For the Three Months Ended December 31, 2005
Revenue	\$ 1,895.7
Impact of adjustments:	
Vendor Discounts or Credits	21.2
Other adjustments	(3.9)
Total net adjustments	<u>17.3</u>
	<u>\$ 1,913.0</u>

	<u>Impact of Adjustments on Operating Income</u> For the Three Months Ended December 31, 2005
Operating income	\$ 57.6
Impact of adjustments:	
Vendor Discounts or Credits	23.2
Other adjustments	(1.6)
Total net adjustments	<u>21.6</u>
	<u>\$ 79.2</u>

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	Impact of Adjustments on Income from Continuing Operations Before Provision for Income Taxes
	For the Three Months Ended December 31, 2005
Income from continuing operations before provision for income taxes	\$44.6
Impact of adjustments:	
Vendor Discounts or Credits	22.9
Other adjustments	(2.2)
Total net adjustments	20.7
	<u>\$65.3</u>
	Impact of Adjustments on Loss from Continuing Operations and Loss per Share
	For the Three Months Ended December 31, 2005
Loss from continuing operations	\$ (31.9)
Impact of adjustments:	
Vendor Discounts or Credits	22.9
Other adjustments	(2.2)
Total adjustments (pre-tax)	20.7
Tax adjustments	19.5
Equity in net income of unconsolidated affiliates	3.9
Total net adjustments	(2.7)
	<u>\$ (34.6)</u>
Loss per share of common stock — basic and diluted:	
Loss per share	\$ (0.10)
Effect of adjustments	(0.01)
	<u>(0.11)</u>
Weighted-average shares	425.5

The impact to 2004, 2003 and prior periods related to out of period amounts recorded in the fourth quarter of 2005 was immaterial.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Description of Out of Period Adjustments:**Vendor Discounts or Credits:**

We performed extensive procedures as a result of the initiation of settlement discussions with clients. The procedures broadly considered global or regional contracts, review of key changes in legal interpretations, review of statutes of limitations, estimated exposures and vendor price differences related to cost-based contracts. As a result of these additional procedures, adjustments were recorded to our previously established liabilities.

Other Adjustments

We have identified other items which do not conform to GAAP and recorded adjustments to our 2005 Consolidated Financial Statements which relate to previously reported periods. The most significant include accounting related to the capitalization of software costs, acquisition related costs and international compensation arrangements.

Tax Adjustments

We recorded adjustments to correct the Accrued and Deferred income taxes for items primarily related to the computation of income tax benefits on the 2004 Long-lived Asset Impairment Charges, the establishment of certain valuation allowances, the accounting for certain international tax structures and the computation of interest accruals on certain non-US income tax contingencies. The impact of amounts recorded in the fourth quarter of 2005 was \$8.7 of tax benefit.

We also recorded the tax impact of the out of period adjustments described above, where applicable, based on the local statutory tax rate in the jurisdiction of the entity recording the adjustment. The impact of amounts recorded in the fourth quarter of 2005 was \$10.8 of tax benefit.

Note 4: Loss Per Share

The following table sets forth the computation of basic and diluted loss per common share for net loss available to common stockholders:

	For the Years Ended December 31,		
	2005	2004	2003
Basic and Diluted			
Loss from continuing operations	\$ (271.9)	\$ (544.9)	\$ (640.1)
Less: preferred stock dividends	26.3	19.8	—
	(298.2)	(564.7)	(640.1)
Income from discontinued operations, net of taxes of (\$9.0), \$3.5 and \$18.5, respectively	9.0	6.5	101.0
Net loss applicable to common stockholders	\$ (289.2)	\$ (558.2)	\$ (539.1)
Weighted-average number of common shares outstanding — basic and diluted	424.8	415.3	385.5
Loss per share from continuing operations	\$ (0.70)	\$ (1.36)	\$ (1.66)
Earnings per share from discontinued operations	0.02	0.02	0.26
Loss per share — basic and diluted	\$ (0.68)	\$ (1.34)	\$ (1.40)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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Basic and diluted shares outstanding and loss per share are equal for the years ended December 31, 2005, 2004 and 2003 due to the anti-dilutive impact of our stock options, restricted stock and convertible securities as a result of the net loss applicable to common stockholders in all related periods. The following table presents the weighted-average number of incremental anti-dilutive shares excluded from the computations of diluted loss per share for the years ended December 31, 2005, 2004 and 2003:

	December 31,		
	2005	2004	2003
Stock Options, Non-vested Restricted Stock			
Awards and Restricted Stock Units	4.8	4.0	4.1
Contingently Issuable Shares	—	1.2	—
1.80% Convertible Notes	—	0.4	6.7
1.87% Convertible Notes	—	6.1	6.4
4.50% Convertible Notes	64.4	64.4	51.5
Series A Mandatory Convertible Preferred Stock	27.7	26.3	0.8
Series B Cumulative Convertible Perpetual Preferred Stock	7.3	—	—
Total	104.2	102.4	69.5

Our Series B Cumulative Convertible Perpetual Preferred Stock was issued on October 24, 2005. Had these convertible securities been outstanding for the full year, 38.4 of incremental shares would be excluded from the computation of diluted loss per share for the year ended December 31, 2005.

In September 2004, the EITF reached a consensus on the guidance provided by EITF Issue No. 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share*. The guidance requires that the share impact of contingently convertible instruments (including debt securities) with a market price conversion trigger be included in diluted EPS computations (if dilutive), regardless of whether the market price conversion trigger (or other contingent feature) has been met. We implemented the requirements of EITF Issue No. 04-8 for the quarter and fiscal year ended December 31, 2004. The adoption of EITF Issue No. 04-8 requires that we include approximately 64.4 shares in our calculation of diluted EPS to reflect the assumed conversion of our 4.50% Notes in periods when dilutive. The adoption of this pronouncement had no impact on the calculation of earnings per share for any period presented, due to the anti-dilutive impact of the convertible instruments.

We adopted EITF Issue No. 03-6, *Participating Securities and the Two — Class Method Under FASB Statement No. 128*, during the quarter ended June 30, 2004. The adoption of this pronouncement had no impact on the calculation of earnings per share for any period presented, as the holders of our 4.50% Notes and Series A Preferred Stock, which are participating securities, do not participate in our net loss.

Note 5: Acquisitions and Dispositions**Acquisitions**

The majority of our acquisitions include an initial payment at the time of closing and provide for additional contingent purchase price payments over a specified time. The initial purchase price of an acquisition is allocated to identifiable assets acquired and liabilities assumed based on estimated fair values with any excess being recorded as goodwill and other intangible assets. These contingent payments, which are also known as “earn-outs” and “put options,” are calculated based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors. Earn-outs and put options are recorded within the financial statements as an increase to goodwill and other intangible assets once the terms and conditions of the contingent acquisition obligations have been met and the consideration is distributable or expensed as compensation.

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(Amounts in Millions, Except Per Share Amounts)

based on the acquisition agreement and the terms and conditions of employment for the former owners of the acquired businesses.

Cash paid and stock issued for prior acquisitions are comprised of: (i) contingent payments as described above; (ii) further investments in companies in which we already have an ownership interest; and (iii) other payments related to loan notes and guaranteed deferred payments that have been previously recognized on the balance sheet.

We did not complete any acquisitions during 2005. We completed two acquisitions during 2004 and two during 2003, none of which were significant on an individual basis. The results of operations of these acquired companies were included in our consolidated results from the date of close of the transaction. We did, however, make stock payments related to acquisitions initiated in prior years of \$12.9, \$23.8 and \$56.2 during 2005, 2004 and 2003, respectively. Details of cash paid for new and prior acquisitions are as follows:

	For the Years Ended December 31,		
	2005	2004	2003
Cash paid for current year acquisitions	\$ —	\$ 14.6	\$ 4.0
Cash paid for prior acquisitions:			
Cost of Investment	91.7	141.6	216.9
Compensation Expense — Related Payments	5.3	20.1	4.3
Less: cash acquired	—	(0.9)	(0.6)
Net cash paid for acquisitions	\$ 97.0	\$ 175.4	\$ 224.6

The following table includes the cash paid and stock issued for prior acquisitions that were primarily recorded as an increase to goodwill and other intangibles in 2005 relating to companies acquired during prior periods:

	Year of Original Acquisition						Total Paid During 2005
	1999 and Prior	2000	2001	2002	2003	2004	
Cash payments for prior acquisitions	\$ 40.1	\$ 26.1	\$ 26.8	\$ 1.9	\$ 0.4	\$ 1.7	\$ 97.0
Stock issued for prior acquisitions	0.8	12.1	—	—	—	—	12.9
Total consideration	\$ 40.9	\$ 38.2	\$ 26.8	\$ 1.9	\$ 0.4	\$ 1.7	\$ 109.9

Dispositions

During 2005 we completed the sale of twenty-seven businesses at our IAN segment and two businesses at our CMG segment, which comprised approximately \$31.0 of revenue. The results of operations as well as the gain or loss on sale of each of these agencies were not material to the Consolidated Financial Statements in any of the periods presented.

Motorsports — On January 12, 2004, we completed the sale of a business comprising the four Motorsports circuits, including Brands Hatch, Oulton Park, Cadwell Park and Snetterton (the “four owned circuits”), owned by our Brands Hatch subsidiaries, to MotorSport Vision Limited. The consideration for the sale was approximately \$26.0. An additional contingent amount of approximately \$4.0 may be paid to us depending upon the future financial results of the operations sold. We recognized a fixed asset impairment loss related to the four owned circuits of \$38.0 in the fourth quarter of 2003. Additionally, we recognized a fixed asset impairment of \$9.6 related to the other Motorsports entities and a capital expenditure impairment of \$16.2 for outlays that Motorsports was contractually required to spend to upgrade and maintain certain remaining racing facilities.

On April 19, 2004, we reached an agreement with the Formula One Administration Limited (“FOA”) to terminate and release our respective guarantee and promoter obligations relating to the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

British Grand Prix held at the Silverstone racetrack in the United Kingdom (“UK”). Under this agreement, we were released from our obligations following the British Grand Prix in July 2004. In exchange for the early termination of the obligations and liabilities, we paid a total of \$93.0 to the FOA in two installments of \$46.5 each on April 19, 2004 and May 24, 2004. A pre-tax charge of \$80.0 was recorded in Motorsports contract termination costs related to this transaction during the second quarter of 2004, net of approximately \$13.0 in existing reserves related to the termination of this agreement.

On July 1, 2004, the British Racing Drivers Club (“BRDC”) agreed to vary the terms of the lease agreement relating to the Silverstone race track and we entered into a series of agreements regarding the potential termination of our remaining Motorsports obligations in the UK. These agreements gave us the right to terminate our lease obligations at the Silverstone race track and related agreements, which we exercised on November 1, 2004. In connection with these agreements, we paid the BRDC approximately \$49.0 in three installments. The first installment of approximately \$24.5 was paid on July 1, 2004, the second installment of approximately \$16.0 was paid on September 30, 2004, and the third installment of approximately \$8.5 was paid on October 7, 2004. As a result of these agreements, we recorded a pre-tax charge in the third quarter of 2004 of \$33.6 in Motorsports contract termination costs. This charge is net of existing reserves of \$9.9. The payments also include \$5.5 in office and general expenses reflecting the amount of lease expense associated with our continued use of the leased property through the third and fourth quarters of 2004. We have exited this business and do not anticipate any additional material charges. Motorsports charges consist of the following:

	For the Years Ended December 31,	
	2004	2003
Long-lived asset impairment and other charges	\$ 3.0	\$ 63.8
Motorsports contract termination costs	113.6	—
Total	<u>\$ 116.6</u>	<u>\$ 63.8</u>

NFO — On July 10, 2003, we completed the sale of NFO, our research unit, to Taylor Nelson Sofres plc (“TNS”) for \$415.6 in cash (\$376.7 net of cash sold and expenses) and approximately 11.7 shares of TNS stock that were sold in December 2003 for net proceeds of approximately \$42.0. As a result of this sale, we recognized a pre-tax gain of \$99.1 (\$89.1, net of tax) in the third quarter of 2003 after certain post closing adjustments. The TNS shares sold resulted in a pre-tax gain of \$13.3 recorded in Other income (expense) in the Consolidated Statements of Operations. In July 2004, we received \$10.0 from TNS as a final payment with respect to the sale of NFO, which resulted in a \$6.5 gain, net of tax. We established reserves for certain income tax contingencies with respect to the determination of our investment in NFO for income tax purposes at the time of the disposition of NFO. During the fourth quarter of 2005, these reserves of \$9.0 were reversed, as the related income tax contingencies are no longer considered probable. The results of NFO are classified as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, and, accordingly, the results of operations and cash flows have been removed from our results of continuing operations and cash flows for prior periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Amounts in Millions, Except Per Share Amounts)

Income from discontinued operations consists of the following:

	For the Years Ended December 31,		
	2005	2004	2003
Revenue	\$ —	\$ —	\$ 250.1
Pre-tax income from discontinued operations	\$ —	\$ —	\$ 20.4
Tax expense	—	—	(8.5)
Net income	—	—	11.9
Gain on sale, net of taxes of (\$9.0), \$3.5 and \$10.0, respectively	9.0	6.5	89.1
Income from discontinued operations	<u>\$ 9.0</u>	<u>\$ 6.5</u>	<u>\$ 101.0</u>

Note 6: Restructuring (Reversals) Charges

During 2005, 2004 and 2003, we recorded net (reversals) and charges related to lease termination and other exit costs and severance and termination costs for the 2003 and 2001 restructuring programs of (\$7.3), \$62.2 and \$172.9, respectively, which included the impact of adjustments resulting from changes in management's estimates as described below. The 2003 program was initiated in response to softness in demand for advertising and marketing services. The 2001 program was initiated following the acquisition of True North Communications Inc. and was designed to integrate the acquisition and improve productivity. Total inception to date net charges for the 2003 and 2001 programs were \$224.2 and \$641.0, respectively. The 2003 and 2001 restructuring programs focused on decreasing our overall cost structure mainly through total reductions in head count of approximately 10,300 employees and through downsizing or closing approximately 280 non-strategic or excess office locations. As of December 31, 2005, substantially all activities under the 2003 and 2001 programs were completed. A summary of the net (reversals) and charges by segment is as follows:

	Lease Termination and Other Exit Costs			2003 Program	Severance and Termination Costs		
	2003 Program	2001 Program	Total		2001 Program	Total	Total
2005 Net (Reversals) Charges							
IAN	\$ (6.3)	\$ (0.3)	\$ (6.6)	\$ (0.4)	\$ —	\$ (0.4)	\$ (7.0)
CMG	1.1	0.2	1.3	(0.7)	—	(0.7)	0.6
Corporate	(0.2)	(0.4)	(0.6)	(0.3)	—	(0.3)	(0.9)
Total	<u>\$ (5.4)</u>	<u>\$ (0.5)</u>	<u>\$ (5.9)</u>	<u>\$ (1.4)</u>	<u>\$ —</u>	<u>\$ (1.4)</u>	<u>\$ (7.3)</u>
2004 Net (Reversals) Charges							
IAN	\$ 40.3	\$ (7.3)	\$ 33.0	\$ 14.1	\$ (4.3)	\$ 9.8	\$ 42.8
CMG	8.1	4.0	12.1	5.1	(0.7)	4.4	16.5
Corporate	3.7	(1.0)	2.7	0.3	(0.1)	0.2	2.9
Total	<u>\$ 52.1</u>	<u>\$ (4.3)</u>	<u>\$ 47.8</u>	<u>\$ 19.5</u>	<u>\$ (5.1)</u>	<u>\$ 14.4</u>	<u>\$ 62.2</u>
2003 Net (Reversals) Charges							
IAN	\$ 23.1	\$ 8.8	\$ 31.9	\$ 106.6	\$ (0.1)	\$ 106.5	\$ 138.4
CMG	12.7	6.1	18.8	15.7	—	15.7	34.5
Motorsports	—	—	—	0.4	—	0.4	0.4
Corporate	(2.2)	(1.3)	(3.5)	3.1	—	3.1	(0.4)
Total	<u>\$ 33.6</u>	<u>\$ 13.6</u>	<u>\$ 47.2</u>	<u>\$ 125.8</u>	<u>\$ (0.1)</u>	<u>\$ 125.7</u>	<u>\$ 172.9</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)****Lease termination and other exit costs*****2003 Program***

Net (reversals) and charges related to lease termination and other exit costs of (\$5.4), \$52.1 and \$33.6 recorded for 2005, 2004, and 2003, respectively, were comprised of charges of \$2.0, \$67.8 and \$41.6 offset by adjustments to management's estimates of \$7.4, \$15.7 and \$8.0, respectively. The discount related to lease terminations is being amortized over the expected remaining term of the related lease and is the primary amount included as charges for 2005. Additionally, charges were recorded for the vacating of 43 and 55 offices in 2004 and 2003, respectively, located primarily in the U.S. and Europe. Charges were recorded at net present value and were net of estimated sublease rental income. Given the remaining life of the vacated leased properties, cash payments are expected to be made through 2015. In addition to amounts recorded as restructuring charges, we recorded charges of \$11.1 and \$16.5 during 2004 and 2003, respectively, related to the accelerated amortization of leasehold improvements on properties included in the 2003 program. These charges were included in office and general expenses in the Consolidated Statements of Operations.

2001 Program

Net (reversals) and charges related to lease termination and other exit costs of (\$0.5), (\$4.3) and \$13.6, recorded for 2005, 2004 and 2003, respectively, resulted exclusively from the impact of adjustments to management's estimates. The 2001 program resulted in approximately 180 offices being vacated worldwide. Given the remaining life of the vacated properties, cash payments are expected to be made through 2024.

Adjustments to Estimates

Lease termination and other exit costs for the 2003 and 2001 restructuring programs included the net impact of adjustments for changes in management's estimates to decrease the restructuring reserves by \$7.9 and \$20.0 in 2005 and 2004, respectively, and increase the reserve by \$5.6 in 2003. The significant factors that caused the adjustments to management's estimates were our negotiation of terms upon the exit of leased properties, changes in sublease rental income, revised valuations and utilization of previously vacated properties by certain of our agencies due to improved economic conditions in certain markets, all of which occurred during the period recorded.

Severance and termination costs***2003 Program***

Net reversals related to severance and termination costs of (\$1.4) for 2005, resulted from the impact of adjustments to management's estimates. Net charges of \$19.5 recorded for 2004 were comprised of charges of \$26.4, partially offset by adjustments to management's estimates of \$6.9. For 2003, net charges of \$125.8 were comprised of charges of \$133.7 partially offset by adjustments of \$7.9. These charges related to a worldwide workforce reduction of approximately 400 employees in 2004 and 2,900 in 2003. The restructuring program affected employee groups across all levels and functions, including executive, regional and account management and administrative, creative and media production personnel. The majority of the severance charges related to the U.S. and Europe, with the remainder in Asia and Latin America.

2001 Program

Net reversals related to severance and termination costs of (\$5.1) and (\$0.1) recorded for 2004 and 2003, respectively, resulted from the impact of adjustments to management's estimates. The 2001 program related to a worldwide reduction of approximately 7,000 employees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Adjustments to Estimates

Severance and termination costs associated with the 2003 and 2001 restructuring programs included the net impact of adjustments for changes in management's estimates to decrease the restructuring reserves by \$1.4, \$12.0 and \$8.0 in 2005, 2004 and 2003, respectively. The significant factors that caused the adjustments to management's estimates were the decrease in the number of terminated employees, change in amounts paid to terminated employees and change in estimates of taxes and restricted stock payments related to terminated employees, all of which occurred during the period recorded.

A summary of the remaining liability for the 2003 and 2001 restructuring programs is as follows:

	<u>Liability at 12/31/04</u>	<u>Charges</u>	<u>Payments</u>	<u>Estimate Adjustments</u>	<u>Other(1)</u>	<u>Liability at 12/31/05</u>
2003 Program						
Lease termination and other exit costs	\$ 51.0	\$ 2.0	\$ (19.9)	\$ (7.4)	\$ (2.1)	\$ 23.6
Severance and termination costs	7.2	—	(3.0)	(1.4)	(0.4)	2.4
Total	<u>\$ 58.2</u>	<u>\$ 2.0</u>	<u>\$ (22.9)</u>	<u>\$ (8.8)</u>	<u>\$ (2.5)</u>	<u>\$ 26.0</u>
2001 Program						
Lease termination and other exit costs	\$ 37.2	\$ —	\$ (14.3)	\$ (0.5)	\$ 0.1	\$ 22.5
Severance and termination costs	1.6	—	(1.1)	—	—	0.5
Total	<u>\$ 38.8</u>	<u>\$ —</u>	<u>\$ (15.4)</u>	<u>\$ (0.5)</u>	<u>\$ 0.1</u>	<u>\$ 23.0</u>
Total Restructuring	<u>\$ 97.0</u>	<u>\$ 2.0</u>	<u>\$ (38.3)</u>	<u>\$ (9.3)</u>	<u>\$ (2.4)</u>	<u>\$ 49.0</u>
	<u>Liability at 12/31/03</u>	<u>Charges</u>	<u>Payments</u>	<u>Estimate Adjustments</u>	<u>Other(1)</u>	<u>Liability at 12/31/04</u>
2003 Program						
Lease termination and other exit costs	\$ 37.7	\$ 67.8	\$ (32.6)	\$ (15.7)	\$ (6.2)	\$ 51.0
Severance and termination costs	39.0	26.4	(52.4)	(6.9)	1.1	7.2
Total	<u>\$ 76.7</u>	<u>\$ 94.2</u>	<u>\$ (85.0)</u>	<u>\$ (22.6)</u>	<u>\$ (5.1)</u>	<u>\$ 58.2</u>
2001 Program						
Lease termination and other exit costs	\$ 65.6	\$ —	\$ (28.0)	\$ (4.3)	\$ 3.9	\$ 37.2
Severance and termination costs	10.2	—	(3.1)	(5.1)	(0.4)	1.6
Total	<u>\$ 75.8</u>	<u>\$ —</u>	<u>\$ (31.1)</u>	<u>\$ (9.4)</u>	<u>\$ 3.5</u>	<u>\$ 38.8</u>
Total Restructuring	<u>\$ 152.5</u>	<u>\$ 94.2</u>	<u>\$ (116.1)</u>	<u>\$ (32.0)</u>	<u>\$ (1.6)</u>	<u>\$ 97.0</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

(1) Amounts represent adjustments to the liability for changes in foreign currency exchange rates as well as liabilities that were previously maintained on the Consolidated Balance Sheet in other balance sheet accounts.

Severance amounts incurred outside the parameters of our restructuring programs are recorded in the financial statements when they become both probable and estimable. With the exception of medical and dental benefits paid to employees who are on long-term disability, we do not establish liabilities associated with ongoing post-employment benefits that may vest or accumulate as the employee provides service as we cannot reasonably predict what our future experience will be. See Note 16 for further discussion.

Note 7: Land, Buildings and Equipment

The following table provides a summary of the components of land, buildings and equipment:

	December 31,	
	2005	2004
Land and buildings	\$ 97.0	\$ 111.1
Furniture and equipment	954.3	1,038.6
Leasehold improvements	549.6	571.3
	1,600.9	1,721.0
Less: accumulated depreciation	(950.9)	(998.1)
Land, buildings and equipment, net	\$ 650.0	\$ 722.9

Note 8: Goodwill and Other Intangible Assets**Goodwill**

Goodwill is the excess purchase price remaining from an acquisition after an allocation of purchase price has been made to identifiable assets acquired and liabilities assumed based on estimated fair values. In order to determine the fair value of net assets for new agency acquisitions, valuations are performed based on several factors, including the type of service offered, competitive market position, brand reputation and geographic coverage. Considering the characteristics of advertising, specialized marketing and communication services companies, our acquisitions usually do not have significant amounts of tangible assets as the principle asset we typically acquire is creative talent. As a result, a substantial portion of the purchase price is allocated to goodwill. Subsequent changes to goodwill include both current year and deferred payments related to acquisitions. We perform an annual impairment review of goodwill as of October 1st or whenever events or significant changes in circumstances indicate that the carrying value may not be recoverable. See Note 1 for fair value determination and impairment testing methodologies. For more discussion on impairment charges, refer to Note 9.

For the year ended December 31, 2005, we changed the date of our annual impairment test for all goodwill and other intangible assets with indefinite lives from September 30th to October 1st. During 2005 we performed this annual impairment test on September 30th and then again on October 1st to ensure that multiples used in the reporting units tested were consistent. By moving the date into the fourth quarter we will be able to utilize the most current and accurate plan and forecast information. The new date also provides us additional time to meet future accelerated public reporting requirements. This change did not delay, accelerate or avoid an impairment charge. This change in accounting principle also did not have an effect on our Consolidated Financial Statements. Accordingly, we believe that the accounting change described above is an alternative accounting principle that is preferable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The changes in the carrying value of goodwill by segment for the years ended December 31, 2005 and 2004 are as follows:

	<u>IAN</u>	<u>CMG</u>	<u>Total</u>
Balance as of December 31, 2003	\$ 2,845.3	\$ 422.6	\$ 3,267.9
Goodwill from current acquisitions	10.1	—	10.1
Goodwill from prior acquisitions	93.8	56.6	150.4
Impairment charges	(220.2)	(91.7)	(311.9)
Other (primarily currency translation)	24.5	0.6	25.1
Balance as of December 31, 2004	<u>\$ 2,753.5</u>	<u>\$ 388.1</u>	<u>\$ 3,141.6</u>
Goodwill disposed of	(24.2)	(1.7)	(25.9)
Goodwill from prior acquisitions	45.4	37.8	83.2
Impairment charges	(97.0)	—	(97.0)
Other (primarily currency translation)	(65.0)	(6.0)	(71.0)
Balance as of December 31, 2005	<u>\$ 2,612.7</u>	<u>\$ 418.2</u>	<u>\$ 3,030.9</u>

Other Intangible Assets

As of December 31, 2005 and 2004, the net carrying value of other intangible assets was \$35.0 and \$37.6, respectively. Included in other intangible assets are assets with indefinite lives not subject to amortization and assets with definite lives subject to amortization. Other intangible assets include non-compete agreements, license costs, trade names and customer lists. Intangible assets with definitive lives subject to amortization are amortized on a straight-line basis with estimated useful lives generally ranging from 1 to 15 years. The total amortization expense for the twelve months ended December 31, 2005, 2004 and 2003 was \$1.5, \$6.8 and \$12.1, respectively. See Note 1 for fair value determination and impairment testing methodologies. The following table provides a summary of other intangible assets:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Other intangible assets	\$ 64.4	\$ 63.4
Less: accumulated amortization	(29.4)	(25.8)
Other intangible assets, net	<u>\$ 35.0</u>	<u>\$ 37.6</u>

Note 9: Long-Lived Asset Impairment and Other Charges

Long-lived assets include land, buildings, equipment, goodwill and other intangible assets. Buildings, equipment and other intangible assets with finite lives are depreciated or amortized on a straight-line basis over their respective estimated useful lives. When necessary, we record an impairment charge for the amount that the carrying value of the asset exceeds the implied fair value. See Note 1 for fair value determination and impairment testing methodologies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The following table summarizes the long-lived asset impairment and other charges:

	For the Years Ended December 31,											
	2005				2004				2003			
	IAN	CMG	Motorsports	Total	IAN	CMG	Motorsports	Total	IAN	CMG	Motorsports	Total
Goodwill impairment	\$ 97.0	\$ —	\$ —	\$ 97.0	\$ 220.2	\$ 91.7	\$ —	\$ 311.9	\$ 0.4	\$ 218.0	\$ —	\$ 218.4
Fixed asset impairment	0.5	—	—	0.5	2.0	0.4	3.0	5.4	2.3	—	63.8	66.1
Other	1.0	0.1	—	1.1	4.9	—	—	4.9	9.1	0.4	—	9.5
Total	<u>\$ 98.5</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ 98.6</u>	<u>\$ 227.1</u>	<u>\$ 92.1</u>	<u>\$ 3.0</u>	<u>\$ 322.2</u>	<u>\$ 11.8</u>	<u>\$ 218.4</u>	<u>\$ 63.8</u>	<u>\$ 294.0</u>

2005 Impairments

IAN — During the fourth quarter of 2005, we recorded a goodwill impairment charge of approximately \$91.0 at our Lowe reporting unit. A triggering event occurred subsequent to our 2005 annual impairment test that led us to believe that Lowe’s goodwill and other indefinite lived intangible assets may no longer be recoverable. As a result, we were required to assess whether our goodwill balance at Lowe was impaired. Specifically, a major client was lost by Lowe’s London agency and the possibility of losing other clients is now considered a higher risk due to recent management defections and changes in the competitive landscape. This caused projected revenue growth to decline. As a result of these changes our long-term projections showed declines in discounted future operating cash flows. These revised cash flows caused the implied fair value of Lowe’s goodwill to be less than the book value.

During the third quarter of 2005 as restated, we recorded a goodwill impairment charge of approximately \$5.8 at a reporting unit within our sports and entertainment marketing business. The long-term projections showed previously unanticipated declines in discounted future operating cash flows and, as a result, these discounted future operating cash flows caused the implied fair value of goodwill to be less than the related book value.

2004 Impairments

IAN — During the third quarter of 2004, we recorded goodwill impairment charges of approximately \$220.2 at The Partnership reporting unit, which was comprised of Lowe Worldwide, Draft Worldwide, Mullen, Dailey & Associates and Berenter Greenhouse & Webster (“BGW”). Our long-term projections showed previously unanticipated declines in discounted future operating cash flows due to recent client losses, reduced client spending and declining industry valuation metrics. These discounted future operating cash flow projections caused the estimated fair values of The Partnership to be less than their book values. The Partnership was subsequently disbanded in the fourth quarter of 2004 and the remaining goodwill was allocated based on the relative fair value of the agencies at the time of disbandment. We considered the possibility of impairment at Lowe and Draft, the two largest agencies previously within The Partnership. However, we determined that there was no discernible triggering event that would have led us to believe that goodwill was impaired.

CMG — As a result of the annual impairment review, a goodwill impairment charge of \$91.7 was recorded at our CMG reporting unit, which was comprised of Weber Shandwick, GolinHarris, DeVries, MWW Group and FutureBrand. The fair value of CMG was adversely affected by declining industry market valuation metrics, specifically, a decrease in the EBITDA multiples used in the underlying valuation calculations. The impact of the lower EBITDA multiples caused the calculated fair value of CMG goodwill to be less than the related book value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

2003 Impairments

CMG — We recorded an impairment charge of \$218.0 to reduce the carrying value of goodwill at Octagon. The Octagon impairment charge reflects the reduction of the unit's fair value due principally to poor financial performance in 2003 and lower than expected future financial performance. Specifically, there was significant pricing pressure in both overseas and domestic TV rights distribution, declining fees from athlete representation, and lower than anticipated proceeds from committed future events, including ticket revenue and sponsorship.

Motorsports — We recorded fixed asset impairment charges of \$63.8, consisting of \$38.0 in connection with the sale of a business comprised of the four owned auto racing circuits, \$9.6 related to the sales of other Motorsports entities and a fixed asset impairment of \$16.2 for outlays that Motorsports was contractually required to spend to improve the racing facilities.

Note 10: Expenses and Other Income

Investment Impairment

We monitor our investments to determine whether a significant event or changes in circumstances have occurred that may have an adverse effect on the fair value of each investment. When an other than temporary decline in value is deemed to have occurred, an impairment charge is recorded to adjust the carrying value of the investment to the estimated fair value. See Note 1 for further discussion of fair value determination and impairment testing methodologies.

During 2005, we recorded investment impairment charges of \$12.2, primarily related to a \$7.1 charge for our remaining unconsolidated investment in Koch Tavares in Latin America to adjust the carrying amount of the investment to fair value and a \$3.7 charge related to a decline in value of certain available-for-sale investments that were determined to be other than temporary.

During 2004, we recorded investment impairment charges of \$63.4, primarily related to a \$50.9 charge for an unconsolidated investment in German advertising agency Springer & Jacoby as a result of a decrease in projected operating results. Additionally, we recorded impairment charges of \$4.7 related to unconsolidated affiliates primarily in Israel, Brazil, Japan and India, and \$7.8 related to several other available-for-sale investments.

During 2003, we recorded \$71.5 of investment impairment charges related to 20 investments. The charges related principally to investments in Fortune Promo 7 of \$9.5 in the Middle East, Koch Tavares of \$7.7 in Latin America, Daiko of \$10.0 in Japan, Roche Macaulay Partners of \$7.9 in Canada, Springer & Jacoby of \$6.5 in Germany and Global Hue of \$6.9 in the U.S. The majority of the impairment charges resulted from deteriorating economic conditions in the countries in which the agencies operate, due to the loss of one or several key clients.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Other Income (Expense)

The following table sets forth the components of other income (expense):

	For the Years Ended December 31,		
	2005	2004	2003
Gains (losses) on sales of businesses	\$ 10.1	\$ (18.2)	\$ 0.3
Gain on sale of Modem Media shares	0.1	0.8	30.3
Gain on sale of TNS shares	—	—	13.3
Contractual liability settlements	2.6	—	—
Gains on sales of other available-for-sale securities and miscellaneous investment income	20.3	6.7	6.4
Total	<u>\$ 33.1</u>	<u>\$ (10.7)</u>	<u>\$ 50.3</u>

In 2005, other income (expense) included net gains from the sales of businesses of \$10.1, net gains on sales of available-for-sale securities and miscellaneous investment income of \$20.3 and \$2.6 related to credits adjustments. The principal components of net gains from the sales of businesses relate to the sale of Target Research, a McCann agency, during the fourth quarter of 2005, which resulted in a gain of \$18.6, offset partially by a sale of a significant component of FCB Spain during the fourth quarter of 2005 which resulted in a loss of approximately \$13.0. The principal components of net gains on sales of available-for-sale securities and miscellaneous investment income relate to the sale of our remaining ownership interest in Delaney Lund Knox Warren & Partners, an agency within FCB, for a gain of approximately \$8.3, and net gains on sales of available-for-sale securities of \$7.9, of which approximately \$3.8 relates to appreciation of Rabbi Trust investments restricted for the purpose of paying our deferred compensation and deferred benefit arrangement liabilities.

In 2005, we also recorded \$2.6 for the settlement of our contractual liabilities for vendor credits and discounts. This amount represents a negotiated client settlement below the amount originally recorded.

In 2004, other income (expense) included \$18.2 of net losses on the sale of 19 agencies. The losses related primarily to the sale of Transworld Marketing, a U.S.-based promotions agency, which resulted in a loss of \$8.6, and a \$6.2 loss for the final liquidation of the Motorsports investment. See Note 5 for further discussion of the Motorsports disposition.

In December 2003, we sold approximately 11.0 shares of Modem Media for net proceeds of approximately \$57.0, resulting in a pre-tax gain of \$30.3. Also in December 2003, we sold all of the approximately 11.7 shares of TNS we had acquired through the sale of NFO for approximately \$42.0 of net proceeds. A pre-tax gain of \$13.3 was recorded.

Note 11: Provision for Income Taxes

The components of income (loss) from continuing operations before provision for (benefit of) income taxes, equity earnings, and minority interest expense are as follows:

	For the Years Ended December 31,		
	2005	2004	2003
Domestic	\$ 54.4	\$ (72.4)	\$ (8.8)
Foreign	(241.0)	(194.6)	(364.0)
Total	<u>\$ (186.6)</u>	<u>\$ (267.0)</u>	<u>\$ (372.8)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The provision for (benefit of) income taxes on continuing operations consists of:

	For the Years Ended December 31,		
	2005	2004	2003
Federal income taxes (including foreign withholding taxes):			
Current	\$ 20.8	\$ 37.2	\$ 16.2
Deferred	16.0	18.2	39.6
	<u>36.8</u>	<u>55.4</u>	<u>55.8</u>
State and local income taxes:			
Current	12.2	12.8	27.0
Deferred	4.6	(22.6)	(9.0)
	<u>16.8</u>	<u>(9.8)</u>	<u>18.0</u>
Foreign income taxes:			
Current	4.3	84.0	141.4
Deferred	24.0	132.6	27.5
	<u>28.3</u>	<u>216.6</u>	<u>168.9</u>
Total	<u>\$ 81.9</u>	<u>\$ 262.2</u>	<u>\$ 242.7</u>

The components of deferred tax assets consist of the following items:

	December 31,	
	2005	2004
Postretirement/postemployment benefits	\$ 36.4	\$ 18.6
Deferred compensation	162.7	234.1
Pension costs	36.1	50.1
Basis differences in fixed assets	59.8	14.8
Rent	19.8	8.8
Interest	(13.7)	(4.5)
Accruals and reserves	239.3	130.5
Allowance for doubtful accounts	23.0	33.3
Basis differences in intangible assets	(35.4)	(5.3)
Investments in equity securities	(6.8)	16.2
Tax loss/tax credit carry forwards	447.3	411.6
Restructuring and other merger-related costs	16.9	45.2
Other	(2.8)	70.4
Total deferred tax assets, net	982.6	1,023.8
Valuation allowance	(501.0)	(488.6)
Net deferred tax assets	<u>\$ 481.6</u>	<u>\$ 535.2</u>

The valuation allowance of \$501.0 and \$488.6 at December 31, 2005 and 2004, respectively, applies to certain deferred tax assets, including U.S. tax credits, capital loss carryforwards and net operating loss carryforwards in certain jurisdictions that, in our opinion, are more likely than not, not to be utilized. The change during 2005 in the deferred tax valuation allowance primarily relates to uncertainties regarding the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

utilization of capital loss and foreign net operating loss carryforwards. At December 31, 2005, there are \$51.9 of tax credit carryforwards with expiration periods beginning in 2009 and ending in 2013.

In connection with the U.S. deferred tax assets, management believes that it is more likely than not that a substantial amount of the deferred tax assets will be realized; a valuation allowance has been established for the remainder. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future U.S. taxable income are lower than anticipated. There are \$999.1 of tax loss carryforwards, of which \$294.2 are U.S. capital and net operating loss carryforwards that expire in the years 2006 through 2025. The majority of the remaining \$704.9 are non-U.S. net operating loss carryforwards with unlimited carry forward periods. We have concluded that it is more likely than not that the net deferred tax asset balance will be realized.

Effective Tax Rate Reconciliation on Continuing Operations

A reconciliation of the effective income tax rate on continuing operations before equity earnings and minority interest expense as reflected in the Consolidated Statements of Income to the U.S. Federal statutory income tax rate is as follows:

	For the Years Ended December 31,		
	2005	2004	2003
US Federal statutory income tax rate	35.0%	35.0%	35.0%
Federal income tax provision (benefit) at statutory rate	(65.3)	\$ (93.5)	\$ (130.5)
State and local income taxes, net of federal income tax benefit	3.6	13.7	11.1
Impact of foreign operations, including withholding taxes	44.4	77.6	114.8
Change in valuation allowance	69.9	236.0	111.4
Goodwill and other long-lived asset impairment charges	21.5	26.3	103.6
Goodwill amortization	(1.7)	—	—
Restructuring and other merger-related costs	—	(1.2)	15.2
Liquidation of Motorsports	—	(19.7)	—
Capitalized expenses	10.0	—	—
Other	(0.5)	23.0	17.1
Provision (benefit) for income taxes	<u>\$ 81.9</u>	<u>\$ 262.2</u>	<u>\$ 242.7</u>
Effective tax rate on operations	43.9%	98.2%	65.1%

Our effective tax rate was negatively impacted by the establishment of valuation allowances, as described below, and non-deductible long-lived asset impairment charges. The difference between the effective tax rate and the statutory federal rate of 35% is also due to state and local taxes and the effect of non-U.S. operations.

As required by SFAS No. 109, we are required to evaluate on a quarterly basis the realizability of our deferred tax assets. SFAS No. 109, *Accounting for Income Tax*, requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. In circumstances where there is sufficient negative evidence, establishment of a valuation allowance must be considered. We believe that cumulative losses in the most recent three-year period represent sufficient negative evidence under the provisions of SFAS No. 109, *Accounting for Income Tax*, and, as a result, we determined that certain of our deferred tax assets required the establishment of a valuation allowance. The deferred tax assets for which an allowance was established relate primarily to foreign net operating and U.S. capital loss carryforwards. During 2005, a net valuation allowance of \$69.9 was established in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

continuing operations on existing deferred tax assets and current year losses with no tax benefits. The total valuation allowance as of December 31, 2005 was \$501.0.

The total amount of undistributed earnings of foreign subsidiaries for income tax purposes was \$663.2 and \$734.6 at December 31, 2005 and 2004, respectively. The undistributed earnings of our foreign subsidiaries are permanently reinvested. After the completion of our evaluation, we have determined that we will not take advantage of the provisions of the Jobs Act which grants a temporary incentive to repatriate foreign earnings.

On April 21, 2003 the Internal Revenue Service (“IRS”) proposed additions to our taxable income for the years 1994 through 1996 that would have resulted in additional income taxes, including conforming state and local tax adjustments, of \$41.5 million plus appropriate interest. The Company is close to finalizing a settlement covering all of the adjustments proposed by the IRS, and the IRS has also tentatively agreed to a refund claim which we filed in respect of certain business expenses for which we had previously failed to claim deductions in those years. While we anticipate finalizing this settlement shortly, any additional payments, will not have a material effect on our cash flow, financial position or the results of operations.

The IRS has recently completed the field audit of the years 1997-2002 and has proposed additions to our taxable income. One of the adjustments proposed by the IRS would disallow the deduction of a loss claimed in 2002 on the grounds that the Company had not established that the claimed worthlessness of an acquired business had yet occurred in 2002. The Company had previously received a refund of approximately \$45 million of tax on account of this claimed loss. The proposed disallowance will result in the Company having to repay that amount, plus appropriate interest. Further, the Company intends to amend its 2004 tax return to claim this deduction in that return, which we anticipate will be subject to audit by the IRS commencing in Q2, 2006. In connection with the remaining proposed adjustments, subject to our further review, we intend to file an administrative protest of, and to challenge vigorously, those adjustments for which we believe the IRS does not have adequate support. Although the ultimate resolution of these proposed adjustment may result in final adjustments against the company, we do not anticipate that there will be significant cash tax payments in addition to the repayment of the refund described above, and therefore do not expect a material effect on our cash flow, financial position or results of operations.

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 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 requires.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Note 12: Accrued Liabilities

The following table provides a summary of the components of accrued liabilities:

	December 31,	
	2005	2004
Accrued media and production expenses	\$ 1,517.6	\$ 1,411.5
Salaries, benefits and related expenses	447.2	441.5
Accrued vendor discounts and credits	195.1	153.1
Accrued office and related expenses	93.6	113.8
Accrued professional fees	70.4	73.6
Accrued restructuring charges	49.0	97.0
Accrued interest	35.2	35.0
Accrued taxes	46.7	58.8
Other	99.5	100.9
Total	<u>\$ 2,554.3</u>	<u>\$ 2,485.2</u>

Note 13: Debt**Long-Term Debt**

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

	December 31,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
7.875% Senior Unsecured Notes due 2005	\$ —	\$ —	\$ 255.0	\$ 257.5
Floating Rate Senior Unsecured Notes due 2008	250.0	250.6	—	—
5.40% Senior Unsecured Notes due 2009 (less unamortized discount of \$0.3)	249.7	225.0	249.7	252.9
7.25% Senior Unsecured Notes due 2011	499.2	465.0	500.0	537.3
6.25% Senior Unsecured Notes due 2014 (less unamortized discount of \$0.9)	350.3	297.5	347.3	354.3
4.50% Convertible Senior Notes due 2023	800.0	834.0	800.0	1,045.0
Other notes payable and capitalized leases — at interest rates from 3.3% to 14.44%	36.9		42.1	
Total long-term debt	<u>2,186.1</u>		<u>2,194.1</u>	
Less: current portion	3.1		258.1	
Long-term debt, excluding current portion	<u>\$ 2,183.0</u>		<u>\$ 1,936.0</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

Annual repayments of long-term debt as of December 31, 2005 are scheduled as follows:

2006	\$	3.1
2007		4.7
2008*		256.7
2009		250.8
2010		0.8
Thereafter*		1,670.0
Total long-term debt	\$	<u>2,186.1</u>

* Holders of our \$800.0 4.50% Notes may require us to repurchase the 4.50% Notes for cash at par in March 2008. If all holders require us to repurchase these Notes, a total of \$1,056.7 will be payable in 2008 in respect of long-term debt. These Notes will mature in 2023 if not converted or repurchased.

Redemption and Repurchase of Long-Term Debt

In August 2005, we redeemed the remainder of the outstanding 7.875% Senior Unsecured Notes with an aggregate principal amount of \$250.0 at maturity at gross proceeds of approximately \$258.6, which included the principal amount of the Notes, accrued interest to the redemption date, and a prepayment penalty. To redeem these Notes we used the proceeds from the sale and issuance in July 2005 of \$250.0 Floating Rate Senior Unsecured Notes due in July 2008.

In November 2004, we tendered for \$250.0 of the \$500.0 outstanding face value 7.875% Senior Unsecured Notes at gross proceeds of approximately \$263.1, which included the principal amount of the Notes plus accrued interest to the tender date. A prepayment premium of \$9.8 was recorded on the early retirement of \$250.0 of these Notes. In December 2004, we redeemed our outstanding 1.87% Convertible Subordinated Notes with an aggregate principal amount of approximately \$361.0 at maturity at gross proceeds of approximately \$346.8, which included the principal amount of the Notes plus accrued interest to the redemption date. To tender for the 7.875% Senior Unsecured Notes and redeem the 1.87% Convertible Subordinated Notes, we used approximately \$250.0 and \$350.0, respectively, of the net proceeds from the sale and issuance in November 2004 of the 5.40% Senior Unsecured Notes due November 2009 and 6.25% Senior Unsecured Notes due November 2014.

In January 2004, we redeemed the 1.80% Convertible Subordinated Notes with an aggregate principal amount of \$250.0 at maturity at gross proceeds of approximately \$246.0, which included the principal amount of the Notes plus original issue discount and accrued interest to the redemption date. To redeem these Convertible Subordinated Notes, we used approximately \$246.0 of the net proceeds from the 2003 Common and Mandatory Convertible Preferred Stock offerings as discussed in Note 14.

Consent Solicitation

In March 2005, we completed a consent solicitation to amend the indentures governing five series of our outstanding public debt to provide, among other things, that our failure to file with the trustee our SEC reports, including our 2004 Annual Report on Form 10-K and Quarterly Reports for the first and second quarters of 2005 on Form 10-Q, would not constitute a default under the indentures until October 1, 2005.

The indenture governing our 4.50% Notes was also amended in March 2005 to provide for: (i) an extension from March 15, 2008 to September 15, 2009 of the date on or after which we may redeem the 4.50% Notes and (ii) an additional "make-whole" adjustment to the conversion rate in the event of a change of control meeting specified conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)****4.50% Convertible Senior Notes**

The 4.50% Notes are convertible to common stock at a conversion price of \$12.42 per share, subject to adjustment in specified circumstances. They are convertible at any time if the average price of our common stock for 20 trading days immediately preceding the conversion date is greater than or equal to a specified percentage, beginning at 120% in 2003 and declining 0.5% each year until it reaches 110% at maturity, of the conversion price. They are also convertible, regardless of the price of our common stock, if: (i) we call the 4.50% Notes for redemption; (ii) we make specified distributions to shareholders; (iii) we become a party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash or property (other than securities) or (iv) the credit ratings assigned to the 4.50% Notes by any two of Moody's Investors Service, Standard & Poor's and Fitch Ratings are lower than Ba2, BB and BB, respectively, or the 4.50% Notes are no longer rated by at least two of these ratings services. Because of our current credit ratings, the 4.50% Notes are currently convertible into approximately 64.4 shares of our common stock.

Holders of the 4.50% Notes may require us to repurchase the 4.50% Notes on March 15, 2008 for cash and on March 15, 2013 and March 15, 2018 for cash or common stock or a combination of both, at our election. Additionally, investors may require us to repurchase the 4.50% Notes in the event of certain change of control events that occur prior to March 15, 2008 for cash or common stock or a combination of both, at our election. If at any time on or after March 13, 2003 we pay cash dividends on our common stock, we will pay contingent interest in an amount equal to 100% of the per share cash dividend paid on the common stock multiplied by the number of shares of common stock issuable upon conversion of the 4.50% Notes. At our option, we may redeem the 4.50% Notes on or after September 15, 2009 for cash. The redemption price in each of these instances is 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any. The 4.50% Notes also provide for an additional "make-whole" adjustment to the conversion rate in the event of a change of control meeting specified conditions.

In accordance with EITF Issue No. 03-6, *Participating Securities and the Two — Class Method under FASB Statement No. 128, Earnings Per Share*, the 4.50% Notes are considered securities with participation rights in earnings available to common stockholders due to the feature of these securities that allows investors to participate in cash dividends paid on our common stock. For periods in which we experience net income, the impact of these securities' participation rights is included in the calculation of earnings per share. For periods in which we experience a net loss, the 4.50% Notes have no impact on the calculation of earnings per share due to the fact that the holders of these securities do not participate in our losses.

See Note 19 for additional discussion of fair market value of our long-term debt.

Cash Poolings

The amount of our cash held by the banks under our international pooling arrangements is subject to a full right of offset against the amounts advanced to us, and the cash and advances are recorded net on our balance sheet. The gross amounts vary depending on how much funding is provided to agencies through the pooling arrangements. At December 31, 2005 and 2004, cash of \$842.6 and \$939.9, respectively, was netted against an equal amount of advances under pooling arrangements. We typically pay interest on the gross amounts of the advances and receive interest income on the cash deposited, albeit at a lower rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Credit Arrangements

We have committed and uncommitted credit facilities with various banks that permit borrowings at variable interest rates. At December 31, 2005 and 2004, there were no borrowings under our committed facilities. However, there were borrowings under the uncommitted facilities made by several of our subsidiaries outside the U.S. totaling \$53.7 and \$67.8, respectively. We have guaranteed the repayment of some of these borrowings by our subsidiaries. The weighted-average interest rate on outstanding balances under the uncommitted short-term facilities at December 31, 2005 and 2004 was approximately 5% in each year. A summary of our credit facilities is as follows:

	December 31,							
	2005				2004			
	<u>Total Facility</u>	<u>Amount Outstanding</u>	<u>Letters of Credit</u>	<u>Total Available</u>	<u>Total Facility</u>	<u>Amount Outstanding</u>	<u>Letters of Credit</u>	<u>Total Available</u>
Committed								
364-Day Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ 250.0	\$ —	\$ —	\$ 250.0
Three-Year Revolving Credit Facility	500.0	—	162.4	337.6	450.0	—	165.4	284.6
Other Facilities	0.7	—	—	0.7	0.8	—	—	0.8
	<u>\$ 500.7</u>	<u>\$ —</u>	<u>\$ 162.4</u>	<u>\$ 338.3</u>	<u>\$ 700.8</u>	<u>\$ —</u>	<u>\$ 165.4</u>	<u>\$ 535.4</u>
Uncommitted								
Non-U.S.	\$ 516.2	\$ 53.7	\$ —	\$ 462.5	\$ 738.1	\$ 67.8	\$ —	\$ 670.3

Our primary bank credit agreement is a three-year revolving credit facility (as amended, “Three-Year Revolving Credit Facility”). The Three-Year Revolving Credit Facility expires on May 9, 2007 and provides for borrowings of up to \$500.0, of which \$200.0 is available for the issuance of letters of credit. This facility was amended as of October 17, 2005 to increase the amount that we may borrow under the facility by \$50.0 to \$500.0. Our \$250.0 364-Day Revolving Credit Facility expired on September 30, 2005. The Three-Year Revolving Credit Facility has been modified multiple times since inception as noted below. We have been in compliance with all covenants under the Three-Year Revolving Credit Facility, as amended or waived from time to time.

Borrowings under the Three-Year Revolving Credit Facility are unsecured. Outstanding balances bear interest at variable rates based on either LIBOR or a bank’s base rate, at our option. The interest rates on LIBOR loans and base rate loans under the Three-Year Revolving Credit Facility are affected by the facility’s utilization levels and our credit ratings.

The original terms of the Three-Year Revolving Credit Facility restricted our ability to declare or pay dividends, repurchase shares of common stock, make cash acquisitions or investments and make capital expenditures, as well as the ability of our subsidiaries to incur additional unsecured debt. The original terms of the Three-Year Revolving Credit Facility limited annual cash consideration paid for acquisitions to \$100.0 in the aggregate for any calendar year, provided that amounts unused in any year could have been rolled over to the following years, but could not have exceeded \$250.0 in any calendar year. Annual common stock buybacks and dividend payments on our capital stock were limited to \$95.0 in the aggregate for any calendar year, of which \$45.0 could have been used for dividend payments on our convertible preferred stock and \$50.0 could have been used for dividend payments on our capital stock (including common stock) and for common stock buybacks. Any unused portion of the permitted amount of \$50.0 could have been rolled over into successive years; provided that the payments in any calendar year did not exceed \$125.0 in the aggregate. Our permitted level of annual capital expenditures was limited to \$225.0, provided that amounts unused in any year up to \$50.0 could have been rolled over to the next year. These

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

terms were subsequently modified with three amendments made to the Three-Year Revolving Credit Facility on March 31, June 22 and September 27, 2005.

The March 31, 2005 waiver and amendment to the Three-Year Revolving Credit Facility, among other things, (i) required us to maintain an ending balance of \$225.0 of cash in domestic accounts with our lenders for the seven days preceding a borrowing, (ii) restricted cash consideration paid for acquisitions to less than \$5.0 for the period between March 31, 2005 and July 11, 2005, and (iii) restricted our ability to make certain restricted payments such as dividends until July 11, 2005 to paying dividends on our preferred stock and to repurchase capital stock in connection with employees' exercise of options.

The June 22, 2005 waiver and amendment to the Three-Year Revolving Credit Facility, among other things, (i) required us to maintain a daily ending balance of \$225.0 of cash and securities in domestic accounts with our lenders, (ii) restricted our ability to make cash acquisitions in excess of \$7.5 in the aggregate until September 30, 2005, and (iii) restricted our ability to make certain restricted payments such as dividends until September 30, 2005 to paying dividends on our preferred stock and to repurchase capital stock in connection with employees' exercise of options.

The terms of the September 27, 2005 amendment to the Three-Year Revolving Credit Facility did not permit us: (i) to make cash acquisitions in excess of \$50.0 until October 2006, or thereafter in excess of \$50.0 until expiration of the agreement in May 2007, subject to increases equal to the net cash proceeds received during the applicable period from any disposition of assets; (ii) to make capital expenditures in excess of \$210.0 annually; (iii) to repurchase or to declare or pay dividends on our capital stock (except for any convertible preferred stock, convertible trust preferred instrument or similar security, which includes our outstanding 5.375% Series A Mandatory Convertible Preferred Stock), except that we may repurchase our capital stock in connection with the exercise of options by our employees or with proceeds contemporaneously received from an issue of new shares of our capital stock; or (iv) to incur new debt by our subsidiaries, other than unsecured debt incurred in the ordinary course of business of our subsidiaries outside the U.S. and unsecured debt, which may not exceed \$10.0 in the aggregate, incurred in the ordinary course of business of our U.S. subsidiaries. In addition the daily ending balance of cash and securities requirement from the previous amendment was removed through this amendment.

The October 17, 2005 amendment increased the amount that we may borrow under the facility by \$50.0 to \$500.0.

The November 7, 2005 amendment, effective as of September 30, 2005, amended the financial covenants with respect to the period ended September 30, 2005 and extended the period during which long-lived asset and impairment charges in an aggregate amount not in excess of \$500.0 may be recognized and added back to the calculation of EBITDA.

The March 21, 2006 amendment, effective as of December 31, 2005, amended the financial covenants with respect to periods ended December 31, 2005, March 31, 2006 and June 30, 2006 and certain provisions relating to letters of credit, so that letters of credit issued under the facility may have expiration dates beyond the termination date of the facility, subject to certain conditions. Such conditions include, among others, the requirement for us, on the 105th day prior to the termination date of the facility, to provide a cash deposit in an amount equal to the total amount of the outstanding letters of credit with expiration dates beyond the termination date of the facility. The amendment also added one new financial covenant so that we are required to maintain, based on a five business day testing period, in cash and securities, an average daily ending balance of \$300.0 plus the aggregate principal amount of borrowings under the credit facility in domestic accounts with our lenders. We also obtained a waiver from the lenders under the Three-Year Revolving Credit Facility on March 21, 2006 to waive any default arising from the restatement of our financial data presented in this report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The Three-Year Revolving Credit Facility now contains revised financial covenants. These covenants have been modified previously by amendments and waivers on March 31, 2005, June 22, 2005, September 27, 2005, November 7, 2005 (effective as of September 30, 2005) and March 21, 2006 (effective as of December 31, 2005). The revisions in the covenants subsequent to each amendment are detailed below. These covenants require us to maintain with respect to each fiscal quarter set forth below:

(i) an interest coverage ratio for the four fiscal quarters then ended of not less than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Original Terms	Covenant Revisions Effective as of:				Year-End Terms
	5/10/04	3/31/05	6/22/05	9/27/05	9/30/05	12/31/05
December 31, 2004	3.75 to 1	3.00 to 1				
March 31, 2005	3.75 to 1	3.75 to 1	2.40 to 1			
June 30, 2005	3.75 to 1	3.75 to 1	2.00 to 1			
September 30, 2005	3.75 to 1	3.75 to 1	3.75 to 1	2.15 to 1	1.95 to 1	
December 31, 2005	3.75 to 1	3.75 to 1	3.75 to 1	1.75 to 1	1.75 to 1	*
March 31, 2006	3.75 to 1	3.75 to 1	3.75 to 1	1.85 to 1	1.85 to 1	*
June 30, 2006	3.75 to 1	3.75 to 1	3.75 to 1	1.45 to 1	1.45 to 1	*
September 30, 2006	3.75 to 1	3.75 to 1	3.75 to 1	1.75 to 1	1.75 to 1	1.75 to 1
December 31, 2006	3.75 to 1	3.75 to 1	3.75 to 1	2.15 to 1	2.15 to 1	2.15 to 1
March 31, 2007	3.75 to 1	3.75 to 1	3.75 to 1	2.50 to 1	2.50 to 1	2.50 to 1

* The March 21, 2006 amendment, effective as of December 31, 2005, removed the financial covenant requirements with respect to the interest coverage ratio for the fiscal quarters ending December 31, 2005, March 31, 2006 and June 30, 2006.

(ii) a debt to EBITDA ratio, where debt is the balance at period-end and EBITDA is for the four fiscal quarters then ended, of not greater than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Original Terms	Covenant Revisions Effective as of:				Year-End Terms
	5/10/04	3/31/05	6/22/05	9/27/05	9/30/05	12/31/05
December 31, 2004	3.25 to 1	4.25 to 1				
March 31, 2005	3.25 to 1	3.25 to 1	4.80 to 1			
June 30, 2005	3.25 to 1	3.25 to 1	5.65 to 1			
September 30, 2005	3.25 to 1	3.25 to 1	3.25 to 1	5.20 to 1	5.70 to 1	
December 31, 2005	3.25 to 1	3.25 to 1	3.25 to 1	6.30 to 1	6.30 to 1	*
March 31, 2006	3.25 to 1	3.25 to 1	3.25 to 1	5.65 to 1	5.65 to 1	*
June 30, 2006	3.25 to 1	3.25 to 1	3.25 to 1	6.65 to 1	6.65 to 1	*
September 30, 2006	3.25 to 1	3.25 to 1	3.25 to 1	5.15 to 1	5.15 to 1	5.15 to 1
December 31, 2006	3.25 to 1	3.25 to 1	3.25 to 1	4.15 to 1	4.15 to 1	4.15 to 1
March 31, 2007	3.25 to 1	3.25 to 1	3.25 to 1	3.90 to 1	3.90 to 1	3.90 to 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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* The March 21, 2006 amendment, effective as of December 31, 2005, removed the financial covenant requirements with respect to the debt to EBITDA ratio for the fiscal quarters ending December 31, 2005, March 31, 2006 and June 30, 2006.

(iii) minimum levels of EBITDA for the four fiscal quarters then ended of not less than that set forth opposite the corresponding quarter in the table below:

Four Fiscal Quarters Ending	Original Terms	Covenant Revisions Effective as of:				Year-End Terms
	5/10/04	3/31/05	6/22/05	9/27/05	9/30/05	12/31/05
December 31, 2004	\$ 750.0	\$ 550.0				
March 31, 2005	750.0	750.0	\$ 470.0			
June 30, 2005	750.0	750.0	400.0			
September 30, 2005	750.0	750.0	750.0	\$ 435.0	\$ 400.0	
December 31, 2005	750.0	750.0	750.0	360.0	360.0	\$ 233.0
March 31, 2006	750.0	750.0	750.0	400.0	400.0	175.0
June 30, 2006	750.0	750.0	750.0	340.0	340.0	100.0
September 30, 2006	750.0	750.0	750.0	440.0	440.0	440.0
December 31, 2006	750.0	750.0	750.0	545.0	545.0	545.0
March 31, 2007	750.0	750.0	750.0	585.0	585.0	585.0

The terms used in these financial covenant ratios, including EBITDA, interest coverage and debt, are subject to specific definitions set forth in the agreement. Under the definition set forth in the Three-Year Revolving Credit Facility, EBITDA is determined by adding to net income or loss the following items: interest expense, income tax expense, depreciation expense, amortization expense, and certain specified cash payments and non-cash charges subject to limitations on time and amount set forth in the agreement. Interest coverage is defined as a ratio of EBITDA of the period of four fiscal quarters then ended to interest expense during such period.

We have in the past been required to seek and have obtained amendments and waivers of the financial covenants under our committed bank facility. There can be no assurance that we will be in compliance with these covenants in future periods. If we do not comply and are unable to obtain the necessary amendments or waivers at that time, we would be unable to borrow or obtain additional letters of credit under the Three-Year Revolving Credit Facility and could choose to terminate the facility and provide a cash deposit in connection with any outstanding letters of credit. The lenders under the Three-Year Revolving Credit Facility would also have the right to terminate the facility, accelerate any outstanding principal and require us to provide a cash deposit in an amount equal to the total amount of outstanding letters of credit. The outstanding amount of letters of credit was \$162.4 as of December 31, 2005. We have not drawn under the Three-Year Credit Facility over the past two years, and we do not currently expect to do so. So long as there are no amounts to be accelerated under the Three-Year Revolving Credit Facility, termination of the facility would not trigger the cross-acceleration provisions of our public debt.

Note 14: Convertible Preferred Stock

We currently have two series of convertible preferred stock outstanding: our 5.375% Series A Mandatory Convertible Preferred Stock (“Series A Preferred Stock”) and our 5.25% Series B Cumulative Convertible Perpetual Preferred Stock (“Series B Preferred Stock”).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Series B Preferred Stock

On October 24, 2005, we completed a private offering of 0.525 shares of our Series B Preferred Stock at an aggregate offering price of \$525.0. The net proceeds from the sale were approximately \$507.3 after deducting discounts to the initial purchasers and the estimated expenses of the offering.

Each share of the Series B Preferred Stock has a liquidation preference of \$1,000.00 per share and is convertible at the option of the holder at any time into 73.1904 shares of our common stock, subject to adjustment upon the occurrence of certain events, which represents a conversion price of approximately \$13.66, representing a conversion premium of approximately 30% over our closing stock price on October 18, 2005 of \$10.51 per share. On or after October 15, 2010, each share of the Series B Preferred Stock may be converted at our option if the closing price of our common stock multiplied by the conversion rate then in effect equals or exceeds 130% of the liquidation preference of \$1,000.00 per share for 20 trading days during any consecutive 30 trading day period. Holders of the Series B Preferred Stock will be entitled to an adjustment to the conversion rate if they convert their shares in connection with a fundamental change meeting certain specified conditions.

The Series B Preferred Stock is junior to all of our existing and future debt obligations, on parity with our Series A Preferred Stock and senior to our common stock, with respect to payments of dividends and rights upon liquidation, winding up or dissolution, to the extent of the liquidation preference of \$1,000.00 per share. There are no registration rights with respect to the Series B Preferred Stock, shares of our common stock issuable upon conversion thereof or any shares of our common stock that may be delivered in connection with a dividend payment.

In accordance with EITF Issue No. 03-6, *Participating Securities and the Two — Class Method under FASB Statement No. 128, Earnings Per Share*, the Series B Preferred Stock is not considered a security with participation rights in earnings available to common stockholders due to the contingent nature of the conversion feature of these securities.

Series A Preferred Stock

We currently have outstanding 7.475 shares of our Series A Preferred Stock with a liquidation preference of \$50.00 per share. On the automatic conversion date of December 15, 2006, each share of the Series A Preferred Stock will convert, subject to certain adjustments, into between 3.0358 and 3.7037 shares of our common stock, depending on the then-current market price of our common stock.

At any time prior to December 15, 2006, holders may elect to convert each share of their Series A Preferred Stock, subject to certain adjustments, into 3.0358 shares of our common stock. If the closing price per share of our common stock exceeds \$24.71 for at least 20 trading days within a period of 30 consecutive trading days, we may elect, subject to certain limitations, to cause the conversion of all of the shares of Series A Preferred Stock then outstanding into shares of our common stock at a conversion rate of 3.0358 shares of our common stock for each share of our Series A Preferred Stock.

The Series A Preferred Stock is junior to all of our existing and future debt obligations, on parity with our Series B Preferred Stock and senior to our common stock, with respect to payments of dividends and rights upon liquidation, winding up or dissolution, to the extent of the liquidation preference of \$50.00 per share.

In accordance with EITF Issue No. 03-6, the Series A Preferred Stock is considered a security with participation rights in earnings available to common stockholders due to the conversion feature of these securities. For periods in which we experience net income, the impact of these securities' participation rights is included in the calculation of earnings per share. For periods in which we experience a net loss,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

the Series A Preferred Stock has no impact on the calculation of earnings per share due to the fact that the holders of these securities do not participate in our losses.

Payment of Dividends

We have not paid any dividends on our common stock since December of 2002. Our ability to declare or pay dividends on common stock is currently restricted by the terms of our Three-Year Revolving Credit Facility. In addition, 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 contemporaneously are declared and paid, or provision for the payment thereof has been made.

We pay annual dividends on each share of Series A Preferred Stock in the amount of \$2.6875. Annual dividends on each share of Series A Preferred Stock are payable quarterly in cash or, if certain conditions are met, in common stock, at our option, on March 15, June 15, September 15 and December 15 of each year. In addition to the stated annual dividend, if at any time on or before December 15, 2006, we pay a cash dividend on our common stock, the holders of Series A Preferred Stock participate in such distributions via adjustments to the conversion ratio, thereby increasing the number of common shares into which the Preferred Stock will ultimately convert. In March 2006, the Board of Directors declared a dividend of \$0.671875 per share on our Series A Preferred Stock, resulting in a maximum possible aggregate dividend of \$5.0.

We pay annual dividends on each share of Series B Preferred Stock in the amount of \$52.50 per share. The initial dividend on our Series B Preferred Stock is \$11.8125 per share and was declared on December 19, 2005 payable in cash on January 17, 2006. Annual dividends on each share of Series B Preferred Stock are payable quarterly in cash or, if certain conditions are met, in common stock, at our option, on January 15, April 15, July 15 and October 15 of each year. The dividend rate of the Series B Preferred Stock will be increased by 1.0% if we do not pay dividends on the Series B Preferred Stock for six quarterly periods (whether consecutive or not). The dividend rate will revert back to the original rate once all unpaid dividends are paid in full. The dividend rate of the Series B Preferred Stock will also be increased by 1.0% if we do not file our periodic reports with the SEC within 15 days after the required filing date during the first two year period following the closing of the offering. In March 2006, the Board of Directors declared a dividend of \$13.125 per share on our Series B Preferred Stock, resulting in a maximum possible aggregate dividend of \$6.9.

Dividends on each share of preferred stock are cumulative from the date of issuance and are payable on each payment date to the extent that: we are in compliance with our Three-Year Revolving Credit Facility, assets are legally available to pay dividends and our Board of Directors or an authorized committee of our Board declares a dividend payable. If we do not pay dividends on any series of our preferred stock for six quarterly periods (whether consecutive or not), then holders of all series of our preferred stock then outstanding will have the right to elect two additional directors to the Board. These additional directors will remain on the Board until all accumulated and unpaid dividends on our cumulative preferred stock have been paid in full, or to the extent our series of non-cumulative preferred stock is outstanding, until non-cumulative dividends have been paid regularly for at least one year.

Note 15: Incentive Plans

We issue stock and cash based incentive awards to our employees under a plan established by the Compensation Committee and approved by our shareholders. Common stock may be granted under the current plan, up to 4.5 shares for stock options and 14.0 shares for awards other than stock options, however there are limits as to the number of shares available for certain awards and to any one participant. Additional stock options and shares for awards other than stock options may be granted under the current plan if stock options and shares for awards other than stock options previously awarded under prior year

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

compensation plans are forfeited. During the year ended December 31, 2005, forfeitures of stock options and shares for awards other than stock options previously granted of 6.2 and 1.9, respectively, resulted in an additional 8.1 shares available to be issued in future awards. At December 31, 2005, there were 8.2 shares for stock options and 2.3 shares for awards other than stock options that were available under the plan.

Stock Options

Stock options are granted at the fair market value of our common stock on the date of grant and are generally exercisable between two and five years after the date of grant and expire ten years from the grant date.

Following is a summary of stock option transactions during the three-year period ended December 31:

	2005		2004		2003	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Stock options, beginning of year	39.5	\$ 26.36	41.9	\$ 26.60	42.3	\$ 29.35
Options granted	3.3	12.39	2.2	14.14	6.4	10.60
Options exercised	(0.2)	10.75	(0.7)	10.64	(0.1)	10.49
Options cancelled, forfeited and expired	(6.3)	26.91	(3.9)	25.40	(6.7)	29.23
Stock options, end of year	<u>36.3</u>	<u>25.06</u>	<u>39.5</u>	<u>26.36</u>	<u>41.9</u>	<u>26.60</u>
Options exercisable at year-end	<u>32.9</u>	<u>26.39</u>	<u>21.1</u>	<u>28.94</u>	<u>20.8</u>	<u>27.49</u>

The following table summarizes information about stock options outstanding and exercisable at December 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
\$ 9.12 to \$14.99	10.2	8.1	\$ 11.79	6.8	\$ 11.46
\$15.00 to \$24.99	7.3	2.0	18.90	7.3	18.90
\$25.00 to \$34.99	12.2	4.6	31.26	12.2	31.26
\$35.00 to \$56.28	6.6	4.5	40.95	6.6	40.95
	<u>36.3</u>		<u>25.06</u>	<u>32.9</u>	<u>26.39</u>

Acceleration of Stock Options

On December 20, 2005, the Compensation Committee approved the immediate acceleration of vesting of all of our “out-of-the-money” outstanding and unvested stock options previously awarded to our employees under equity compensation plans, excluding unvested options (1) granted during the 2005 calendar year, (2) held by our CEO or CFO or (3) held by non-management directors. All of the outstanding non-excluded unvested options were considered “out-of-the-money” if on December 20, 2005, the options had per share exercise prices equal to or in excess of \$9.585, the average of the high and low price per share as quoted on the New York Stock Exchange on that date. As a result of the accelerated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

vesting, options to purchase approximately 7.8 shares of our common stock became exercisable immediately. The weighted-average exercise price of the options subject to the acceleration was \$18.40 per share. The number of shares, exercise prices and other terms of the options subject to the acceleration remain unchanged. The options are exercisable under their modified terms; however we were unable to issue securities upon the exercise of stock options due to the SEC's position concerning our ineligibility to use the applicable registration forms.

The accelerated vesting eliminates the future compensation expense that we would otherwise recognize in our Consolidated Statements of Operations with respect to these options upon the adoption of SFAS No. 123R (revised 2004), *Share-Based Payment*, as of January 1, 2006. The accelerated vesting of these stock options is expected to reduce the non-cash compensation expense that would have been recorded in the Consolidated Statements of Operations by \$26.7 over the course of the original vesting periods through 2009. Upon adoption of SFAS No. 123R, we will recognize compensation expense related to any unvested options as of that date, as well as any options granted on or after that date. Since most of the accelerated options are considerably "out-of-the-money," we expect that the accelerated vesting of these stock options will have a positive effect on employee retention and perception of stock option value. Because our near-term, share-based compensation expenses were reduced by the acceleration of vesting, share-based compensation expenses could grow significantly in future periods if we continue to grant amounts of new share-based compensation awards similar to recent periods.

As of January 1, 2006, we plan to implement SFAS No. 123R using the modified prospective method, which requires that compensation expense be recorded for all unvested stock options and other equity-based awards. We estimate the impact of applying the provisions of SFAS No. 123R will result in an incremental expense in our Consolidated Statements of Operations of approximately \$15.5 from 2006 through 2011 related to the outstanding options as of December 31, 2005. See Note 22 for further explanation.

Restricted Stock and Performance-Based Stock

Restricted stock is granted to certain key employees and is subject to certain restrictions and vesting requirements as determined by the Compensation Committee. The vesting period is generally two to five years. No monetary consideration is paid by a recipient for a restricted stock award and the fair value of the shares on the grant date is amortized over the vesting period. There were 10.1 and 7.5 shares of restricted stock outstanding at December 31, 2005 and 2004, respectively. We awarded 5.2 shares, 4.1 shares and 0.5 shares of restricted stock with a weighted-average grant date fair value of \$12.13, \$13.72 and \$11.51 during 2005, 2004 and 2003, respectively. The expense recorded for restricted stock awards, net of forfeitures, was \$39.9, \$31.1 and \$34.9 during 2005, 2004 and 2003, respectively.

Performance-based stock awards are a form of stock-award in which the number of shares ultimately received by the holder depends on our performance against specific performance targets. Performance-based stock awards were granted to certain key employees and were subject to certain restrictions and vesting requirements as determined by the Compensation Committee. The awards generally vest over a three-year period tied to the employees' continuing employment and the achievement of certain performance conditions. No monetary consideration is paid by a recipient for a performance-based stock award and the fair value of the shares on the grant date is amortized over the vesting period. At December 31, 2005, there were 2.1 shares of the performance-based stock outstanding. During 2005, we awarded 2.3 shares of performance-based stock with a weighted-average grant date fair value of \$12.09. The expense recorded for the performance-based stock awards, net of forfeitures, was \$3.0 during 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)****Restricted Stock Units and Share Appreciation Performance-Based Units**

Restricted stock units are granted to employees and generally vest in three years. The grantee is entitled to receive a payment in cash or in shares of common stock, at the discretion of the Company, based on the fair market value of the corresponding number of shares of common stock upon completion of the vesting period. The holder of restricted stock units has no ownership interest in the underlying shares of common stock until the restricted stock units vest and the shares of common stock are issued. At December 31, 2005, there were 2.4 restricted stock units outstanding. During 2005 and 2004, we awarded 1.6 and 1.0 shares of restricted stock units with a weighted-average grant date fair value of \$12.09 and \$13.41, respectively. The expense recorded for the restricted stock units, net of forfeitures, was \$4.3 and \$2.2 during 2005 and 2004, respectively.

In 2005, we granted Michael Roth, Chairman of the Board and Chief Executive Officer, 0.3 share appreciation performance-based units (“SAPUs”) based on a weighted-average grant date stock price of \$12.17. Based on the discretion of the Company, the grantee is entitled to receive a payment in cash or shares of common stock upon completion of the four-year vesting period. The holder of the SAPUs has no ownership interest in the underlying shares of common stock until the SAPUs vest and the shares of common stock are issued. No expense was recorded for the SAPUs, as the awards were “out-of-the-money” due to the exercise price exceeding the market price during 2005.

Performance Units

Before December 2003, performance units had been awarded to certain key employees. The payout for these performance units was contingent upon the annual growth in profits (as defined) over the performance periods. The awards are generally paid in cash. The projected value of these units is accrued and charged to expense over the performance period. The expense recorded for performance units, net of forfeitures, was \$5.3, \$12.1 and \$19.7 during 2005, 2004 and 2003, respectively. In December 2003, the Compensation Committee terminated the existing Performance Units Plan. Final payments under this plan totaling approximately \$9.6 are expected to be made in 2006.

Note 16: Employee Benefits**Pension Plans**

Through March 31, 1998, we had a defined benefit plan (“Domestic Plan”) which covered substantially all regular domestic employees. In 1992, the Domestic Plan was amended to offer new plan participants a cash balance benefit as opposed to a career pay formula benefit which was the previous plan formula prior to the amendment. Under the cash balance benefit, participants were credited with an annual allocation equal to a percentage of their compensation, ranging from 1.5% to 5.0%, based on the participant’s age and years of service. For pre-1992 participants, the benefit is the greater of the cash balance account or the career pay formula benefit. Under the career pay formula benefit, annual accruals were earned based on 1.0% of compensation up to \$15,000 (actual number) plus 1.3% of compensation above \$15,000 (actual number). Participants are eligible to receive their benefit in the form of a lump sum payment or as an annuity. Effective April 1, 1998, plan participation and benefit accruals for this Domestic Plan were frozen and participants with five or less years of service became fully vested. As of December 31, 2005, there were approximately 4,900 participants (actual number) in the Domestic Plan. Participants with five or more years of participation in the Domestic Plan as of March 31, 1998 retained their vested balances in the Domestic Plan and also became eligible for payments under a new compensation arrangement, the “Supplemental Compensation Plan” (described below). One of our agencies has an additional domestic plan covering approximately 200 employees (actual number). This plan is closed to new participants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

We also have numerous plans outside the United States, some of which are funded, while others provide payments at the time of retirement or termination under applicable labor laws or agreements. The Interpublic Pension Plan in the UK (“UK Pension Plan”) is the most material foreign pension plan in terms of the liability and plan assets. The UK Pension Plan is a defined benefit plan offering plan participants a final average pay benefit. Under the final average pay benefit formula, the normal retirement benefit is 1.67% of final average pay per each year of service, where final average pay is the highest consecutive 36 months of pay out of the last ten years prior to retirement. Effective November 1, 2002, the UK Pension Plan was closed to new entrants, but existing participants continue to earn benefits under the plan. New employees after November 1, 2002 may be eligible to join the industry wide plan that operates on a defined contribution basis. As of December 31, 2005, there were approximately 1,800 participants (actual number) in the UK Pension Plan.

During 2005, we identified certain additional foreign pension plans. We have included the net periodic cost, as well as the benefit obligations and assets related to these plans as of and for the year ended December 31, 2005. The benefit obligations and plan assets are classified as “other” adjustments within the Pension and Postretirement Benefit Obligation table below. These plans do not have a material impact on our Consolidated Balance Sheets or Statements of Operations in 2005 or 2004.

Postretirement Benefit Plans

Some of our subsidiaries provide postretirement health benefits to eligible employees and their dependents and postretirement life insurance to eligible employees. For domestic employees to be eligible for postretirement health benefits, an employee had to be hired prior to January 1, 1988. Benefits are provided to retirees before and after eligibility for Medicare, and the Company’s cost is limited to \$7,000 (actual number) per covered individual pre-Medicare eligibility and \$2,000 (actual number) per covered individual post-Medicare eligibility. For both pre-Medicare and post-Medicare retirees, prescription drug coverage is included in the benefits that are subject to the cap. Employees that retired prior to May 1, 1993 and their dependents are not subject to the annual cap on company costs. Retiree contributions are required for pre-Medicare coverage. To be eligible for life insurance, an employee had to be hired prior to December 1, 1961. As of December 31, 2005, there were approximately 1,400 participants (actual number) in the postretirement health benefits plan and approximately 230 participants (actual number) in the postretirement life insurance plan.

In addition to the participants in the postretirement health benefits plan described above, certain domestic employees of the former True North Communications companies acquired in June 2001 and their dependents are eligible for postretirement health benefits and life insurance. Generally, only employees hired prior to June 22, 2001 are eligible for coverage. Certain cost-sharing features and limitations on Company cost apply to most of these participants. As of December 31, 2005, there were approximately 2,300 participants (actual number) in both the True North postretirement health benefits plan and postretirement life insurance plan.

Our postretirement health benefits plans are unfunded, and the Company pays claims as presented by the plans’ administrator. The postretirement life insurance plan is insured and the Company pays premiums to the plan administrator.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) was enacted. The Act established a prescription drug benefit under Medicare, known as “Medicare Part D,” and a federal subsidy to sponsors of postretirement health benefits plans that provide a benefit that is at least actuarially equivalent to the Medicare Part D benefit. The prescription drug benefit provided to certain participants in the postretirement medical plan is at least actuarially equivalent to the Medicare Part D benefit, and, accordingly, we are entitled to a subsidy. Our application for the subsidy for our retirees was accepted by the Department of Health and Human Services, with the exception of certain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

participants of the True North postretirement benefit plan, whose benefits we believe are not actuarially equivalent to the Medicare Part D benefit and, therefore, not eligible for the Medicare Part D subsidy. We have adopted FASB Staff Position (“FSP”) No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, prospectively from July 1, 2004. The expected subsidy reduced the accumulated postretirement benefit obligation by \$5.0 at adoption, and the net periodic cost by \$1.0 and \$0.3 for 2005 and 2004, respectively, as compared with the amount calculated without considering the effects of the subsidy.

Pension and Postretirement Net Periodic Cost

We use a measurement date of December 31 for all material plans. The following table identifies the components of net periodic cost for the domestic pension plans, the principal foreign pension plans, and the post retirement benefit plans.

For the Years Ended December 31,	Domestic Pension Plans			Foreign Pension Plans			Postretirement Benefit Plans		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Service cost	\$ 0.7	\$ 0.7	\$ 0.7	\$ 17.2	\$ 17.1	\$ 15.6	\$ 0.7	\$ 0.4	\$ 0.6
Interest cost	8.6	8.7	9.7	21.7	18.1	14.7	3.8	3.9	3.1
Expected return on plan assets	(9.4)	(9.9)	(7.3)	(14.9)	(11.6)	(9.0)	—	—	—
Curtailement gains	—	—	—	(2.2)	—	—	—	—	—
Settlement losses	—	—	—	1.4	—	—	—	—	—
Special termination benefits	—	—	—	4.9	—	—	—	—	—
Amortization of:									
Transition obligation	—	—	—	1.4	—	1.4	0.1	0.2	0.2
Prior service cost	(0.2)	(0.1)	(0.2)	0.1	—	0.1	(0.1)	—	—
Unrecognized actuarial losses (gains)	6.3	4.1	6.1	6.7	4.9	3.5	0.9	0.4	(0.1)
Other	—	—	—	0.8	—	—	—	—	—
Net periodic cost	<u>\$ 6.0</u>	<u>\$ 3.5</u>	<u>\$ 9.0</u>	<u>\$ 37.1</u>	<u>\$ 28.5</u>	<u>\$ 26.3</u>	<u>\$ 5.4</u>	<u>\$ 4.9</u>	<u>\$ 3.8</u>

The weighted-average assumptions used to determine the net periodic cost are as follows:

For the Years Ended December 31,	Domestic Pension Plans			Foreign Pension Plans			Postretirement Benefit Plans		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Discount rate	5.45%	6.15%	6.60%	4.81%	5.20%	5.40%	5.50%	6.25%	6.75%
Rate of compensation increase	N/A	N/A	N/A	3.26%	3.50%	3.10%	N/A	N/A	N/A
Expected return on plan assets	8.63%	8.65%	8.65%	6.28%	6.35%	6.50%	N/A	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Amounts in Millions, Except Per Share Amounts)
Pension and Postretirement Benefit Obligation

We use a measurement date of December 31 for all material plans. The change in the benefit obligation, the change in plan assets, the funded status and amounts recognized for the domestic pension plans, the principal foreign pension plans, and the postretirement benefit plans are as follows:

For the Years Ended December 31,	Domestic Pension Plans		Foreign Pension Plans		Postretirement Benefit Plans	
	2005	2004	2005	2004	2005	2004
Change in projected benefit obligation						
Projected benefit obligation at January 1	\$ 167.6	\$ 154.8	\$ 447.5	\$ 356.6	\$ 72.2	\$ 62.1
Service cost	0.7	0.7	17.2	17.1	0.7	0.4
Interest cost	8.6	8.7	21.7	18.1	3.8	3.9
Benefits paid	(13.4)	(14.2)	(25.3)	(16.3)	(6.4)	(7.0)
Plan participant contributions	—	—	2.9	2.7	1.4	1.3
Plan amendments	—	—	—	—	(1.2)	—
Actuarial losses	5.5	17.6	49.7	38.8	2.7	11.5
Curtailments	—	—	(2.4)	—	—	—
Settlements	—	—	(5.3)	—	—	—
Special termination benefits	—	—	4.9	—	—	—
Foreign currency effect	—	—	(49.3)	28.8	—	—
Other	—	—	35.5	1.7	—	—
Projected benefit obligation at December 31	\$ 169.0	\$ 167.6	\$ 497.1	\$ 447.5	\$ 73.2	\$ 72.2
Change in fair value of plan assets						
Fair value of plan assets at January 1	\$ 119.2	\$ 93.6	\$ 213.6	\$ 179.0	\$ —	\$ —
Actual return on plan assets	9.4	7.7	48.0	20.7	—	—
Employer contributions	1.1	32.1	33.0	15.1	5.0	5.7
Plan participant contributions	—	—	2.9	2.7	1.4	1.3
Benefits paid	(13.4)	(14.2)	(25.3)	(16.3)	(6.4)	(7.0)
Settlements	—	—	(5.3)	—	—	—
Foreign currency effect	—	—	(24.6)	13.1	—	—
Other	—	—	33.0	(0.7)	—	—
Fair value of plan assets at December 31	\$ 116.3	\$ 119.2	\$ 275.3	\$ 213.6	\$ —	\$ —
Reconciliation of funded status to total amount recognized						
Funded status of the plans	\$ (52.7)	\$ (48.4)	\$ (221.8)	\$ (233.9)	\$ (73.2)	\$ (72.2)
Unrecognized net actuarial losses	77.5	78.4	111.9	112.4	22.8	21.0
Unrecognized prior service cost	0.6	0.3	0.2	0.4	(1.1)	—
Unrecognized transition cost	—	—	1.4	3.2	1.1	1.2
Net asset (liability) recognized	\$ 25.4	\$ 30.3	\$ (108.3)	\$ (117.9)	\$ (50.4)	\$ (50.0)
Amounts recognized in consolidated balance sheet						
Accrued benefit liability	\$ (47.4)	\$ (43.9)	\$ (182.0)	\$ (201.1)	\$ (50.4)	\$ (50.0)
Intangible asset	0.6	0.3	1.1	2.9	—	—
Accumulated other comprehensive loss	72.2	73.9	72.6	80.3	—	—
Net asset (liability) recognized	\$ 25.4	\$ 30.3	\$ (108.3)	\$ (117.9)	\$ (50.4)	\$ (50.0)
Accumulated benefit obligation	\$ 163.7	\$ 163.1	\$ 454.6	\$ 411.2		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

Differences between the aggregate balance sheet amounts listed above and the totals reported in our Consolidated Balance Sheets and our Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) relate to the non-material foreign plans.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for domestic pension plans with accumulated benefit obligations in excess of plan assets were \$169.0, \$163.7 and \$116.3, respectively, at December 31, 2005 and \$167.6, \$163.1 and \$119.2, respectively, at December 31, 2004.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for foreign pension plans with accumulated benefit obligations in excess of plan assets were \$493.7, \$452.5 and \$271.9, respectively, at December 31, 2005 and \$445.3, \$409.0 and \$211.3, respectively, at December 31, 2004. Our foreign pension plans are largely under funded due to different funding incentives that exist outside of the U.S. In certain countries where we have major operations, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations. In these instances, benefit payments are typically paid directly from our cash as they become due.

The weighted-average assumptions used in determining the actuarial present value of our benefit obligations are as follows:

At December 31,	Domestic Pension Plans		Foreign Pension Plans		Postretirement Benefit Plans	
	2005	2004	2005	2004	2005	2004
Discount rate	5.41%	5.45%	4.34%	5.00%	5.50%	5.50%
Rate of compensation increase	N/A	N/A	3.28%	3.55%	N/A	N/A
Healthcare cost trend rate assumed for next year Initial rate (weighted-average)					10.00%	9.00%
Year ultimate rate is reached					2015	2012
Ultimate rate					5.50%	5.50%

Determination of Discount Rates

For the domestic pension and postretirement benefit plans, we determine our discount rate based on the estimated rate at which annuity contracts could be purchased to effectively settle the respective benefit obligations. In determining the discount rate, we utilize a yield curve based on high-quality corporate bonds. Each plan's projected cash flow is matched to this yield curve and a present value is developed, which is then used to develop a single equivalent discount rate. When identifying the bonds to be used, we exclude bonds with outlier yields as these bonds are more likely to be mispriced or misgraded.

For the foreign pension plans, we determine a discount rate by referencing market yields on high quality corporate bonds in the local markets with the appropriate term at December 31, 2005.

Determination of the Expected Return on Assets

For the Domestic Plan, we develop the long-term expected rate of return assumptions which we use to model and determine overall asset allocations. Our rate of return analyses factor in historical trends, current market conditions, risk premiums associated with asset classes, and long-term inflation rates. We determine both a short-term (5-7 year) and long-term (30 year) view and then attempt to select a long-term rate of return assumption that matches the duration of our liabilities. Factors included in the analysis of returns include historical trends of asset class index returns over various market cycles and economic conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Approximately 84% of the foreign plan assets are part of the UK Pension Plan. The UK Pension Plan's statement of investment principles specifies benchmark allocations by asset category for each investment manager employed, with specified ranges around the central benchmark allocation. For the UK Pension Plan, we determine the expected rate of return by utilizing the current long-term rates of return available on government bonds and applying suitable risk premiums that consider historical market returns and current market expectations.

Asset Allocation

The primary investment goal for our plans' assets is to maximize total asset returns while ensuring the plans' assets are available to fund the plans' liabilities as they become due. The plans' assets in aggregate and at the individual portfolio level are invested so that total portfolio risk exposure and risk-adjusted returns best meet this objective.

As of December 31, 2005 our domestic and foreign (primarily the UK) pension plan target asset allocations for 2006, as well as the actual asset allocations at December 31, 2005 and 2004, are as follows:

Asset category	2006 Target Allocation		Plan Assets at December 31,			
	Domestic	Foreign	Domestic		Foreign	
			2005	2004	2005	2004
Equity securities	51%	64%	49%	54%	64%	73%
Fixed income securities	27%	28%	23%	21%	28%	18%
Real estate	9%	3%	9%	6%	3%	4%
Other	13%	5%	19%	19%	5%	5%
Total	100%	100%	100%	100%	100%	100%

The aggregate amount of our own stock held as investment for our domestic and foreign pension funds is considered negligible relative to the total fund assets.

Healthcare Cost Trend

Assumed healthcare cost trend rates have a moderate effect on the amounts reported for the postretirement benefit plans. We develop our healthcare cost trend rate assumptions based on data collected on recent trends and forecasts. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect of a one percentage point change in assumed healthcare cost trend		
-on total service and interest cost components	\$ 0.1	\$ (0.1)
-on postretirement benefit obligation	\$ 1.6	\$ (1.6)

Cash Flows

Contributions

For 2006, we expect to contribute \$17.8 to fund our domestic pension plans, and expect to contribute \$22.1 to our foreign pension plans. The minimum funding obligation for 2005 is \$0 for our domestic pension plans and \$12.7 for our foreign pension plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)*****Estimated Future Payments***

The following estimated future payments, which reflect future service, as appropriate, are expected to be paid in the years indicated:

<u>Years</u>	<u>Domestic Pension Plans</u>	<u>Foreign Pension Plans</u>	<u>Postretirement Benefit Plans</u>
2006	\$ 12.1	\$ 15.4	\$ 6.6
2007	13.2	18.3	6.6
2008	13.1	17.2	6.5
2009	12.0	24.0	6.5
2010	12.5	19.2	6.5
2011-2015	59.9	110.0	31.0

The estimated future payments for our postretirement benefit plans are before any estimated federal subsidies expected to be received under the Act. Federal subsidies are estimated to range from \$0.6 in 2006, to \$0.9 in 2010 and are estimated to be \$5.3 for the period 2011-2015.

Supplemental Compensation Plan

As discussed above, participants with five or more years of participation in the Domestic Plan as of March 31, 1998 became eligible for payments under the Supplemental Compensation Plan. Under the Supplemental Compensation Plan, each participant is eligible for an annual allocation, which approximates the projected discontinued pension benefit accrual (formerly made under the cash balance formula in the Domestic Plan) plus interest, while they continue to work for us. Participants in active service are eligible to receive up to ten years of allocations coinciding with the number of years of plan participation in the Domestic Plan as of March 31, 1998. After five years of plan participation, a participant starts to receive an annual cash payment equal to 50% of the accumulated plan balance. Participants must be employed with us as of the scheduled payment date to receive a payment. However, a participant is entitled to 100% of the accumulated plan balance at termination of employment if certain age and service requirements are met. Payments began in 2003 and are scheduled to end in 2008. As of December 31, 2005 and 2004, the Supplemental Compensation Plan liability recorded on our Consolidated Balance Sheet was \$7.3 and \$9.7, respectively. Amounts expensed for the Supplemental Compensation Plan in 2005, 2004 and 2003 were \$1.0, \$5.4 and \$3.4, respectively.

Savings Plans

We sponsor a defined contribution plan (“Savings Plan”) that covers substantially all domestic employees. The Savings Plan permits participants to make contributions on a pre-tax and/or after-tax basis. The Savings Plan allows participants to choose among various investment alternatives. We match a portion of participant contributions based upon their years of service. We contributed \$29.9, \$28.0 and \$26.9 to the Savings Plan in 2005, 2004 and 2003, respectively.

Deferred Compensation and Benefit Arrangements

We have deferred compensation arrangements which (i) permit certain of our key officers and employees to defer a portion of their salary or incentive compensation, or (ii) result in us contributing an amount to the participant’s account. The arrangements typically provide that the participant will receive the amounts deferred plus interest upon attaining certain conditions, such as completing a certain number of years of service or upon retirement or termination. As of December 31, 2005 and 2004, the deferred compensation liability balance recorded on our Consolidated Balance Sheets was \$141.3 and \$154.3,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

respectively. Amounts expensed for deferred compensation arrangements in 2005, 2004 and 2003 were \$10.2, \$8.8 and \$5.0, respectively.

We have deferred benefit arrangements with certain key officers and employees which provide participants with an annual payment, payable when the participant attains a certain age and after the participant's employment has terminated. The deferred benefit liability recorded on our Consolidated Balance Sheets at December 31, 2005 and 2004 was \$151.5 and \$128.3, respectively. Amounts expensed for deferred benefit arrangements in 2005, 2004 and 2003 were \$30.9, \$17.1 and \$12.7, respectively.

We use various actuarial methods and assumptions in determining our pension and postretirement benefit costs and obligations, including the discount rate used to determine the present value of future benefits, expected long-term rate of return on plan assets and healthcare cost trend rates. A significant assumption used to estimate certain deferred benefit liabilities is a participant's retirement age. For one of our more significant deferred benefit arrangements we determined that participants are eligible to retire and begin collecting their deferred benefits at age 60. Historically, based upon prior experience and trending data we assumed that related participants would retire at age 65. However, more recent experience indicates that a majority of eligible participants were retiring and beginning to collect their deferred benefits at age 60. Therefore, in conjunction with our annual review of pension and postretirement benefit assumptions in the fourth quarter of 2005, we revised the assumed retirement age from 65 to 60 within the related deferred benefit liability calculation. As a result of this change in estimate, during the fourth quarter of 2005 the deferred benefit expense increased salaries and related expenses on our Consolidated Statements of Operations by \$14.8, with a corresponding increase to the deferred benefit liability.

We have purchased life insurance policies on participants' lives to assist in the funding of the related deferred compensation and deferred benefit liabilities. As of December 31, 2005 and 2004, the cash surrender value of these policies was \$132.8 and \$141.4, respectively. In addition to the life insurance policies, certain investments are held for the purpose of paying the deferred compensation and deferred benefit liabilities. These investments, along with the life insurance policies, are held in a separate trust and are restricted for the purpose of paying the deferred compensation and the deferred benefit arrangement liabilities. As of December 31, 2005 and 2004, the value of such restricted assets was \$86.1 and \$80.2, respectively. The short-term investments, long-term investments and cash surrender value of the policies in the trust are included in Other Current Assets, Investments and Other Assets, respectively, on our Consolidated Balance Sheets.

Long-term Disability Plan

We have a Long-term Disability ("LTD") plan which provides income replacement benefits to eligible participants who are unable to perform their job duties during the first 24 months of disability. Benefits are continued thereafter, provided the participants receive disability benefits from Social Security. As all income replacement benefits are fully insured, no related obligation is required at December 31, 2005 and 2004. In addition to income replacement benefits, all LTD participants continue to receive medical, dental and life insurance benefits up to age 65 (subject to minimum periods depending on the participants' age at time of disability). We have recorded an obligation of \$9.3 and \$6.1 as of December 31, 2005 and 2004, respectively, related to medical, dental benefits and life insurance benefits for LTD participants.

Employee Stock Purchase Plan

Under the ESPP, employees could purchase our common stock through payroll deductions not exceeding 10% of their compensation. The price an employee paid for a share of stock under the ESPP was 85% of the average market price on the last business day of each month. In 2005, 2004 and 2003, we

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

issued 0.1 shares, 0.7 shares and 0.9 shares, respectively, purchased by employees under the ESPP. Shares issued to employees under the ESPP have no impact on our Consolidated Statements of Operations. No stock was purchased under the ESPP during the second quarter of 2005. The ESPP expired effective June 30, 2005 and shares are no longer available for issuance under the ESPP. See Note 22 for discussion of the impact of shares issued to employees under the ESPP upon our adoption of SFAS No. 123R.

In November 2005, the Company's stockholders approved the establishment of an Interpublic Group of Companies Employee Stock Purchase Plan (the "2006 Plan") to replace the previously existing ESPP. Under the 2006 Plan, employees may purchase our common stock through payroll deductions not exceeding 10% of their compensation. The price an employee pays for a share of stock under the 2006 Plan is 90% of the lesser of the market price of a share on the offering date or the market price of a share on the last business day of the offering period of three months. An aggregate of 15.0 shares are reserved for issuance under the 2006 Plan. Beginning on March 17, 2005 and ending on the filing date of this annual report, we were unable to issue securities pursuant to the ESPP or the 2006 Plan due to the SEC's position concerning our ineligibility to use the applicable registration forms.

Note 17: Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is included on the Consolidated Statement of Stockholders' Equity and Comprehensive Income (Loss). Accumulated other comprehensive loss, net of tax, is reflected in the Consolidated Balance Sheets as follows:

	December 31,	
	2005	2004
Foreign currency translation adjustment	\$ (188.8)	\$ (145.8)
Adjustment for minimum pension liability, net	(111.4)	(112.8)
Unrealized holding gain on securities, net	24.2	10.0
Accumulated other comprehensive loss, net of tax	<u>\$ (276.0)</u>	<u>\$ (248.6)</u>

Note 18: Derivative and Hedging Instruments

We periodically enter into interest rate swap agreements and forward contracts to manage exposure to interest rate fluctuations and to mitigate foreign exchange volatility.

Interest Rate Swaps

During the fourth quarter of 2004, we executed three interest rate swaps which synthetically converted \$350.0 of fixed rate debt to floating rates, to hedge a portion of our floating rate exposure on our cash investments. The interest rate swaps effectively converted the \$350.0, 6.25% Senior Unsecured Notes due November 2014 to floating rate debt and mature on the same day the debt is due. As of December 31, 2004, the floating rate was approximately 4.2%. Under the terms of the interest rate swap agreement, we paid a floating interest rate, based on one-month LIBOR plus an average spread of 176.6 basis points, and received the fixed interest rate of the underlying bond being hedged. Fair value adjustments decreased the carrying amount of our debt outstanding at December 31, 2004 by approximately \$1.7.

In January 2005, we executed an interest rate swap which synthetically converted an additional \$150.0 of fixed rate debt to floating rates. The interest rate swap effectively converted \$150.0 of the \$500.0, 7.25% Senior Unsecured Notes due August 2011 to floating rate debt and matures on the same day the debt is due. Under the terms of the interest rate swap agreement we paid a floating interest rate, based on one-month LIBOR plus a spread of 297.0 basis points, and received the fixed interest rate of the underlying bond being hedged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

On May 25, 2005, we terminated all of our long-term interest rate swap agreements covering the \$350.0, 6.25% Notes due November 2014 and \$150.0 of the \$500.0, 7.25% Notes due August 2011. In connection with the interest rate swap termination, our net cash receipts were approximately \$1.1, which will be recorded as an offset to interest expense over the remaining life of the related debt.

We accounted for interest rate swaps related to our existing long-term debt as fair value hedges. As a result, the incremental interest payments or receipts from the swaps were recorded as adjustments to interest expense in the Consolidated Statement of Operations. The interest rate swaps settled on the underlying bond interest payment dates until maturity. There was no assumed hedge ineffectiveness as the interest rate swap terms matched the terms of the hedged bond.

Forward Contracts

We have entered into foreign currency transactions in which various foreign currencies are bought or sold forward. These contracts were entered into to meet currency requirements arising from specific transactions. The changes in value of these forward contracts have been recorded as other income or expense in our Consolidated Statement of Operations. As of December 31, 2005 and 2004, we had contracts covering approximately \$6.2 and \$1.8, respectively, of notional amount of currency and the fair value of the forward contracts was negligible.

Other

The terms of the 4.50% Notes include two embedded derivative instruments and our Series B Preferred Stock include one embedded derivative. The fair value of the three derivatives on December 31, 2005 was negligible.

Note 19: Financial Instruments

The following table presents the carrying amounts and fair values of our financial instruments at December 31, 2005 and 2004. The carrying amounts reflected in our Consolidated Balance Sheet for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximated their respective fair values at December 31, 2005 and 2004.

	December 31,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
Investment securities:				
— Marketable securities	\$ 115.6	\$ 115.6	\$ 420.0	\$ 420.0
— Cost investments	120.7	120.7	121.6	121.6
— Other investments	49.9	49.9	47.1	47.1
Long-term debt	(2,149.2)	(2,072.1)	(2,152.0)	(2,447.0)
Financial commitments:				
— Other forward contracts	(4.5)	(4.5)	(4.0)	(4.0)
— Put option obligations	—	—	(10.1)	(10.1)

Investment Securities

Marketable securities consisted primarily of available-for-sale equity securities that are publicly traded and have been reported at fair value with net unrealized gains and losses reported as a component of other comprehensive income. Cost investments consisted primarily of public available-for-sale equity securities accounted for under the cost method. Other investments consisted primarily of investments in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

unconsolidated affiliated companies accounted for under the equity method and have been carried at cost, which approximates fair value. Dividends received from our investments in unconsolidated affiliated companies were \$5.9, \$9.3 and \$8.8 in 2005, 2004 and 2003, respectively, and reduced the carrying values of the related investments. The estimated fair values of financial assets have been determined using available market information and appropriate valuation methodologies. Judgment is required in interpreting market information to develop the estimated fair value amounts, and accordingly, changes in assumptions and valuation methodologies may affect these amounts. In the absence of other evidence, cost is presumed to equal fair value for our cost and other investments. Net unrealized holding gains on our investments were \$24.2, \$10.0 and \$3.4 at December 31, 2005, 2004 and 2003, respectively.

Long-Term Debt

Long-term debt included variable and fixed rate debt. The fair value of our long-term debt instruments was based on market prices for debt instruments with similar terms and maturities. During 2005 and 2004, we executed four interest rate swaps to hedge a portion of our floating rate debt exposure. The interest rate swaps were subsequently terminated in May of 2005. The fair value of the interest rate swap agreements was estimated based on quotes from the financial institutions of these instruments and represents the estimated amounts that we would expect to receive or pay to terminate the agreements at the reporting date. Fair value adjustments increased/decreased the carrying value of our debt outstanding at December 31, 2004 by approximately \$1.7, as discussed in Note 18.

Financial Commitments

Financial commitments include other forward contracts and put obligations. Other forward contracts related primarily to an obligation to repurchase 49% of the minority-owned equity shares of a consolidated subsidiary, valued pursuant to SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristic of Both Liabilities and Equity*. Fair value measurement of the obligation was based upon the amount payable as if the forward contract was settled at December 31, 2005 and 2004. Changes in the fair value of the obligation have been recorded as interest expense or income in the Consolidated Statement of Operations.

Financial commitments included a written put option representing an obligation to repurchase 40% of the minority-owned equity shares of a consolidated subsidiary as of December 31, 2004. The put option obligation has been marked-to-market by assessing the fair value of the 40% interest as compared to the amount payable if the put option was exercised at December 31, 2004. Changes in the fair value of the put option obligation have been recorded as long-lived asset impairment and other charges in the Consolidated Statement of Operations. During the fourth quarter of 2005, the put option was exercised by the minority owners and the existing put option obligation of \$11.5 was relieved against the purchase price paid by the Company.

Note 20: Segment Information

As of December 31, 2005, we are organized into five global operating divisions and a group of leading stand-alone agencies. Our operating divisions are grouped into three reportable segments. The IAN reportable segment is comprised of McCann, FCB, Lowe, Draft and our stand-alone agencies. CMG comprises our second reportable segment. Our third reportable segment is comprised of our Motorsports operations, which were sold during 2004 and had immaterial residual operating results in 2005. We also report results for the Corporate group. Future changes to our organizational structure may result in changes to the reportable segment disclosure.

Within the IAN segment, McCann, FCB, Lowe, Draft and our stand-alone agencies provide a comprehensive array of global communications and marketing services, each offering a distinctive range of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

solutions for our clients. Our leading stand-alone agencies, including Campbell-Ewald, Hill Holliday, Deutsch and Mullen, provide a full range of advertising, marketing communications services and/or marketing services and partner with our global operating divisions as needed. Each of IAN's operating divisions share economic characteristics, specifically related to the nature of their respective services, the manner in which the services are provided and the similarity of their respective customers. The annual margins of each of the operating divisions may vary due to global economic conditions and client spending. However, based on the respective future prospects of the operating divisions, we believe that the long-term average gross margin of each of these divisions will converge over time and, given the similarity of their operations, they have been aggregated into a single reportable segment.

CMG, which includes Weber Shandwick, MWW Group, FutureBrand, DeVries, GolinHarris, Jack Morton, and Octagon Worldwide, provides clients with diversified services, including public relations, meeting and event production, sports and entertainment marketing, corporate and brand identity and strategic marketing consulting. CMG shares some similarities to other service lines offered by IAN, however, on a stand-alone basis, its economic characteristics and expected margin performance are sufficiently different to support CMG as a separate reportable segment. Specifically, CMG's businesses, on an aggregate basis, have a higher proportion of arrangements for which it acts as principal, a greater proportion of non-global clients and different margins.

During 2004, we exited our Motorsports business, which owned and operated venue-based motorsports businesses. Other than the recording of long-lived asset impairment and contract termination costs during 2004, the operating results of Motorsports during 2005 and 2004 were not material, and therefore not discussed in detail.

The profitability measure employed by our chief operating decision makers for allocating resources to operating divisions and assessing operating division performance is operating income (loss), which is calculated by subtracting segment salaries and related expenses and office and general expenses from segment revenue. Amounts reported as segment operating income (loss) exclude the impact of restructuring and impairment charges, as we do not typically consider these charges when assessing operating division performance. The impact of restructuring and impairment charges to each reporting segment are reported separately in Notes 6 and 9, respectively. Segment income (loss) excludes interest income and expense, debt prepayment penalties, investment impairments, litigation charges and other non-operating income. With the exception of excluding certain amounts for reportable segment operating income (loss), all segments follow the same accounting policies as those described in Note 1.

Certain corporate and other charges are reported as a separate line within total segment operating income and include corporate office expenses and shared service center expenses, as well as certain other centrally managed expenses which are not fully allocated to operating divisions, as shown in the table below. Salaries, benefits and related expenses include salaries, pension, bonus and medical and dental insurance expenses for corporate office employees. Professional fees include costs related to the internal control compliance, cost of Prior Restatement efforts, financial statement audits, legal, information technology and other consulting fees, which are engaged and managed through the corporate office. Professional fees also include the cost of temporary financial professionals associated with work on our Prior Restatement activities. Rent and depreciation includes rental expense and depreciation of leasehold improvements for properties occupied by corporate office employees. Corporate insurance expense includes the cost for fire, liability and automobile premiums. Bank fees relate to cash management activity administered by the corporate office. The amounts allocated to operating divisions are calculated monthly based on a formula that uses the revenues of the operating unit. Amounts allocated also include specific

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**(Amounts in Millions, Except Per Share Amounts)**

charges for information technology related projects which are allocated based on utilization. The following expenses are included in Corporate and Other:

	For the Year Ended December 31,		
	2005	2004	2003
Salaries, and related expenses	\$ 201.3	\$ 151.2	\$ 129.0
Professional fees	199.3	145.3	50.6
Rent and depreciation	50.3	38.0	30.6
Corporate insurance	26.0	29.7	26.5
Bank fees	2.2	2.8	1.6
Other	(1.5)	9.6	8.9
Expenses allocated to operating divisions	(161.3)	(133.4)	(118.4)
Total corporate and other	<u>\$ 316.3</u>	<u>\$ 243.2</u>	<u>\$ 128.8</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

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

	For the Years Ended December 31,		
	2005	2004	2003
Revenue:			
IAN	\$ 5,327.8	\$ 5,399.2	\$ 5,140.5
CMG	944.2	935.8	942.4
Motorsports	2.3	52.0	78.8
Consolidated revenue	<u>\$ 6,274.3</u>	<u>\$ 6,387.0</u>	<u>\$ 6,161.7</u>
Segment operating income (loss):			
IAN	\$ 249.7	\$ 577.1	\$ 551.6
CMG	53.0	83.7	55.7
Motorsports	0.7	(14.0)	(43.5)
Corporate and other	(316.3)	(243.2)	(128.8)
Total segment operating income	<u>\$ (12.9)</u>	<u>\$ 403.6</u>	<u>\$ 435.0</u>
Reconciliation of total segment operating income (loss) to loss from continuing operations before provision for income taxes:			
Restructuring reversals (charges)	7.3	(62.2)	(172.9)
Long-lived asset impairment and other charges	(98.6)	(322.2)	(294.0)
Motorsports contract termination costs	—	(113.6)	—
Interest expense	(181.9)	(172.0)	(206.6)
Debt prepayment penalty	(1.4)	(9.8)	(24.8)
Interest income	80.0	50.8	39.3
Investment impairments	(12.2)	(63.4)	(71.5)
Litigation reversals (charges)	—	32.5	(127.6)
Other income (expense)	33.1	(10.7)	50.3
Loss from continuing operations before provision for income taxes:	<u>\$ (186.6)</u>	<u>\$ (267.0)</u>	<u>\$ (372.8)</u>
Depreciation and amortization:			
IAN	\$ 135.3	\$ 146.5	\$ 171.2
CMG	18.3	22.1	28.5
Motorsports	—	—	3.7
Corporate and other	15.2	16.5	13.1
Total depreciation and amortization	<u>\$ 168.8</u>	<u>\$ 185.1</u>	<u>\$ 216.5</u>
Capital expenditures:			
IAN	\$ 89.7	\$ 133.7	\$ 104.0
CMG	14.8	27.1	12.3
Motorsports	—	—	25.7
Corporate and other	36.2	33.2	17.6
Total capital expenditures	<u>\$ 140.7</u>	<u>\$ 194.0</u>	<u>\$ 159.6</u>
Total assets:			
IAN	\$ 9,217.1	\$ 9,799.6	
CMG	965.9	960.3	
Corporate and other	1,762.2	1,493.8	
Total assets	<u>\$ 11,945.2</u>	<u>\$ 12,253.7</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Revenue and long-lived assets are presented below by major geographic area:

	For the Years Ended December 31,		
	2005	2004	2003
Revenue:			
US	\$ 3,461.1	\$ 3,509.2	\$ 3,459.3
International:			
UK	619.3	654.1	662.6
All Other Europe	1,143.4	1,219.3	1,130.5
Asia Pacific	473.0	474.7	429.4
Latin America	275.2	240.8	233.3
Other	302.3	288.9	246.6
Total international	2,813.2	2,877.8	2,702.4
Total consolidated	\$ 6,274.3	\$ 6,387.0	\$ 6,161.7
Long-Lived Assets:			
US	\$ 2,733.6	\$ 2,721.7	
International:			
UK	306.9	296.9	
All Other Europe	615.2	852.5	
Asia Pacific	119.1	127.7	
Latin America	144.9	139.4	
Other	230.8	223.2	
Total international	1,416.9	1,639.7	
Total consolidated	\$ 4,150.5	\$ 4,361.4	

Revenue is attributed to geographic areas based on where the services are performed. Property and equipment is allocated based upon physical location. Intangible assets, other assets and investments are allocated based on the location of the related operations.

Our largest client contributed approximately 8% in 2005, 7% in 2004 and 8% in 2003 to revenue. Our second largest client contributed approximately 3% in 2005, 3% in 2004 and 3% in 2003 to revenue. The IAN segment reported the majority of the revenue for both clients in all periods.

Note 21: Commitments and Contingencies**Leases**

We lease certain facilities and equipment. Where leases contain escalation clauses or concessions, such as rent holidays and landlord/tenant incentives or allowances, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period. Certain leases provide for renewal

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

options and require the payment of real estate taxes or other occupancy costs, which are also subject to escalation clauses. Rent expense was as follows:

	For the Years Ended December 31,		
	2005	2004	2003
Gross rent expense	\$ 404.4	\$ 433.0	\$ 440.2
Third-party sublease rental income	(25.4)	(24.6)	(31.6)
Net rent expense	\$ 379.0	\$ 408.4	\$ 408.6

Future minimum lease commitments for office premises and equipment under non-cancelable leases, along with minimum sublease rental income to be received under non-cancelable subleases, are as follows:

Period	Gross Rent Expense	Sublease Rental Income	Net Rent Expense
2006	\$ 335.5	\$ (48.4)	\$ 287.1
2007	292.1	(41.9)	250.2
2008	257.0	(34.5)	222.5
2009	225.6	(31.0)	194.6
2010	195.3	(23.1)	172.2
2011 and thereafter	862.3	(68.7)	793.6
Total	\$ 2,167.8	\$ (247.6)	\$ 1,920.2

Contingent Acquisition Obligations

We have structured certain acquisitions with additional contingent purchase price obligations in order to reduce the potential risk associated with negative future performance of the acquired entity. In addition, we have entered into agreements that may require us to purchase additional equity interests in certain consolidated and unconsolidated subsidiaries. The amounts relating to these transactions are based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors. We have not recorded a liability for these items on the Balance Sheet since the definitive amounts payable are not determinable or distributable. When the contingent acquisition obligations have been met and consideration is distributable, we will record the fair value of this consideration as an additional cost of the acquired entity. The following table details the estimated liability and the estimated amount that would be paid under such options, in the event of exercise at the earliest exercise date. All payments 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The following contingent acquisition obligations are net of compensation expense, except as noted below, as defined by the terms and conditions of the respective acquisition agreements and employment terms of the former owners of the acquired businesses. This future expense will not be allocated to the assets and liabilities acquired. As of December 31, 2005, our estimated contingent acquisition obligations are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Acquisition Payments							
Cash	\$ 18.3	\$ 1.8	\$ 0.9	\$ 10.5	\$ —	\$ —	\$ 31.5
Stock	11.3	0.3	—	—	—	—	11.6
Put Options with Consolidated Affiliates *							
Cash	23.4	2.3	11.4	2.8	1.8	2.9	44.6
Stock	0.1	0.3	0.5	—	—	—	0.9
Put Options with Unconsolidated Affiliates *							
Cash	1.3	2.5	11.5	0.3	—	—	15.6
Stock	0.4	1.0	0.6	0.3	—	—	2.3
Call Options with Consolidated Affiliates *							
Cash	3.3	0.4	0.4	0.1	2.7	—	6.9
Stock	0.1	—	—	—	—	—	0.1
Subtotal — Cash	46.3	7.0	24.2	13.7	4.5	2.9	98.6
Subtotal — Stock	11.9	1.6	1.1	0.3	—	—	14.9
Total Contingent Acquisition Payments	<u>\$ 58.2</u>	<u>\$ 8.6</u>	<u>\$ 25.3</u>	<u>\$ 14.0</u>	<u>\$ 4.5</u>	<u>\$ 2.9</u>	<u>\$ 113.5</u>

In accounting for acquisitions, we recognize deferred payments and purchases of additional interests after the effective date of purchase that are contingent upon the future employment of owners as compensation expense in our Consolidated Statements of Operations. As of December 31, 2005 our estimated contingent acquisition payments with associated compensation expense impacts are as follows:

<u>Compensation Expenses Related Payments</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Cash	\$ 16.6	\$ 0.8	\$ 12.8	\$ 5.4	\$ 1.3	\$ 0.9	\$ 37.8
Stock	0.1	—	—	—	—	—	0.1
Subtotal	16.7	0.8	12.8	5.4	1.3	0.9	37.9
Total Payments	<u>\$ 74.9</u>	<u>\$ 9.4</u>	<u>\$ 38.1</u>	<u>\$ 19.4</u>	<u>\$ 5.8</u>	<u>\$ 3.8</u>	<u>\$ 151.4</u>

* We have entered into certain acquisitions that contain both put and call options with similar terms and conditions. In such instances, we have included the related estimated contingent acquisition obligations with put options.

We maintain certain put options with consolidated affiliates that are exercisable at the discretion of the minority owners as of December 31, 2005. These put options are assumed to be exercised in the earliest possible period subsequent to December 31, 2005. Therefore, the related estimated acquisition payments of \$33.5 have been included within the total payments expected to be made in 2006 in the table above. These payments, if not made in 2006, will continue to carry-forward into 2007 or beyond until they are exercised or expire.

The 2006 obligations relate primarily to acquisitions that were completed prior to December 31, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

Legal Matters

Shares Deliverable Under Securities Class Actions

In the fourth quarter of 2004, we reached a final settlement of the consolidated class action shareholders suits against us. The class actions were filed against the Company and certain of our present and former directors and officers on behalf of a purported class of purchasers of our stock shortly after our August 13, 2002 announcement regarding the restatement of our previously reported earnings for the periods January 1, 1997 through March 31, 2002. Under the terms of the settlement, we agreed to issue a total of 6.6 shares of our common stock. During the fourth quarter of 2004, we issued 0.8 of the shares to the plaintiffs' counsel as payment for their fee and will issue the remaining 5.8 shares once the appropriate allocation of the shares is made by plaintiffs' counsel. Beginning in the fourth quarter of 2004, the 6.6 shares have been included in our shares of common stock outstanding for purposes of determining earnings (loss) per share.

SEC Investigation

The SEC opened a formal investigation in response to the restatement we first announced in August 2002 and, as previously disclosed, the SEC staff's investigation has expanded to encompass our Prior Restatement. In particular, since we filed our 2004 Form 10-K, we have received subpoenas from the SEC relating to matters addressed in our Prior Restatement. We continue to cooperate with the investigation. We expect that the investigation will result in monetary liability, but because the investigation is ongoing, in particular with respect to the Prior Restatement, we cannot reasonably estimate either the timing of a resolution or the amount. Accordingly, we have not yet established any accounting provision relating to these matters.

Other Legal Matters

We are involved in other legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, we have no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on our financial condition, results of operations or our cash flows.

Note 22: Recent Accounting Standards

In November 2005, the FASB issued FSP No. FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. This FSP addresses the determination as to when an investment is considered impaired, whether the impairment is other than temporary, and the measurement of an impairment loss. This FSP specifically nullifies the requirements of paragraphs 10-18 of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* and references existing other-than-temporary impairment guidance. The guidance in this FSP is effective for reporting periods beginning after December 15, 2005. We do not expect the adoption of FSP No. FAS 115-1 & FAS 124-1 to have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In May 2005, SFAS No. 154, *Accounting Changes and Error Corrections*, was issued, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Among other changes, SFAS No. 154 requires retrospective application of a voluntary change in accounting principle to prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Further, the Statement requires that corrections of errors in previously issued financial statements be termed a "restatement." The new standard is effective for accounting

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

changes and error corrections made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In March 2005, FASB Interpretation (“FIN”) No. 47, *Accounting for Conditional Asset Retirement Obligations*, was issued, an interpretation of SFAS No. 143, *Accounting for Asset Retirement Obligations*. FIN No. 47 clarifies the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and/or method of settlement are conditional on a future event. We adopted the provisions of FIN No. 47 during the quarter ended December 31, 2005. The adoption of FIN No. 47 did not have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In December 2004, SFAS No. 123R (revised 2004), *Share-Based Payment*, was issued, which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and the shares issued under our employee stock purchase plan to be recognized in the financial statements based on their fair values, as of the beginning of the first fiscal year that starts after June 15, 2005. We are required to adopt SFAS No. 123R effective January 1, 2006. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. In March 2005, SAB No. 107, *Share-Based Payment*, was issued regarding the SEC’s interpretation of SFAS No. 123R and the valuation of share-based payments for public companies. At adoption, we plan to use the modified prospective method which requires expense recognition for all unvested and outstanding awards and any awards granted thereafter. The adoption of SFAS No. 123R is expected to result in an increase in compensation expense for the year ended December 31, 2006 of approximately \$6.3, as compared with the expense that would have been recognized under our prior accounting policy.

In November 2005, the FASB issued FSP FAS 123R-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards* (“FSP 123R-3”). FSP 123R-3 provides an elective alternative simplified method to calculate the windfall tax pool (the “APIC pool”). Under this FSP, a company may calculate the beginning balance of the APIC pool related to employee compensation and a simplified method to determine the subsequent impact on the APIC pool of employee awards that are fully vested and outstanding upon the adoption of SFAS No. 123R. We are currently evaluating this alternative transition method and have until December 31, 2006 to make our one-time election. We do not expect the adoption of FSP 123R-3 to have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In December 2004, SFAS No. 153, *Exchanges of Nonmonetary Assets*, was issued, an amendment of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*. SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be recorded and measured at the fair value of the assets exchanged. APB Opinion No. 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with exceptions for exchanges of nonmonetary assets that do not have reasonably determinable fair values or commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in reporting periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on our Consolidated Balance Sheet or Statement of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The adoption of the following accounting pronouncements during 2005 did not have a material impact on our Consolidated Balance Sheet or Statement of Operations:

- EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination*;
- EITF Issue No. 05-2, *The Meaning of “Conventional Convertible Debt Instrument” in Issue 00-19*;
- EITF Issue No. 03-13, *Applying the Condition in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*;
- FSP No. FAS 13-1, *Accounting for Rental Costs Incurred during a Construction Period*;
- FSP No. APB 18-1, *Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18 upon a Loss of Significant Influence*.

Note 23: Results by Quarter (Unaudited)

The first set of tables below presents unaudited quarterly financial information for 2005 and 2004. The 2005 amounts presented have been restated from those previously reported on Form 10-Q for the applicable periods. The tables below also set forth, for each of the quarters and for each of the interim balance sheet dates presented the amounts of the restatement adjustments and a reconciliation from previously reported amounts to restated amounts.

The quarterly restatement adjustments relate primarily to accounting for goodwill impairments, revenue recognition and a number of miscellaneous items including accounting for leases and international compensation arrangements. The third set of tables below summarizes, for each of the quarters and for each of the interim balance sheet dates presented, the impact of each category of adjustment on previously reported revenue, operating income (loss), income (loss) from continuing operations before provision for income taxes, net income (loss) and earnings per share, and assets, liabilities and stockholders' equity. Below is a description of the restatement adjustments.

Goodwill Impairment: Adjustments were made to properly record goodwill impairment at a reporting unit within our sports and marketing business.

Revenue Recognition related to Customer Contracts: Adjustments were recorded to properly state the revenue in accordance with the terms of customer contracts and our policies. In certain transactions with our customers the persuasive evidence of the customer arrangement was not always adequate to support revenue recognition, or the timing of revenue recognition did appropriately follow the specific contract terms.

Other Adjustments: We have identified other items which do not conform to GAAP and recorded adjustments to our 2005 Consolidated Financial Statements which relate to previously reported periods. Cash and accounts payable balances were increased due to the identification of cash accounts held on behalf of our clients.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Amounts in Millions, Except Per Share Amounts)
Results by Quarter (Unaudited)

	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,		Three Months Ended December 31,	
	2005 (Restated)	2004	2005 (Restated)	2004	2005 (Restated)	2004	2005	2004
REVENUE	\$ 1,328.2	\$ 1,389.4	\$ 1,610.7	\$ 1,512.8	\$ 1,439.7	\$ 1,519.1	\$ 1,895.7	\$ 1,965.7
OPERATING (INCOME) EXPENSES:								
Salaries and related expenses	975.1	887.0	953.7	898.7	962.8	925.4	1,107.5	1,021.9
Office and general expenses	529.1	510.7	543.4	552.8	578.5	556.6	637.1	630.3
Restructuring charges (reversals)	(6.9)	61.6	(1.9)	3.9	0.1	1.1	1.4	(4.4)
Long-lived asset impairment and other charges	—	5.7	—	3.1	6.5	307.6	92.1	5.8
Motorsports contract termination costs	—	—	—	80.0	—	33.6	—	—
Total operating (income) expenses	1,497.3	1,465.0	1,495.2	1,538.5	1,547.9	1,824.3	1,838.1	1,653.6
OPERATING INCOME (LOSS)	(169.1)	(75.6)	115.5	(25.7)	(108.2)	(305.2)	57.6	312.1
EXPENSES AND OTHER INCOME:								
Interest expense	(46.9)	(43.6)	(42.2)	(41.8)	(46.7)	(42.3)	(46.1)	(44.3)
Debt prepayment penalty	—	—	—	—	(1.4)	—	—	(9.8)
Interest income	14.9	9.8	16.5	10.4	21.8	11.1	26.8	19.5
Investment impairments	—	(3.2)	(3.6)	—	(1.5)	(33.8)	(7.1)	(26.4)
Litigation reversal	—	—	—	—	—	—	—	32.5
Other income (expense)	14.7	1.3	4.3	2.2	0.7	(0.7)	13.4	(13.5)
Total expenses and other income	(17.3)	(35.7)	(25.0)	(29.2)	(27.1)	(65.7)	(13.0)	(42.0)
Income (loss) from continuing operations before provision for income taxes	(186.4)	(111.3)	90.5	(54.9)	(135.3)	(370.9)	44.6	270.1
Provision (benefit) for income taxes	(40.6)	(29.0)	79.9	30.6	(34.8)	130.0	77.4	130.6
Income (loss) from continuing operations of consolidated companies	(145.8)	(82.3)	10.6	(85.5)	(100.5)	(500.9)	(32.8)	139.5
Income applicable to minority interests (net of tax)	(1.2)	(2.6)	(3.7)	(4.2)	(4.6)	(4.4)	(7.2)	(10.3)
Equity in net income of unconsolidated affiliates (net of tax)	0.6	1.1	2.3	1.3	2.3	2.3	8.1	1.1
Income (loss) from continuing operations	(146.4)	(83.8)	9.2	(88.4)	(102.8)	(503.0)	(31.9)	130.3
Income from discontinued operations (net of tax)	—	—	—	—	—	6.5	9.0	—
Net income (loss)	(146.4)	(83.8)	9.2	(88.4)	(102.8)	(496.5)	(22.9)	130.3
Dividends on preferred stock	5.0	4.8	5.0	5.0	5.0	5.0	11.3	5.0
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$ (151.4)	\$ (88.6)	\$ 4.2	\$ (93.4)	\$ (107.8)	\$ (501.5)	\$ (34.2)	\$ 125.3
Earnings (loss) per share of common stock:								
Basic:								
Continuing operations	\$ (0.36)	\$ (0.21)	\$ 0.01**	\$ (0.23)	\$ (0.25)	\$ (1.22)	\$ (0.10)	\$ 0.25**
Discontinued operations	—	—	—	—	—	0.02	0.02	—
Total	<u>\$ (0.36)</u>	<u>\$ (0.21)</u>	<u>\$ 0.01</u>	<u>\$ (0.23)</u>	<u>\$ (0.25)</u>	<u>\$ (1.21)*</u>	<u>\$ (0.08)</u>	<u>\$ 0.25</u>
Diluted:								
Continuing operations	\$ (0.36)	\$ (0.21)	\$ 0.01**	\$ (0.23)	\$ (0.25)	\$ (1.22)	\$ (0.10)	\$ 0.22**
Discontinued operations	—	—	—	—	—	0.02	0.02	—
Total	<u>\$ (0.36)</u>	<u>\$ (0.21)</u>	<u>\$ 0.01</u>	<u>\$ (0.23)</u>	<u>\$ (0.25)</u>	<u>\$ (1.21)*</u>	<u>\$ (0.08)</u>	<u>\$ 0.22</u>
Weighted-average shares:								
Basic	423.8	413.3	424.8	414.6	425.3	415.4	425.5	417.8
Diluted	423.8	413.3	429.6	414.6	425.3	415.4	425.5	518.9

* Does not add due to rounding.

** Due to the existence of income from continuing operations, basic and diluted EPS have been calculated using the two-class method pursuant to EITF Issue No. 03-6 for the quarters ended June 30, 2005 and December 31, 2004. For the quarter ended June 30, 2005, the two-class method resulted in a decrease of \$0.7 in net income (numerator) for both basic and diluted EPS calculations. For the quarter ended December 31, 2004, the two-class method resulted in a decrease of \$22.6 and \$12.2 in net income (numerator) for the basic and diluted EPS calculations, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Amounts in Millions, Except Per Share Amounts)

	2005					
	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
REVENUE	\$ 1,330.3	\$ 1,328.2	\$ 1,616.2	\$ 1,610.7	\$ 1,442.2	\$ 1,439.7
OPERATING (INCOME) EXPENSES:						
Salaries and related expenses	973.9	975.1	951.8	953.7	959.8	962.8
Office and general expenses	528.0	529.1	542.0	543.4	579.9	578.5
Restructuring charges (reversals)	(6.9)	(6.9)	(1.9)	(1.9)	(0.9)	0.1
Long-lived asset impairment and other charges	—	—	—	—	0.7	6.5
Motorsports contract termination costs	—	—	—	—	—	—
Total operating (income) expenses	1,495.0	1,497.3	1,491.9	1,495.2	1,539.5	1,547.9
OPERATING INCOME (LOSS)	(164.7)	(169.1)	124.3	115.5	(97.3)	(108.2)
EXPENSES AND OTHER INCOME:						
Interest expense	(46.9)	(46.9)	(42.2)	(42.2)	(46.7)	(46.7)
Debt prepayment penalty	—	—	—	—	(1.4)	(1.4)
Interest income	14.9	14.9	16.5	16.5	21.8	21.8
Investment impairments	—	—	(3.6)	(3.6)	(1.5)	(1.5)
Litigation charges	—	—	—	—	—	—
Other income	14.4	14.7	4.7	4.3	0.8	0.7
Total expenses and other income	(17.6)	(17.3)	(24.6)	(25.0)	(27.0)	(27.1)
Income (loss) from continuing operations before provision for income taxes	(182.3)	(186.4)	99.7	90.5	(124.3)	(135.3)
Provision (benefit) for income taxes	(39.1)	(40.6)	83.8	79.9	(29.9)	(34.8)
Income (loss) from continuing operations of consolidated companies	(143.2)	(145.8)	15.9	10.6	(94.4)	(100.5)
Income applicable to minority interests (net of tax)	(1.2)	(1.2)	(3.7)	(3.7)	(4.6)	(4.6)
Equity in net income of unconsolidated affiliates (net of tax)	0.6	0.6	2.3	2.3	2.4	2.3
Net income (loss)	(143.8)	(146.4)	14.5	9.2	(96.6)	(102.8)
Dividends on preferred stock	5.0	5.0	5.0	5.0	5.0	5.0
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	<u>\$ (148.8)</u>	<u>\$ (151.4)</u>	<u>\$ 9.5</u>	<u>\$ 4.2</u>	<u>\$ (101.6)</u>	<u>\$ (107.8)</u>
Earnings (loss) per share of common stock:						
Basic:						
Continuing operations	\$ (0.35)	\$ (0.36)	\$ 0.02*	\$ 0.01*	\$ (0.24)	\$ (0.25)
Discontinued operations	—	—	—	—	—	—
Total	<u>\$ (0.35)</u>	<u>\$ (0.36)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ (0.24)</u>	<u>\$ (0.25)</u>
Diluted:						
Continuing operations	\$ (0.35)	\$ (0.36)	\$ 0.02*	\$ 0.01*	\$ (0.24)	\$ (0.25)
Discontinued operations	—	—	—	—	—	—
Total	<u>\$ (0.35)</u>	<u>\$ (0.36)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ (0.24)</u>	<u>\$ (0.25)</u>
Weighted-average shares:						
Basic	423.8	423.8	424.8	424.8	425.3	425.3
Diluted	423.8	423.8	429.6	429.6	425.3	425.3

* Due to the existence of income from continuing operations, basic and diluted EPS have been calculated using the two-class method pursuant to EITF Issue No. 03-6 for the quarter ended June 30, 2005. For the quarter ended June 30, 2005 as previously reported, the two-class method resulted in a decrease of \$1.7 in net income (numerator) for both basic and diluted EPS calculations. For the quarter ended June 30, 2005 as restated, the two-class method resulted in a decrease of \$0.7 in net income (numerator) for both basic and diluted EPS calculations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Amounts in Millions, Except Per Share Amounts)

	2005					
	As of March 31,		As of June 30,		As of September 30,	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
ASSETS:						
Cash and cash equivalents	\$ 1,549.5	\$ 1,549.5	\$ 1,588.0	\$ 1,588.0	\$ 1,352.0	\$ 1,351.8
Marketable securities	1.2	1.2	1.3	1.3	2.0	2.0
Accounts receivable, net	3,986.5	3,986.5	4,208.9	4,209.0	3,795.6	3,796.5
Expenditures billable to clients	1,044.5	1,044.5	1,111.0	1,111.6	1,104.5	1,105.4
Deferred income taxes	310.9	311.9	268.8	272.8	268.9	277.2
Prepaid expenses and other current assets	187.5	187.4	170.1	170.0	175.3	174.3
Total current assets	7,080.1	7,081.0	7,348.1	7,352.7	6,698.3	6,707.2
Land, buildings and equipment, net	703.3	702.7	682.5	681.4	673.8	672.3
Deferred income taxes	264.9	265.1	245.4	245.6	295.5	295.7
Investments	180.5	180.5	175.5	175.4	169.2	169.0
Goodwill	3,141.0	3,141.0	3,145.6	3,145.1	3,165.8	3,159.5
Other assets	324.6	324.6	319.8	319.8	316.4	316.5
Total non-current assets	4,614.3	4,613.9	4,568.8	4,567.3	4,620.7	4,613.0
TOTAL ASSETS	\$ 11,694.4	\$ 11,694.9	\$ 11,916.9	\$ 11,920.0	\$ 11,319.0	\$ 11,320.2
LIABILITIES:						
Accounts payable	\$ 4,327.2	\$ 4,329.2	\$ 4,594.0	\$ 4,601.2	\$ 4,238.8	\$ 4,249.2
Accrued liabilities	2,493.8	2,495.0	2,463.8	2,465.8	2,279.2	2,281.4
Short-term debt	337.2	337.2	332.6	332.6	66.7	66.7
Total current liabilities	7,158.2	7,161.4	7,390.4	7,399.6	6,584.7	6,597.3
Long-term debt	1,923.9	1,923.9	1,933.5	1,933.5	2,184.0	2,184.0
Deferred compensation and employee benefits	571.2	571.4	575.8	577.5	583.8	585.7
Other non-current liabilities	422.4	422.1	404.1	404.1	429.4	430.3
Minority interests in consolidated subsidiaries	50.9	50.9	45.5	45.5	44.5	44.5
Total non-current liabilities	2,968.4	2,968.3	2,958.9	2,960.6	3,241.7	3,244.5
TOTAL LIABILITIES	10,126.6	10,129.7	10,349.3	10,360.2	9,826.4	9,841.8
STOCKHOLDERS' EQUITY:						
Preferred Stock	373.7	373.7	373.7	373.7	373.7	373.7
Common Stock	42.6	42.6	42.7	42.7	43.0	43.0
Additional paid-in capital	2,212.5	2,212.5	2,226.3	2,226.3	2,275.2	2,275.2
Accumulated deficit	(722.0)	(724.5)	(707.6)	(715.3)	(804.2)	(818.1)
Accumulated other comprehensive loss, net	(264.1)	(264.2)	(290.8)	(290.9)	(275.1)	(275.4)
	1,642.7	1,640.1	1,644.3	1,636.5	1,612.6	1,598.4
Less:						
Treasury stock, at cost	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Unamortized deferred compensation	(60.9)	(60.9)	(62.7)	(62.7)	(106.0)	(106.0)
TOTAL STOCKHOLDERS' EQUITY	1,567.8	1,565.2	1,567.6	1,559.8	1,492.6	1,478.4
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 11,694.4	\$ 11,694.9	\$ 11,916.9	\$ 11,920.0	\$ 11,319.0	\$ 11,320.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

	2005					
	Three Months Ended March 31,		Six Months Ended June 30,		Nine Months Ended September 30,	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash used in operating activities	\$ (334.5)	\$ (339.9)	\$ (231.8)	\$ (231.6)	\$ (359.8)	\$ (369.8)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions, including deferred payments, net of cash acquired	(16.6)	(12.5)	(55.5)	(50.8)	(86.4)	(81.7)
Capital expenditures	(32.6)	(31.8)	(65.5)	(64.0)	(99.2)	(97.0)
Proceeds from sales of businesses and fixed assets	1.8	1.8	7.9	7.9	10.8	10.8
Proceeds from sales of investments	20.6	20.6	40.4	40.4	63.7	63.7
Purchase of investments	(13.5)	(13.5)	(18.4)	(18.4)	(34.3)	(34.3)
Maturities of short-term marketable securities	669.0	669.0	689.7	689.7	689.5	689.5
Purchases of short-term marketable securities	(270.0)	(270.0)	(270.4)	(270.4)	(271.3)	(271.3)
Net cash provided by investing activities	358.7	363.6	328.2	334.4	272.8	279.7
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase (decrease) in short-term bank borrowings	8.8	8.8	(12.1)	(12.1)	(25.6)	(25.6)
Payments of long-term debt	(0.3)	(0.3)	(0.6)	(0.6)	(257.1)	(257.1)
Proceeds from long-term debt	1.9	1.9	2.0	2.0	252.3	252.3
Debt issuance costs	(6.3)	(6.3)	(9.7)	(9.7)	(17.6)	(17.6)
Preferred stock dividends	(5.0)	(5.0)	(10.0)	(10.0)	(15.0)	(15.0)
Issuance of common stock, net of issuance costs	0.3	0.3	13.7	4.9	0.2	0.2
Distributions to minority interests	(4.7)	(4.7)	(10.9)	(10.9)	(18.7)	(18.7)
Net cash used in financing activities	(5.3)	(5.3)	(27.6)	(36.4)	(81.5)	(81.5)
Effect of exchange rates on cash and cash equivalents	(19.8)	(19.3)	(31.2)	(28.8)	(29.9)	(27.0)
Increase (decrease) in cash and cash equivalents	(0.9)	(0.9)	37.6	37.6	(198.4)	(198.6)
Cash and cash equivalents at beginning of year	1,550.4	1,550.4	1,550.4	1,550.4	1,550.4	1,550.4
Cash and cash equivalents at end of period	\$ 1,549.5	\$ 1,549.5	\$ 1,588.0	\$ 1,588.0	\$ 1,352.0	\$ 1,351.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

The following tables summarize, for each of the 2005 quarters, the impact of each category of adjustment on previously reported revenue, operating income (loss), income (loss) from continuing operations before provision for income taxes, net income (loss) and earnings per share, and assets, liabilities and stockholders' equity.

	Impact of Adjustments on Revenue		
	For the Quarter Ended		
	3/31/2005	6/30/2005	9/30/2005
As previously reported	\$ 1,330.3	\$ 1,616.2	\$ 1,442.2
Revenue recognition	(2.2)	(3.6)	(3.5)
Other adjustments	0.1	(1.9)	1.0
Total restatement adjustments	(2.1)	(5.5)	(2.5)
As restated	<u>\$ 1,328.2</u>	<u>\$ 1,610.7</u>	<u>\$ 1,439.7</u>

	Impact of Adjustments on Operating Income (Loss)		
	For the Quarter Ended		
	3/31/2005	6/30/2005	9/30/2005
As previously reported	\$ (164.7)	\$ 124.3	\$ (97.3)
Revenue recognition	(1.9)	(3.1)	(2.8)
Goodwill	—	—	(5.8)
Other adjustments	(2.5)	(5.7)	(2.3)
Total restatement adjustments	(4.4)	(8.8)	(10.9)
As restated	<u>\$ (169.1)</u>	<u>\$ 115.5</u>	<u>\$ (108.2)</u>

	Impact of Adjustments on Income (Loss) from Continuing Operations before Provision for Income Taxes		
	For the Quarter Ended		
	3/31/2005	6/30/2005	9/30/2005
As previously reported	\$ (182.3)	\$ 99.7	\$ (124.3)
Revenue recognition	(1.9)	(3.1)	(2.8)
Goodwill	—	(0.5)	(5.8)
Other adjustments	(2.2)	(5.6)	(2.4)
Total restatement adjustments	(4.1)	(9.2)	(11.0)
As restated	<u>\$ (186.4)</u>	<u>\$ 90.5</u>	<u>\$ (135.3)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

	Impact of Adjustments on Net Income (Loss) and Earnings (Loss) per Share		
	For the Quarter Ended		
	3/31/2005	6/30/2005	9/30/2005
Net income (loss) as previously reported	\$ (143.8)	\$ 14.5	\$ (96.6)
Restatement adjustments (pre-tax):			
Revenue recognition	(1.9)	(3.1)	(2.8)
Goodwill	—	(0.5)	(5.8)
Other adjustments	(2.2)	(5.6)	(2.4)
Total restatement adjustments (pre-tax)	(4.1)	(9.2)	(11.0)
Tax adjustments	(1.5)	(3.9)	(4.8)
Total net restatement adjustments	(2.6)	(5.3)	(6.2)
Net income (loss) as restated	<u>\$ (146.4)</u>	<u>\$ 9.2</u>	<u>\$ (102.8)</u>
Earnings (loss) per share of common stock:			
Basic			
As previously reported	\$ (0.35)	\$ 0.02	\$ (0.24)
Effect of restatement	(0.01)	(0.01)	(0.01)
As restated	<u>\$ (0.36)</u>	<u>\$ 0.01</u>	<u>\$ (0.25)</u>
Weighted-average shares	423.8	424.8	425.3
Diluted			
As previously reported	\$ (0.35)	\$ 0.02	\$ (0.24)
Effect of restatement	(0.01)	(0.01)	(0.01)
As restated	<u>\$ (0.36)</u>	<u>\$ 0.01</u>	<u>\$ (0.25)</u>
Weighted-average shares	423.8	429.6	425.3

	Impact of Adjustments on Consolidated Balance Sheet Accounts					
	As of March 31, 2005			As of June 30, 2005		
	Total Assets	Total Liabilities	Stockholders' Equity	Total Assets	Total Liabilities	Stockholders' Equity
As previously reported	\$ 11,694.4	\$ 10,126.6	\$ 1,567.8	\$ 11,916.9	\$ 10,349.3	\$ 1,567.6
Revenue recognition	0.1	2.0	(1.9)	0.3	5.2	(4.9)
Goodwill	—	—	—	(0.5)	—	(0.5)
Other adjustments	(0.8)	1.4	(2.2)	(0.9)	6.8	(7.7)
Tax adjustments	1.2	(0.3)	1.5	4.2	(1.1)	5.3
Total restatement adjustments	0.5	3.1	(2.6)	3.1	10.9	(7.8)
As restated	<u>\$ 11,694.9</u>	<u>\$ 10,129.7</u>	<u>\$ 1,565.2</u>	<u>\$ 11,920.0</u>	<u>\$ 10,360.2</u>	<u>\$ 1,559.8</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Amounts in Millions, Except Per Share Amounts)

	As of September 30, 2005		
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Stockholders' Equity</u>
As previously reported	\$ 11,319.0	\$ 9,826.4	\$ 1,492.6
Revenue Recognition	0.5	8.3	(7.8)
Goodwill	(6.3)	—	(6.3)
Other adjustments	(1.5)	8.8	(10.3)
Tax adjustments	8.5	(1.7)	10.2
Total restatement adjustments	1.2	15.4	(14.2)
As restated	<u>\$ 11,320.2</u>	<u>\$ 9,841.8</u>	<u>\$ 1,478.4</u>

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
 (Amounts in Millions)

For the Three Years Ended December 31, 2005

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs & Expenses</u>	<u>Additions/(Deductions)</u> <u>Charged to Other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Allowance for Doubtful Accounts — deducted from Accounts Receivable in the Consolidated Balance Sheet:					
2005	\$ 136.1	\$ 16.9	\$ —	\$ (3.3)(4)	\$ 105.5
			\$ (2.7) (2)	\$ (32.9) (5)	
			\$ —	\$ (8.6)(6)	
2004	\$ 134.1	\$ 36.7	\$ —	\$ (3.0)(4)	\$ 136.1
			\$ (0.8) (2)	\$ (45.6) (5)	
			\$ 6.8 (3)	\$ 7.9 (6)	
2003	\$ 138.3	\$ 32.6	\$ 8.5 (1)	\$ (2.3)(4)	\$ 134.1
			\$ (2.1) (2)	\$ (34.0) (5)	
				\$ (6.9)(6)	

- (1) Allowance for doubtful accounts of acquired and newly consolidated companies.
- (2) Miscellaneous.
- (3) Reclassifications.
- (4) Dispositions.
- (5) Uncollectible accounts written off.
- (6) Foreign currency translation adjustment.

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
 (Amounts in Millions)

For the Three Years Ended December 31, 2005

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs & Expenses	Additions Charged to Other Accounts	Deductions	Balance at End of Period
Valuation Allowance — deducted from Deferred Income Taxes on the Consolidated Balance Sheet:					
2005	\$ 488.6	\$ 69.9	\$ (57.5)	\$ —	\$ 501.0
2004	\$ 252.6	\$ 236.0	\$ —	\$ —	\$ 488.6
2003	\$ 123.9	\$ 111.4	\$ 17.3 ⁽¹⁾	\$ —	\$ 252.6

(1) Included in discontinued operations related to NFO.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Management's Assessment on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm located in Item 8 are incorporated by reference herein.

Disclosure controls and procedures

We have carried out an evaluation under the supervision of, and with the participation of, our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2005. Our evaluation has disclosed numerous material weaknesses in our internal control over financial reporting as noted in Management's Assessment on Internal Control over Financial Reporting located in Item 8. Material weaknesses in internal controls may also constitute deficiencies in our disclosure controls and procedures. Based on an evaluation of these material weaknesses, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are not effective as of December 31, 2005, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. However, based on work performed to date, management believes that there are no material inaccuracies or omissions of any material fact in this 2005 Annual Report. Management, to the best of its knowledge, believes that the financial statements contained in the 2005 Annual Report are fairly presented in all material respects.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in internal control over financial reporting

We have assessed our internal control over financial reporting as of December 31, 2005 and reported on our assessment in Item 8 of this report.

There has been no change in internal control over financial reporting in the fiscal quarter ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to develop a remediation plan to address the material weaknesses in our internal control over financial reporting. The development of our remediation plan is described in Remediation of Material Weaknesses in Internal Control over Financial Reporting in Item 8. We expect that the implementation of this plan will extend into 2006 and beyond.

Item 9B. *Other Information*

Not applicable.

PART III

Item 10. *Directors and Executive Officers of Interpublic*

The information required by this Item is incorporated by reference to the “Election of Directors” section, the “Corporate Governance Practices and Board Matters” section and the “Section 16(a) Beneficial Ownership Reporting Compliance” section of the Proxy Statement, except for the description of the Company’s Executive Officers which appears in Part I of this Report on Form 10-K under the heading “Executive Officers of Interpublic.”

NYSE Certification

In 2005, our CEO provided the Annual CEO Certification to the NYSE, as required under Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Item 11. *Executive Compensation*

The information required by this Item is incorporated by reference to the “Compensation of Executive Officers” section and the “Report of the Compensation Committee of the Board of Directors” section of the Proxy Statement. Such incorporation by reference shall not be deemed to incorporate specifically by reference the information referred to in Item 402(a)(8) of Regulation S-K.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

The information required by this Item is incorporated by reference to the “Outstanding Shares” section and the “Compensation of Executive Officers — Equity Compensation Plan Information Table” section of the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions*

The information required by this Item is incorporated by reference to the “Related Party Transactions” section of the Proxy Statement. Such incorporation by reference shall not be deemed to incorporate specifically by reference the information referred to in Item 402(a)(8) of Regulation S-K.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item is incorporated by reference to the “Appointment of Independent Auditors” section of the Proxy Statement.

PART IV**Item 15. Exhibits and Financial Statement Schedule**

(a) Listed below are all financial statements, financial statement schedules and exhibits filed as part of this Report on Form 10-K.

1. *Financial Statements:*

The Interpublic Group of Companies, Inc. and Subsidiaries Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

2. *Financial Statement Schedule:*

Valuation and Qualifying Accounts (for the three years ended December 31, 2005)

All other schedules are omitted because they are not applicable.

3. *Exhibits:*

(Numbers used are the numbers assigned in Item 601 of Regulation S-K and the EDGAR Filer Manual. An additional copy of this exhibit index immediately precedes the exhibits filed with this Report on Form 10-K and the exhibits transmitted to the SEC as part of the electronic filing of this Report.)

<u>Exhibit No.</u>	<u>Description</u>
3(i)	Restated Certificate of Incorporation of the Registrant, as amended through October 24, 2005, is incorporated by reference to Exhibit 3(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed with the Securities and Exchange Commission (the "SEC") on November 9, 2005.
3(ii)	By-Laws of the Registrant, as amended and restated through January 18, 2005, are incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
4(iii)(A)	Certificate of Designations of 5 ³ / ₈ % Series A Mandatory Convertible Preferred Stock of the Registrant, as filed with the Delaware Secretary of State on December 17, 2003 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on December 19, 2003.
4(iii)(B)	Certificate of Designations of 5.25% Series B Cumulative Convertible Perpetual Preferred Stock of the Registrant, as filed with the Delaware Secretary of State on October 24, 2005 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 24, 2005.
4(iii)(C)	Senior Debt Indenture, dated as of October 20, 2000 (the "2000 Indenture"), between the Registrant and The Bank of New York, as trustee, is incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 24, 2000.

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<u>Exhibit No.</u>	<u>Description</u>
4(iii)(D)	First Supplemental Indenture, dated as of August 22, 2001, to the 2000 Indenture, with respect to the 7.25% Senior Unsecured Notes due 2011 is incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-4 filed with the SEC on December 4, 2001.
4(iii)(E)	Second Supplemental Indenture, dated as of December 14, 2001, to the 2000 Indenture, with respect to the Zero-Coupon Convertible Senior Notes due 2021 is incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 filed with the SEC on April 5, 2002.
4(iii)(F)	Third Supplemental Indenture, dated as of March 13, 2003, to the 2000 Indenture, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 18, 2003.
4(iii)(G)	Fifth Supplemental Indenture, dated as of March 28, 2005, to the 2000 Indenture, as modified by the First Supplemental Indenture, dated as of August 22, 2001, with respect to the 7.25% Senior Unsecured Notes due 2011 is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(H)	Sixth Supplemental Indenture, dated as of March 30, 2005, to the 2000 Indenture, as modified by the Third Supplemental Indenture, dated as of March 13, 2003, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(I)	Seventh Supplemental Indenture, dated as of August 11, 2005, to the 2000 Indenture, as modified by the Third Supplemental Indenture, dated as of March 13, 2003, and the Sixth Supplemental Indenture, dated as of March 30, 2005, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 15, 2005.
4(iii)(J)	Senior Debt Indenture dated as of November 12, 2004 (the "2004 Indenture"), between the Registrant and Suntrust Bank, as trustee, is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 15, 2004.
4(iii)(K)	First Supplemental Indenture, dated as of November 18, 2004, to the 2004 Indenture, with respect to the 5.40% Notes due 2009 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2004.
4(iii)(L)	Second Supplemental Indenture, dated as of November 18, 2004, to the 2004 Indenture, with respect to the 6.25% Notes due 2014 is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2004.
4(iii)(M)	Third Supplemental Indenture, dated as of March 28, 2005, to the 2004 Indenture, as modified by the Second Supplemental Indenture, dated as of November 18, 2004, with respect to the 6.25% Senior Unsecured Notes due 2014 is incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(N)	Fourth Supplemental Indenture, dated as of March 29, 2005, to the 2004 Indenture, as modified by the First Supplemental Indenture, dated as of November 18, 2004, with respect to the 5.40% Senior Unsecured Notes due 2009 is incorporated by reference to Exhibit 4.5 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(O)	Fifth Supplemental Indenture, dated as of July 25, 2005, to the 2004 Indenture, with respect to the Floating Rate Notes due 2008 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 26, 2005.

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<u>Exhibit No.</u>	<u>Description</u>
10(i)(A)	Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent is incorporated by reference to Exhibit 10(i)(G) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on September 30, 2005.
10(i)(B)	Amendment No. 1, dated as of October 17, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 17, 2005.
10(i)(C)	Amendment No. 2, dated as of September 30, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, is incorporated by reference to Exhibit 10(i)(C) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed with the SEC on November 9, 2005.
10(i)(D)	Amendment No. 3, dated as of December 31, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent.
10(i)(E)	Letter Agreement, dated as of March 21, 2006, between the Registrant and the Lenders party to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, waiving breaches of the 3-Year Credit Agreement.
Management contracts and compensation plans and arrangements:	
(i) Michael Roth	
10(iii)(A)(1)	Employment Agreement, made as of July 13, 2004, by and between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10(iii)(A)(9) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(2)	Executive Severance Agreement, dated July 13, 2004 and executed as of July 27, 2004, by and between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10(iii)(A)(10) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(3)	Supplemental Employment Agreement, dated as of January 19, 2005, between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
10(iii)(A)(4)	Supplemental Employment Agreement, dated as of February 14, 2005, between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2005.
(ii) David A. Bell	
10(iii)(A)(5)	David A. Bell Employment Agreement, dated as of January 1, 2000, between True North Communications Inc. and David A. Bell is incorporated by reference to Exhibit 10(b)(iii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(6)	Employment Agreement Amendment, dated as of March 1, 2001, to an Employment Agreement, dated as of January 1, 2000, between True North Communications Inc. and David A. Bell is incorporated by reference to Exhibit 10(b)(iii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(7)	Employment Agreement Amendment, dated as of June 1, 2001, and signed as of October 1, 2002, between True North Communications Inc. and David A. Bell to an Employment Agreement, dated as of January 1, 2000, as amended, is incorporated by reference to Exhibit 10(b)(i)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(8)	Supplemental Agreement, made as of February 28, 2003, to an Employment Agreement, made as of January 1, 2000, between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10(iii)(A)(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(9)	Executive Special Benefit Agreement, made as of April 1, 2003, by and between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10(iii)(A)(i)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(10)	Memorandum dated May 1, 2003, from David A. Bell, providing for Cancellation of Certain Stock Options, is incorporated by reference to Exhibit 10(iii)(A)(I)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(11)	Employment Agreement, dated as of January 18, 2005, between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
(iii) Nicholas J. Camera 10(iii)(A)(12)	Executive Special Benefit Agreement, dated as of January 1, 1995, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(v)(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(13)	Executive Severance Agreement, dated as of January 1, 1998, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(vi)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(14)	Employment Agreement, dated as of November 14, 2002, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(v)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(15)	Supplemental Agreement, made as of January 1, 2003 and executed as of June 23, 2003 to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(iii)(A)(iii)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(16)	Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(iii)(A)(iii)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
(iv) Albert Conte 10(iii)(A)(17)	Employment Agreement, dated as of February 21, 2000, between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(b)(vii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(18)	Supplemental Agreement, made as of June 15, 2004, to an Employment Agreement, made as of February 21, 2000, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(3) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(19)	The Interpublic Capital Accumulation Plan Participation Agreement, effective June 15, 2004, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(4) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(20)	Executive Special Benefit Agreement, made as of January 1, 2002 and executed as of June 26, 2004, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(5) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(v) Nicholas S. Cyprus 10(iii)(A)(21)	Employment Agreement, made as of May 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(6) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(22)	Executive Severance Agreement, made as of May 24, 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(7) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(23)	The Interpublic Capital Accumulation Plan Participation Agreement, effective May 15, 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(8) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(vi) Thomas Dowling 10(iii)(A)(24)	Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(iii)(A)(1) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
10(iii)(A)(25)	Executive Special Benefit Agreement, dated as of February 1, 2000, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(viii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(26)	Executive Special Benefit Agreement, dated as of February 1, 2001, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(viii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(27)	Supplemental Agreement, dated as of October 1, 2002, to an Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(vii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(28)	Supplemental Agreement, dated as of November 14, 2002, to an Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(vii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(29)	Executive Severance Agreement, dated November 14, 2002, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(iii)(A)(vii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
(vii) Steven Gatfield 10(iii)(A)(30)	Employment Agreement, made as of February 2, 2004, by and between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(1) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(31)	Participation Agreement under The Interpublic Senior Executive Retirement Income Plan, dated as of January 30, 2004, between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(2) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(32)	Executive Severance Agreement, made as of April 1, 2004, by and between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(3) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(33)	Supplemental Agreement, dated as of February 24, 2006, between Interpublic and Stephen Gatfield, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/ A filed with the SEC on March 3, 2006.
(viii) Philippe Krakowsky 10(iii)(A)(34)	Employment Agreement, dated as of January 28, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(2) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
10(iii)(A)(35)	Executive Special Benefit Agreement, dated as of February 1, 2002, and signed as of July 1, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(v) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(36)	Special Deferred Compensation Agreement, dated as of April 1, 2002, and signed as of July 1, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(iv) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(37)	Executive Severance Agreement, dated September 13, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(vi) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(38)	Executive Special Benefit Agreement, dated September 30, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(vi) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(39)	Supplemental Agreement, made as of April 8, 2003, to an Employment Agreement, made as of January 28, 2002, by and between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(viii)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(40)	Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(viii)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
(ix) Frank Mergenthaler 10(iii)(A)(41)	Employment Agreement, made as of July 13, 2005, between the Registrant and Frank Mergenthaler is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 19, 2005.
10(iii)(A)(42)	Executive Severance Agreement, made as of July 13, 2005, between the Registrant and Frank Mergenthaler is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 19, 2005.
(x) Timothy A. Sompolski 10(iii)(A)(43)	Employment Agreement, made as of July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(11) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(44)	Executive Severance Agreement, made as of July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(12) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(45)	The Interpublic Capital Accumulation Plan Participation Agreement, effective July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(13) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(xi) John J. Dooner, Jr.	

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(46)	Executive Special Benefit Agreement, dated as of July 1, 1986, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(47)	Executive Severance Agreement, dated as of August 10, 1987, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(h) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(48)	Supplemental Agreement, dated as of May 23, 1990, to an Executive Special Benefit Agreement, dated as of July 1, 1986, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(l) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(49)	Executive Special Benefit Agreement, dated as of July 1, 1992, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(q) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(50)	Supplemental Agreement, dated as of August 10, 1992, to an Executive Severance Agreement, dated as of August 10, 1987, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(51)	Employment Agreement, dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(r) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(52)	Executive Special Benefit Agreement, dated as of June 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(s) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(53)	Supplemental Agreement, dated as of July 1, 1995, to an Employment Agreement between the Registrant and John J. Dooner, Jr., dated as of January 1, 1994, is incorporated by reference to Exhibit 10(B) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
10(iii)(A)(54)	Supplemental Agreement, dated as of July 1, 1995, to an Employment Agreement, dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(t) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(55)	Supplemental Agreement, dated as of September 1, 1997, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(k) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.
10(iii)(A)(56)	Executive Severance Agreement, dated January 1, 1998, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
10(iii)(A)(57)	Supplemental Agreement, dated as of January 1, 1999, to an Employment Agreement dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(e) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.
10(iii)(A)(58)	Supplemental Agreement, dated as of April 1, 2000, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
10(iii)(A)(59)	Executive Special Benefit Agreement, dated as of May 20, 2002, between the Registrant and John J. Dooner, Jr., signed as of November 11, 2002, is incorporated by reference to Exhibit 10(b)(xv)(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(60)	Supplemental Agreement, dated as of November 7, 2002, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(xv)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(61)	Supplemental Agreement, dated as of November 7, 2002, to an Executive Special Benefit Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(xv)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(62)	Supplemental Agreement, made as of January 1, 2003 and executed as of June 17, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(iv)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(63)	Supplemental Agreement, made as of March 31, 2003, to an Employment Agreement made as of January 1, 1994, as amended between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(v) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(64)	Supplemental Agreement, made as of March 31, 2003 and executed as of April 15, 2003, to an Employment Agreement, made as of January 1, 1994, by and between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(iv)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(65)	Letter Agreement, dated May 8, 2003, between the Registrant and John J. Dooner, Jr., providing for cancellation of certain Stock Options, is incorporated by reference to Exhibit 10(iii)(A)(iv)(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(66)	Supplemental Agreement dated as of November 12, 2003, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(viii)(u) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
(xii) Jill Considine 10(iii)(A)(67)	Deferred Compensation Agreement, dated as of April 1, 2002, between the Registrant and Jill Considine, is incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
(xiii) Richard A. Goldstein 10(iii)(A)(68)	Richard A Goldstein Deferred Compensation Agreement, dated as of June 1, 2001, between the Registrant and Richard A. Goldstein, is incorporated by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(xiv) Christopher J. Coughlin 10(iii)(A)(69)	Employment Agreement, made as of May 6, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(ii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(70)	Executive Special Benefit Agreement, made as of June 16, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(iii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(71)	Executive Severance Agreement, made as of June 16, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(iv) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(72)	Confidential Separation Agreement and General Release, between the Registrant and Christopher J. Coughlin is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2005.
(xv) Other	
10(iii)(A)(73)	Trust Agreement, dated as of June 1, 1990, between the Registrant, Lintas Campbell-Ewald Company, McCann-Erickson USA, Inc., McCann-Erickson Marketing, Inc., Lintas, Inc. and Chemical Bank, as Trustee, is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
10(iii)(A)(74)	The Stock Option Plan (1988) and the Achievement Stock Award Plan of the Registrant are incorporated by reference to Appendices C and D of the Prospectus, dated May 4, 1989, forming part of its Registration Statement on Form S-8 (No. 33-28143).
10(iii)(A)(75)	The Management Incentive Compensation Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.
10(iii)(A)(76)	The 1986 Stock Incentive Plan of the Registrant is incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.
10(iii)(A)(77)	The 1986 United Kingdom Stock Option Plan of the Registrant is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
10(iii)(A)(78)	The Long-Term Performance Incentive Plan of the Registrant is incorporated by reference to Appendix A of the Prospectus dated December 12, 1988 forming part of its Registration Statement on Form S-8 (No. 33-25555).
10(iii)(A)(79)	Resolution of the Board of Directors adopted on February 16, 1993, amending the Long-Term Performance Incentive Plan is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
10(iii)(A)(80)	Resolution of the Board of Directors adopted on May 16, 1989 amending the Long-Term Performance Incentive Plan is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989.
10(iii)(A)(81)	The 1996 Stock Incentive Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
10(iii)(A)(82)	The 1997 Performance Incentive Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.
10(iii)(A)(83)	True North Communications Inc. Stock Option Plan is incorporated by reference to Exhibit 4.5 of Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (Registration No. 333-59254).
10(iii)(A)(84)	Bozell, Jacobs, Kenyon & Eckhardt, Inc. Stock Option Plan is incorporated by reference to Exhibit 4.5 of Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (Registration No. 333-59254).
10(iii)(A)(85)	True North Communications Inc. Deferred Compensation Plan is incorporated by reference to Exhibit(c)(xiv) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(86)	Resolution of the Board of Directors of True North Communications Inc. adopted on March 1, 2002 amending the Deferred Compensation Plan is incorporated by reference to Exhibit(c)(xv) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(87)	The 2002 Performance Incentive Plan of the Registrant is incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A, filed April 17, 2002.
10(iii)(A)(88)	The Interpublic Senior Executive Retirement Income Plan is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(89)	The Interpublic Capital Accumulation Plan is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(iii)(A)(90)	The Interpublic Outside Directors Stock Incentive Plan of Interpublic, as amended through August 1, 2003, is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(iii)(A)(91)	2004 Performance Incentive Plan of the Registrant is incorporated by reference to Appendix B to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on April 23, 2004.
10(iii)(A)(92)	The Interpublic Non-Management Directors' Stock Incentive Plan is incorporated by reference to Appendix C to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on April 23, 2004.
10(iii)(A)(93)	The Interpublic Senior Executive Retirement Income Plan — Form of Participation Agreement is incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(94)	The Interpublic Capital Accumulation Plan — Form of Participation Agreement is incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(95)	The Interpublic Group of Companies, Inc. 2004 Performance Incentive Plan (the "PIP") — Form of Instrument of Restricted Stock is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(96)	PIP — Form of Instrument of Restricted Stock Units is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(97)	PIP — Form of Option Certificate is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(98)	Interpublic's Non-Management Directors' Stock Incentive Plan (the "Non-Management Directors' Plan") — Form of Instrument of Restricted Shares is incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(99)	The Non-Management Directors' Plan — Form of Instrument of Restricted Share Units is incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(100)	The Non-Management Directors' Plan — Form of Plan Option Certificate is incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(101)	The Employee Stock Purchase Plan (2006) of the Registrant is incorporated by reference to Appendix B to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on October 21, 2005.
(18)	Preferability Letter from PricewaterhouseCoopers LLP, dated March 22, 2006.
(21)	Subsidiaries of the Registrant.
(24)	Power of Attorney to sign Form 10-K and resolution of Board of Directors re Power of Attorney.
(31.1)	Certification dated as of March 22, 2006 and executed by Michael I. Roth, under Section 302 of the Sarbanes-Oxley Act of 2002 ("S-OX").
(31.2)	Certification dated as of March 22, 2006 and executed by Frank Mergenthaler, under Section 302 of S-OX.
(32)	Certification dated as of March 22, 2006 and executed by Michael I. Roth and Frank Mergenthaler, furnished pursuant to Section 906 of S-OX.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE INTERPUBLIC GROUP OF COMPANIES, INC.
(Registrant)

By: /s/ Michael I. Roth

Michael I. Roth
Chairman of the Board
and Chief Executive Officer

March 22, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
/s/ Michael I. Roth	Chairman of the Board, and Chief Executive Officer	March 22, 2006
Michael I. Roth	(Principal Executive Officer)	
/s/ Frank Mergenthaler	Executive Vice President, Chief Financial Officer	March 22, 2006
Frank Mergenthaler	(Principal Financial Officer)	
/s/ Nicholas S. Cyprus	Senior Vice President and Controller (Principal Accounting Officer)	March 22, 2006
Nicholas S. Cyprus		
/s/ Frank J. Borelli	Director	March 22, 2006
Frank J. Borelli		
/s/ Reginald K. Brack	Director	March 22, 2006
Reginald K. Brack		
/s/ Jill M. Considine	Director	March 22, 2006
Jill M. Considine		
/s/ Richard A. Goldstein	Director	March 22, 2006
Richard A. Goldstein		
/s/ H. John Greeniaus	Director	March 22, 2006
H. John Greeniaus		
/s/ J. Phillip Samper	Director	March 22, 2006
J. Phillip Samper		
/s/ David M. Thomas	Director	March 22, 2006
David M. Thomas		

EXHIBIT INDEX

Exhibit No.	Description
3(i)	Restated Certificate of Incorporation of the Registrant, as amended through October 24, 2005, is incorporated by reference to Exhibit 3(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed with the Securities and Exchange Commission (the "SEC") on November 9, 2005.
3(ii)	By-Laws of the Registrant, as amended and restated through January 18, 2005, are incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
4(iii)(A)	Certificate of Designations of 5 ³ / ₈ % Series A Mandatory Convertible Preferred Stock of the Registrant, as filed with the Delaware Secretary of State on December 17, 2003 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on December 19, 2003.
4(iii)(B)	Certificate of Designations of 5.25% Series B Cumulative Convertible Perpetual Preferred Stock of the Registrant, as filed with the Delaware Secretary of State on October 24, 2005 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 24, 2005.
4(iii)(C)	Senior Debt Indenture, dated as of October 20, 2000 (the "2000 Indenture"), between the Registrant and The Bank of New York, as trustee, is incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 24, 2000.
4(iii)(D)	First Supplemental Indenture, dated as of August 22, 2001, to the 2000 Indenture, with respect to the 7.25% Senior Unsecured Notes due 2011 is incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-4 filed with the SEC on December 4, 2001.
4(iii)(E)	Second Supplemental Indenture, dated as of December 14, 2001, to the 2000 Indenture, with respect to the Zero-Coupon Convertible Senior Notes due 2021 is incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 filed with the SEC on April 5, 2002.
4(iii)(F)	Third Supplemental Indenture, dated as of March 13, 2003, to the 2000 Indenture, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 18, 2003.
4(iii)(G)	Fifth Supplemental Indenture, dated as of March 28, 2005, to the 2000 Indenture, as modified by the First Supplemental Indenture, dated as of August 22, 2001, with respect to the 7.25% Senior Unsecured Notes due 2011 is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(H)	Sixth Supplemental Indenture, dated as of March 30, 2005, to the 2000 Indenture, as modified by the Third Supplemental Indenture, dated as of March 13, 2003, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(I)	Seventh Supplemental Indenture, dated as of August 11, 2005, to the 2000 Indenture, as modified by the Third Supplemental Indenture, dated as of March 13, 2003, and the Sixth Supplemental Indenture, dated as of March 30, 2005, with respect to the 4.50% Convertible Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 15, 2005.
4(iii)(J)	Senior Debt Indenture dated as of November 12, 2004 (the "2004 Indenture"), between the Registrant and Suntrust Bank, as trustee, is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 15, 2004.

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<u>Exhibit No.</u>	<u>Description</u>
4(iii)(K)	First Supplemental Indenture, dated as of November 18, 2004, to the 2004 Indenture, with respect to the 5.40% Notes due 2009 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2004.
4(iii)(L)	Second Supplemental Indenture, dated as of November 18, 2004, to the 2004 Indenture, with respect to the 6.25% Notes due 2014 is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2004.
4(iii)(M)	Third Supplemental Indenture, dated as of March 28, 2005, to the 2004 Indenture, as modified by the Second Supplemental Indenture, dated as of November 18, 2004, with respect to the 6.25% Senior Unsecured Notes due 2014 is incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(N)	Fourth Supplemental Indenture, dated as of March 29, 2005, to the 2004 Indenture, as modified by the First Supplemental Indenture, dated as of November 18, 2004, with respect to the 5.40% Senior Unsecured Notes due 2009 is incorporated by reference to Exhibit 4.5 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2005.
4(iii)(O)	Fifth Supplemental Indenture, dated as of July 25, 2005, to the 2004 Indenture, with respect to the Floating Rate Notes due 2008 is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 26, 2005.
10(i)(A)	Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent is incorporated by reference to Exhibit 10(i)(G) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on September 30, 2005.
10(i)(B)	Amendment No. 1, dated as of October 17, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 17, 2005.
10(i)(C)	Amendment No. 2, dated as of September 30, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, is incorporated by reference to Exhibit 10(i)(C) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed with the SEC on November 9, 2005.
10(i)(D)	Amendment No. 3, dated as of December 31, 2005, to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent.
10(i)(E)	Letter Agreement, dated as of March 21, 2006, between the Registrant and the Lenders party to the Amended and Restated 3-Year Credit Agreement, dated as of May 10, 2004, amended and restated as of September 27, 2005, among the Registrant, the Initial Lenders Named Therein, and Citibank, N.A., as Administrative Agent, waiving breaches of the 3-Year Credit Agreement.
Management contracts and compensation plans and arrangements:	
(i) Michael Roth	
10(iii)(A)(1)	Employment Agreement, made as of July 13, 2004, by and between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10(iii)(A)(9) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(2)	Executive Severance Agreement, dated July 13, 2004 and executed as of July 27, 2004, by and between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10(iii)(A)(10) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(3)	Supplemental Employment Agreement, dated as of January 19, 2005, between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
10(iii)(A)(4)	Supplemental Employment Agreement, dated as of February 14, 2005, between the Registrant and Michael I. Roth, is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2005.
(ii) David A. Bell	
10(iii)(A)(5)	David A. Bell Employment Agreement, dated as of January 1, 2000, between True North Communications Inc. and David A. Bell is incorporated by reference to Exhibit 10(b)(iii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(6)	Employment Agreement Amendment, dated as of March 1, 2001, to an Employment Agreement, dated as of January 1, 2000, between True North Communications Inc. and David A. Bell is incorporated by reference to Exhibit 10(b)(iii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(7)	Employment Agreement Amendment, dated as of June 1, 2001, and signed as of October 1, 2002, between True North Communications Inc. and David A. Bell to an Employment Agreement, dated as of January 1, 2000, as amended, is incorporated by reference to Exhibit 10(b)(i)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(8)	Supplemental Agreement, made as of February 28, 2003, to an Employment Agreement, made as of January 1, 2000, between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10(iii)(A)(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(9)	Executive Special Benefit Agreement, made as of April 1, 2003, by and between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10(iii)(A)(i)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(10)	Memorandum dated May 1, 2003, from David A. Bell, providing for Cancellation of Certain Stock Options, is incorporated by reference to Exhibit 10(iii)(A)(I)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(11)	Employment Agreement, dated as of January 18, 2005, between the Registrant and David A. Bell, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2005.
(iii) Nicholas J. Camera	
10(iii)(A)(12)	Executive Special Benefit Agreement, dated as of January 1, 1995, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(v)(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(13)	Executive Severance Agreement, dated as of January 1, 1998, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(vi)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(14)	Employment Agreement, dated as of November 14, 2002, between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(b)(v)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(15)	Supplemental Agreement, made as of January 1, 2003 and executed as of June 23, 2003 to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(iii)(A)(iii)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(16)	Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and Nicholas J. Camera, is incorporated by reference to Exhibit 10(iii)(A)(iii)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
(iv) Albert Conte 10(iii)(A)(17)	Employment Agreement, dated as of February 21, 2000, between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(b)(vii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(18)	Supplemental Agreement, made as of June 15, 2004, to an Employment Agreement, made as of February 21, 2000, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(3) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(19)	The Interpublic Capital Accumulation Plan Participation Agreement, effective June 15, 2004, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(4) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(20)	Executive Special Benefit Agreement, made as of January 1, 2002 and executed as of June 26, 2004, by and between the Registrant and Albert Conte, is incorporated by reference to Exhibit 10(iii)(A)(5) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(v) Nicholas S. Cyprus 10(iii)(A)(21)	Employment Agreement, made as of May 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(6) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(22)	Executive Severance Agreement, made as of May 24, 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(7) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10(iii)(A)(23)	The Interpublic Capital Accumulation Plan Participation Agreement, effective May 15, 2004, by and between the Registrant and Nicholas S. Cyprus, is incorporated by reference to Exhibit 10(iii)(A)(8) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(vi) Thomas Dowling 10(iii)(A)(24)	Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(iii)(A)(1) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
10(iii)(A)(25)	Executive Special Benefit Agreement, dated as of February 1, 2000, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(viii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
10(iii)(A)(26)	Executive Special Benefit Agreement, dated as of February 1, 2001, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(viii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(27)	Supplemental Agreement, dated as of October 1, 2002, to an Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(vii)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(28)	Supplemental Agreement, dated as of November 14, 2002, to an Employment Agreement, dated as of November 1999, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(b)(vii)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(29)	Executive Severance Agreement, dated November 14, 2002, between the Registrant and Thomas Dowling, is incorporated by reference to Exhibit 10(iii)(A)(vii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
(vii) Steven Gatfield 10(iii)(A)(30)	Employment Agreement, made as of February 2, 2004, by and between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(1) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(31)	Participation Agreement under The Interpublic Senior Executive Retirement Income Plan, dated as of January 30, 2004, between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(2) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(32)	Executive Severance Agreement, made as of April 1, 2004, by and between the Registrant and Steve Gatfield, is incorporated by reference to Exhibit 10(iii)(A)(3) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(33)	Supplemental Agreement, dated as of February 24, 2006, between Interpublic and Stephen Gatfield, is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/ A filed with the SEC on March 3, 2006.
(viii) Philippe Krakowsky 10(iii)(A)(34)	Employment Agreement, dated as of January 28, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(2) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
10(iii)(A)(35)	Executive Special Benefit Agreement, dated as of February 1, 2002, and signed as of July 1, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(v) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(36)	Special Deferred Compensation Agreement, dated as of April 1, 2002, and signed as of July 1, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(iv) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(37)	Executive Severance Agreement, dated September 13, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(vi) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(38)	Executive Special Benefit Agreement, dated September 30, 2002, between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(vi) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10(iii)(A)(39)	Supplemental Agreement, made as of April 8, 2003, to an Employment Agreement, made as of January 28, 2002, by and between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(viii)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(40)	Supplemental Agreement, made as of June 16, 2003, to an Executive Severance Agreement, made as of November 14, 2002, by and between the Registrant and Philippe Krakowsky, is incorporated by reference to Exhibit 10(iii)(A)(viii)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
(ix) Frank Mergenthaler 10(iii)(A)(41)	Employment Agreement, made as of July 13, 2005, between the Registrant and Frank Mergenthaler is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 19, 2005.
10(iii)(A)(42)	Executive Severance Agreement, made as of July 13, 2005, between the Registrant and Frank Mergenthaler is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 19, 2005.
(x) Timothy A. Sompolski 10(iii)(A)(43)	Employment Agreement, made as of July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(11) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(44)	Executive Severance Agreement, made as of July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(12) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10(iii)(A)(45)	The Interpublic Capital Accumulation Plan Participation Agreement, effective July 6, 2004, by and between the Registrant and Timothy Sompolski, is incorporated by reference to Exhibit 10(iii)(A)(13) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(xi) John J. Dooner, Jr. 10(iii)(A)(46)	Executive Special Benefit Agreement, dated as of July 1, 1986, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(47)	Executive Severance Agreement, dated as of August 10, 1987, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(h) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(48)	Supplemental Agreement, dated as of May 23, 1990, to an Executive Special Benefit Agreement, dated as of July 1, 1986, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(l) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(49)	Executive Special Benefit Agreement, dated as of, July 1, 1992, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(q) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(50)	Supplemental Agreement, dated as of August 10, 1992, to an Executive Severance Agreement, dated as of August 10, 1987, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(51)	Employment Agreement, dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(r) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(52)	Executive Special Benefit Agreement, dated as of June 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(s) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(53)	Supplemental Agreement, dated as of July 1, 1995, to an Employment Agreement between the Registrant and John J. Dooner, Jr., dated as of January 1, 1994, is incorporated by reference to Exhibit 10(B) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(54)	Supplemental Agreement, dated as of July 1, 1995, to an Employment Agreement, dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(t) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10(iii)(A)(55)	Supplemental Agreement, dated as of September 1, 1997, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(k) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.
10(iii)(A)(56)	Executive Severance Agreement, dated January 1, 1998, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
10(iii)(A)(57)	Supplemental Agreement, dated as of January 1, 1999, to an Employment Agreement dated as of January 1, 1994, between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(e) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.
10(iii)(A)(58)	Supplemental Agreement, dated as of April 1, 2000, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
10(iii)(A)(59)	Executive Special Benefit Agreement, dated as of May 20, 2002, between the Registrant and John J. Dooner, Jr., signed as of November 11, 2002, is incorporated by reference to Exhibit 10(b)(xv)(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(60)	Supplemental Agreement, dated as of November 7, 2002, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(xv)(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(61)	Supplemental Agreement, dated as of November 7, 2002, to an Executive Special Benefit Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(xv)(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(62)	Supplemental Agreement, made as of January 1, 2003 and executed as of June 17, 2003, to an Executive Severance Agreement, made as of January 1, 1998, by and between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(iv)(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(63)	Supplemental Agreement, made as of March 31, 2003, to an Employment Agreement made as of January 1, 1994, as amended between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(v) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(64)	Supplemental Agreement, made as of March 31, 2003 and executed as of April 15, 2003, to an Employment Agreement, made as of January 1, 1994, by and between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(iii)(A)(iv)(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(65)	Letter Agreement, dated May 8, 2003, between the Registrant and John J. Dooner, Jr., providing for cancellation of certain Stock Options, is incorporated by reference to Exhibit 10(iii)(A)(iv)(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10(iii)(A)(66)	Supplemental Agreement dated as of November 12, 2003, to an Employment Agreement between the Registrant and John J. Dooner, Jr., is incorporated by reference to Exhibit 10(b)(viii)(u) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.

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<u>Exhibit No.</u>	<u>Description</u>
(xii) Jill Considine 10(iii)(A)(67)	Deferred Compensation Agreement, dated as of April 1, 2002, between the Registrant and Jill Considine, is incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
(xiii) Richard A. Goldstein 10(iii)(A)(68)	Richard A Goldstein Deferred Compensation Agreement, dated as of June 1, 2001, between the Registrant and Richard A. Goldstein, is incorporated by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(xiv) Christopher J. Coughlin 10(iii)(A)(69)	Employment Agreement, made as of May 6, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(ii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(70)	Executive Special Benefit Agreement, made as of June 16, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(iii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(71)	Executive Severance Agreement, made as of June 16, 2003, by and between the Registrant and Christopher J. Coughlin, is incorporated by reference to Exhibit 10(iii)(A)(iv) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10(iii)(A)(72)	Confidential Separation Agreement and General Release, between the Registrant and Christopher J. Coughlin is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2005.
(xv) Other 10(iii)(A)(73)	Trust Agreement, dated as of June 1, 1990, between the Registrant, Lintas Campbell-Ewald Company, McCann-Erickson USA, Inc., McCann-Erickson Marketing, Inc., Lintas, Inc. and Chemical Bank, as Trustee, is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
10(iii)(A)(74)	The Stock Option Plan (1988) and the Achievement Stock Award Plan of the Registrant are incorporated by reference to Appendices C and D of the Prospectus, dated May 4, 1989, forming part of its Registration Statement on Form S-8 (No. 33-28143).
10(iii)(A)(75)	The Management Incentive Compensation Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.
10(iii)(A)(76)	The 1986 Stock Incentive Plan of the Registrant is incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.
10(iii)(A)(77)	The 1986 United Kingdom Stock Option Plan of the Registrant is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
10(iii)(A)(78)	The Long-Term Performance Incentive Plan of the Registrant is incorporated by reference to Appendix A of the Prospectus dated December 12, 1988 forming part of its Registration Statement on Form S-8 (No. 33-25555).
10(iii)(A)(79)	Resolution of the Board of Directors adopted on February 16, 1993, amending the Long-Term Performance Incentive Plan is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(80)	Resolution of the Board of Directors adopted on May 16, 1989 amending the Long-Term Performance Incentive Plan is incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989.
10(iii)(A)(81)	The 1996 Stock Incentive Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
10(iii)(A)(82)	The 1997 Performance Incentive Plan of the Registrant is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.
10(iii)(A)(83)	True North Communications Inc. Stock Option Plan is incorporated by reference to Exhibit 4.5 of Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (Registration No. 333-59254).
10(iii)(A)(84)	Bozell, Jacobs, Kenyon & Eckhardt, Inc. Stock Option Plan is incorporated by reference to Exhibit 4.5 of Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (Registration No. 333-59254).
10(iii)(A)(85)	True North Communications Inc. Deferred Compensation Plan is incorporated by reference to Exhibit(c)(xiv) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(86)	Resolution of the Board of Directors of True North Communications Inc. adopted on March 1, 2002 amending the Deferred Compensation Plan is incorporated by reference to Exhibit(c)(xv) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10(iii)(A)(87)	The 2002 Performance Incentive Plan of the Registrant is incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A, filed April 17, 2002.
10(iii)(A)(88)	The Interpublic Senior Executive Retirement Income Plan is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(iii)(A)(89)	The Interpublic Capital Accumulation Plan is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(iii)(A)(90)	The Interpublic Outside Directors Stock Incentive Plan of Interpublic, as amended through August 1, 2003, is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10(iii)(A)(91)	2004 Performance Incentive Plan of the Registrant is incorporated by reference to Appendix B to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on April 23, 2004.
10(iii)(A)(92)	The Interpublic Non-Management Directors' Stock Incentive Plan is incorporated by reference to Appendix C to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on April 23, 2004.
10(iii)(A)(93)	The Interpublic Senior Executive Retirement Income Plan — Form of Participation Agreement is incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(94)	The Interpublic Capital Accumulation Plan — Form of Participation Agreement is incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(95)	The Interpublic Group of Companies, Inc. 2004 Performance Incentive Plan (the "PIP") — Form of Instrument of Restricted Stock is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(96)	PIP — Form of Instrument of Restricted Stock Units is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(97)	PIP — Form of Option Certificate is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.

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<u>Exhibit No.</u>	<u>Description</u>
10(iii)(A)(98)	Interpublic's Non-Management Directors' Stock Incentive Plan (the "Non-Management Directors' Plan") — Form of Instrument of Restricted Shares is incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(99)	The Non-Management Directors' Plan — Form of Instrument of Restricted Share Units is incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(100)	The Non-Management Directors' Plan — Form of Plan Option Certificate is incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2004.
10(iii)(A)(101)	The Employee Stock Purchase Plan (2006) of the Registrant is incorporated by reference to Appendix B to the Registrant's Proxy Statement on Schedule 14A, filed with the SEC on October 31, 2005.
(18)	Preferability Letter from PricewaterhouseCoopers LLP, dated March 22, 2006.
(21)	Subsidiaries of the Registrant.
(24)	Power of Attorney to sign Form 10-K and resolution of Board of Directors re Power of Attorney.
(31.1)	Certification dated as of March 22, 2006 and executed by Michael I. Roth, under Section 302 of the Sarbanes-Oxley Act of 2002 ("S-OX").
(31.2)	Certification dated as of March 22, 2006 and executed by Frank Mergenthaler, under Section 302 of S-OX.
(32)	Certification dated as of March 22, 2006 and executed by Michael I. Roth and Frank Mergenthaler, furnished pursuant to Section 906 of S-OX.

**AMENDMENT NO. 3 TO THE
AMENDED AND RESTATED 3-YEAR CREDIT AGREEMENT**

Dated as of December 31, 2005

AMENDMENT NO. 3 TO THE AMENDED AND RESTATED 3-YEAR CREDIT AGREEMENT (this "Amendment"), dated as of December 31, 2005 among The Interpublic Group of Companies, Inc., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, the Lenders and the Agent have entered into a 3-Year Credit Agreement dated as of May 10, 2004, as amended and restated as of September 27, 2005 and as further amended as of September 30, 2005 and October 17, 2005 (the "Credit Agreement"). Capitalized terms used in this Amendment and not otherwise defined in this Amendment shall have the same meanings as specified in the Credit Agreement.

(2) The Company, the Required Lenders and the Agent have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date set forth above and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 2.01(c) is amended by inserting after the third sentence of such Section the following:

Notwithstanding anything to the contrary in the preceding sentence, Letters of Credit issued by Citibank may have expiration dates as mutually agreed upon by the Company and Citibank (any such Letters of Credit with expiration dates after 15 days prior to the Termination Date, "Special Letters of Credit").

(b) Section 2.03(a) is amended by deleting clause (iii) in its entirety and replacing it with the following:

(iii) expiration date of such Letter of Credit (which expiration date shall not be later than the earlier of (x) 15 days prior to the Termination Date or (y) the date that is one year after the issuance thereof; provided that any such Letter of Credit which provides for automatic one-year extension(s) of such expiration date shall be deemed to comply with the foregoing requirement if the Issuing Bank has the unconditional right to prevent any such automatic extension from taking place and each Issuing Bank hereby agrees to exercise such right to prevent any such automatic

extension for each such Letter of Credit outstanding after the Termination Date; and provided, further, that the expiration date of a Special Letter of Credit shall be determined as set forth in Section 2.01(c)),

(c) Section 2.03(b) is amended by inserting at the end of such Section the following:

Notwithstanding anything to the contrary in the preceding sentences of this Section 2.03(b), (i) each Lender's obligation to acquire participations pursuant thereto with respect to any Special Letter of Credit shall expire on the day that is 15 days prior to the Termination Date and (ii) each Lender's existing participation, if any, pursuant thereto with respect to any Special Letter of Credit shall terminate on the day that is 15 days prior to the Termination Date.

(d) Section 2.03(c) is amended by inserting at the end of such Section the following:

Notwithstanding anything to the contrary in the preceding sentences of this Section 2.03(c): (x) each Lender's obligation to pay its Ratable Share of any Advances pursuant thereto in respect of any Special Letters of Credit shall expire on the day that is 15 days prior to the Termination Date (the "Participation Cut-Off Date"); and (y) on and after the Participation Cut-Off Date, each drawing under a Special Letter of Credit shall be deemed not to constitute an Advance, but shall instead constitute an immediate obligation of the applicable Borrower to reimburse the full amount of such drawing, which obligation shall be satisfied to the extent that funds are on deposit in the special sub-account of the L/C Cash Deposit Account (as described in Section 2.10(c)) by application of such funds in accordance with Section 2.10(c).

(e) Section 2.10(c) is amended by deleting such Section in its entirety and replacing it with the following:

Letters of Credit. (i) The Company shall, on the day that is 15 days prior to the Termination Date, pay to the Agent for deposit in the regular sub-account of the L/C Cash Deposit Account an amount sufficient to cause the aggregate amount on deposit in the regular sub-account of the L/C Cash Deposit Account to equal the sum of (a) 103% of the Dollar Equivalent of the aggregate Available Amount of all Letters of Credit, other than Special Letters of Credit, then outstanding denominated in any Committed L/C Currency other than Dollars and (b) 100% of the aggregate Available Amount of all Letters of Credit, other than Special Letters of Credit, then outstanding denominated in Dollars. Upon the drawing of any such Letter of Credit, to the extent funds are on deposit in the regular sub-account of the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by

applicable law, and if so applied, then such reimbursement shall be deemed a repayment of the corresponding Advance in respect of such Letter of Credit. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers thereunder shall have been paid in full, the balance, if any, in such regular sub-account of the L/C Cash Deposit Account in respect of such Letters of Credit shall be promptly returned to the Company.

(ii) The Company shall, on the day that is 105 days prior to the Termination Date, pay to the Agent for deposit in the special sub-account of the L/C Cash Deposit Account (against which Citibank and its Affiliates shall have rights of setoff with respect to any obligations, whether matured or contingent, in respect of Special Letters of Credit) an amount sufficient to cause the aggregate amount, denominated in the same currency or currencies in which the respective Special Letters of Credit then outstanding are denominated, on deposit in the L/C Cash Deposit Account to equal 100% of the aggregate Available Amount of all Special Letters of Credit then outstanding. Upon the drawing of any Special Letter of Credit, to the extent funds are on deposit in the special sub-account of the L/C Cash Deposit Account in respect of such Special Letter of Credit, such funds shall be applied (prior to the application of any other funds) to reimburse Citibank as the Issuing Bank of such Letter of Credit to the extent permitted by applicable law, and if so applied, then such reimbursement shall be deemed a repayment of the corresponding Advance in respect of such Letter of Credit. After all Special Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers thereunder shall have been paid in full, the balance, if any, in such special sub-account of the L/C Cash Deposit Account in respect of Special Letters of Credit shall be promptly returned to the Company.

(f) Section 5.03(a) is amended (i) by deleting from the text of the covenant the date “September 30, 2005” and substituting therefor the date “September 30, 2006” and (ii) by deleting the table set forth therein and substituting therefor the following table:

<u>Fiscal Quarter Ending</u>	<u>Ratio</u>
September 30, 2006	1.75 to 1
December 31, 2006	2.15 to 1
March 31, 2007	2.50 to 1

(g) Section 5.03(b) is amended (i) by deleting from the text of the covenant the date “September 30, 2005” and substituting therefor the date

“September 30, 2006” and (ii) by deleting the table set forth therein and substituting therefor the following table:

Fiscal Quarter Ending	Ratio
September 30, 2006	5.15 to 1
December 31, 2006	4.15 to 1
March 31, 2007	3.90 to 1

(h) Section 5.03(c) is amended by deleting the table set forth therein and substituting therefor the following table:

Four Fiscal Quarters Ending	Amount
December 31, 2005	\$233,000,000
March 31, 2006	\$175,000,000
June 30, 2006	\$100,000,000
September 30, 2006	\$440,000,000
December 31, 2006	\$545,000,000
March 31, 2007	\$585,000,000

(i) A new Section 5.03(d) is added to read as follows:

The Company and its Consolidated Subsidiaries, taken together, shall maintain on each day from and after March 21, 2006 an average daily ending balance (calculated as the average of the daily ending balance for the period of five Business Days immediately preceding such day) of securities held, and/or freely available, collected cash on deposit in domestic accounts with the Lenders and/or their respective Affiliates in the aggregate of not less than the sum of (i) \$300,000,000 plus (ii) the aggregate principal amount of the Advances outstanding (other than Advances made under Section 2.03(c)). For purposes of this Section 5.03(d), “domestic account” shall mean a Dollar-denominated deposit or securities account held by a U.S. bank or a U.S.-based subsidiary of a U.S. bank or a U.S. branch or U.S. subsidiary of a non-U.S. bank, including Dollar-denominated investment or sweep accounts held in Nassau, The Bahamas.

(j) Section 6.02 is amended (i) by deleting the phrase “L/C Cash Deposit Account” in clause (a) thereof and replacing it with the phrase “the applicable sub-account of the L/C Cash Deposit Account” and (ii) by deleting the third sentence thereof and replacing it with the following: “Upon the drawing of

any Letter of Credit when this Section 6.02 is applicable (and without prejudice to Section 2.10(c)) to the extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable law, and if so applied, then such reimbursement shall be deemed a repayment of the corresponding Advance or reimbursement obligation in respect of such Letter of Credit.”

(k) Section 8.05(b) is amended by adding to the end of the proviso in the first sentence the following: “nor shall any Lender be liable to the extent that any claim with respect to any Special Letter of Credit under this section relates to an event arising on or after the Participation Cut-Off Date”.

(l) Section 9.04(d) is amended by deleting such Section in its entirety and replacing it with the following:

(d) Without prejudice to the survival of any other agreement of the Company and the other Borrowers thereunder, the agreements and obligations of the Company and the other Borrowers contained in Section 2.11, 2.14 and 9.04 and the agreements and obligations of the Company, the other Borrowers and Citibank contained in Section 2.10(c) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any Notes.

(m) Exhibit B is amended by deleting clause (C) in its entirety and replacing it with the following:

(C) the proceeds of the Proposed Borrowing will be used to fund known cash requirements of the Company and its Consolidated Subsidiaries as they become due in the ordinary course of their respective businesses.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment executed by the Company and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment.

SECTION 3. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business.

(b) The execution, delivery and performance by the Company of this Amendment and the Credit Agreement and each of the Notes, as amended hereby, are within the Company’s corporate powers, have been duly authorized by all necessary corporate action, and do not contravene, or constitute a default under,

any provision of applicable law or regulation or of the certificate of incorporation of the Company or of any judgment, injunction, order, decree, material agreement or other instrument binding upon the Company or result in the creation or imposition of any Lien on any asset of the Company or any of its Consolidated Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Amendment or the Credit Agreement and the Notes, as amended hereby.

(d) This Amendment has been duly executed and delivered by the Company. This Amendment and each of the Credit Agreement and the Notes, as amended hereby, are legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to general principles of equity.

(e) There is no action, suit, investigation, litigation or proceeding pending against, or to the knowledge of the Company, threatened against the Company or any of its Consolidated Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a significant probability of an adverse decision that (i) would have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Amendment, the Credit Agreement or any Note or the consummation of the transactions contemplated hereby.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Credit Agreement, and each reference in the Notes to “the Credit Agreement”, “thereunder,” “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, or constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs and Expenses. The Company agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without

limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 9.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, effective as of the date first above written.

THE INTERPUBLIC GROUP OF COMPANIES,
INC.

By: /s/ Ellen Johnson
Title: Senior Vice President & Treasurer
Date: March 21, 2006

CITIBANK, N.A.,
as Agent, as Lender and as Issuing Bank

By: /s/ Julio Ojea-Quintana
Title: Director

JPMORGAN CHASE BANK, N.A.

By: /s/ Helene Sprung
Title: SVP, Division Credit Executive

KEYBANK NATIONAL ASSOCIATION

By: /s/ Steven Dunham
Title: Vice President

LLOYDS TSB BANK PLC

By: _____
Title:

By: _____
Title:

HSBC BANK USA

By: /s/ Robert Elms
Title: Director

ING BANK

By: /s/ William James
Title: Managing Director

ROYAL BANK OF CANADA

By: /s/ Dustin Craven
Title: Attorney-In-Fact

UBS LOAN FINANCE LLC

By: /s/ Marc Sileo
Title: Associate Director

By: /s/ Douglas Gervolino
Title: Associate Director

SUNTRUST BANK

By: _____
Title: _____

CALYON NEW YORK BRANCH

By: _____
Title: _____

By: _____
Title: _____

MORGAN STANLEY BANK

By: /s/ Daniel Twenge
Title: Vice President



ELLEN JOHNSON

Senior Vice President & Treasurer
Tel: (212) 704-1222
Fax: (212) 704-2229
ejohnson@interpublic.com

As of March 21, 2006

To the banks, financial institutions
and other institutional lenders
(collectively, the "Lenders")
parties to the Credit Agreement
referred to below and to Citibank, N.A.,
as agent (the "Agent") for the Lenders

Ladies and Gentlemen:

We refer to the 3-Year Credit Agreement, dated as of May 10, 2004, as amended and restated as of September 27, 2005 and further amended as of September 30, 2005 and October 17, 2005 (the "Credit Agreement"), among The Interpublic Group of Companies, Inc., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Agent") for the Lenders. Capitalized terms used but not defined herein are used with the meanings given to those terms in the Credit Agreement.

We have advised you that in the Company's annual report for the year ended December 31, 2005 the Company may need to restate previously issued financial statements, and that the potential restatement relates to changes in liabilities for vendor discounts and credits and to miscellaneous smaller items (such new restatement, the "Restatement"), and accordingly, the Company may be in violation of its obligations under Sections 5.01(a), 5.01(f) and other provisions of the Credit Agreement. The Restatement may also result in certifications and representations and warranties of the Company made or deemed made pursuant to the Credit Agreement or contained in certificates, financial statements and other documents delivered pursuant to the Credit Agreement, in each case, prior to the date hereof having been incorrect when made or

deemed made. Furthermore, the Restatement may result in the Company's inability to make the representation and warranty contained in the last sentence of Section 4.01(e).

The Company requests that the Lenders waive any breach, Default and related Event of Default in connection with the matters described in the preceding paragraph and any conditions precedent to borrowing contained in Section 3.03 of the Credit Agreement to the extent that the Company's inability to meet any such conditions relates to these matters, provided that no such Restatement has a material negative impact on the Company's liquidity or financial condition.

Upon the completion of the Restatement, the Company will deliver to the Agent a copy of any restated financial statements, together with a certificate of the chief financial officer or chief accounting officer of the Company, which certificate shall include a statement that such officer has no knowledge, except as specifically stated, of any condition, event or act which constitutes a Default.

This letter agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this letter agreement by telecopier shall be effective as delivery of a manually executed counterpart of this letter agreement.

In accordance with Section 9.01 of the Credit Agreement, this waiver will become effective as of the date when the Agent has received counterparts of this letter agreement executed by the Required Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this letter agreement.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

1114 Avenue of the Americas, New York, New York 10036 Tel: (212) 704-1222 Fax: (212) 704-2229

Please indicate your agreement with the foregoing (including the waiver) by having the enclosed duplicate copy of this letter agreement executed in the space provided below by a duly authorized representative and return the same to us.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

By: /s/ Ellen Johnson
Name: Ellen Johnson
Title: Senior Vice President & Treasurer

Confirmed and Agreed:

CITIBANK, N.A.

By: /s/ Julio Ojea-Quintana
Name: Julio Ojea-Quintana
Title: Director

JPMORGAN CHASE BANK, N.A.

By: /s/ Helene Sprung
Name: Helene Sprung
Title: SVP, Division Credit Executive

HSBC BANK USA

By: /s/ Robert Elms
Name: Robert Elms
Title: Director

ING CAPITAL LLC

By: /s/ William James
Name: William James
Title: Managing Director

ROYAL BANK OF CANADA

By: /s/ Dustin Craven
Name: Dustin Craven
Title: Attorney-In-Fact

UBS LOAN FINANCE LLC

By: /s/ Marc Sileo
Name: Marc Sileo
Title: Associate Director

1114 Avenue of the Americas, New York, New York 10036 Tel: (212) 704-1222 Fax: (212) 704-2229

By: /s/ Douglas Gervolino
Name: Douglas Gervolino
Title: Associate Director

MORGAN STANLEY BANK

By: /s/ Daniel Twenge
Name: Daniel Twenge
Title: Vice President

1114 Avenue of the Americas, New York, New York 10036 Tel: (212) 704-1222 Fax: (212) 704-2229

March 22, 2006

Board of Directors
The Interpublic Group of Companies, Inc
1114 Avenue of the Americas
New York, New York 10036

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and issued our report thereon dated March 22, 2006. Note 8 to the financial statements describes a change in accounting principle whereby the Company has changed the date at which it performs the annual goodwill and indefinite lived intangibles impairment test required under Statement of Financial Accounting Standards No. 142 from September 30 to October 1. It should be understood that the preferability of one acceptable method of accounting over another for purposes of determining the date at which a Company's should perform an annual test of impairment of goodwill and indefinite lived intangibles has not been addressed in any authoritative accounting literature, and in expressing our concurrence below, we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Principles Board Opinion No. 20.

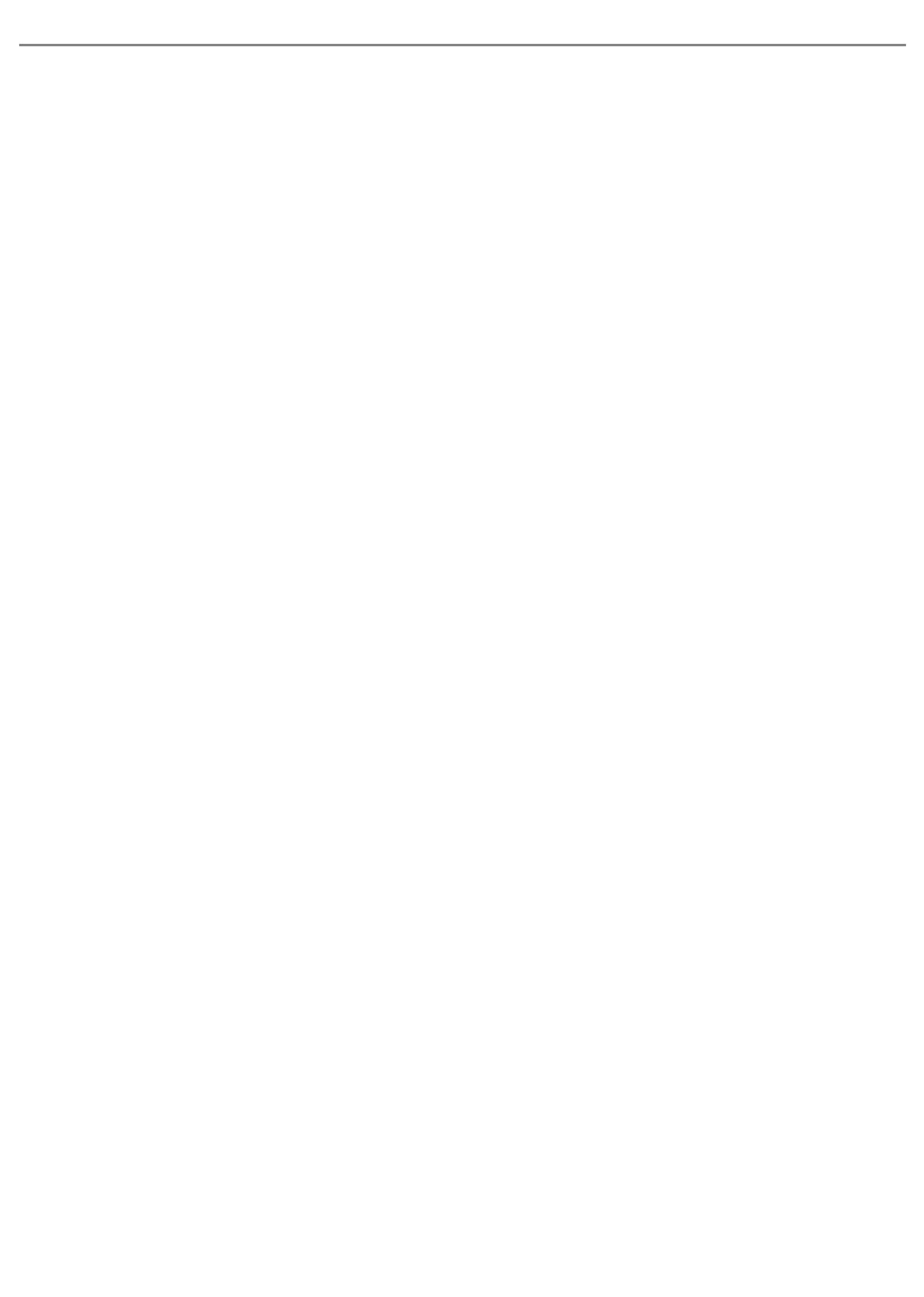
Very truly yours,

PricewaterhouseCoopers LLP

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Domestic:			
THE INTERPUBLIC GROUP OF COMPANIES, INC. (REGISTRANT)	DELAWARE	-	-
BRAGMAN NYMAN CAFARELLI, INC.	CALIFORNIA	100	REGISTRANT
BRAGMAN NYMAN CAFARELLI LLC	CALIFORNIA	100	BRAGMAN NYMAN CAFARELLI, INC.
CAMPBELL MITHUN OF CALIFORNIA, INC.	CALIFORNIA	100	REGISTRANT
CASANOVA PENDRILL PUBLICIDAD, INC.	CALIFORNIA	100	REGISTRANT
D&H IMAGEWERKS, INC.	CALIFORNIA	100	REGISTRANT
DAILEY & ASSOCIATES, INC.	CALIFORNIA	100	REGISTRANT
DEUTSCH LA, INC.	CALIFORNIA	100	DA ACQUISITION CORP.
GOLDBERG, MOSER, O'NEILL LLC	CALIFORNIA	100	LOWE & PARTNERS/SMS INC.
GRAPHIC ORB, INC.	CALIFORNIA	100	REGISTRANT
INITIATIVE MEDIA WORLDWIDE, INC.	CALIFORNIA	100	REGISTRANT
INTERNATIONAL BUSINESS SERVICES, INC.	CALIFORNIA	100	INFOPLAN INT'L, INC.
LOWE BZL MCADAMS, INC.	CALIFORNIA	100	LOWE GROUP HOLDINGS INC.
MARKETING DRIVE SAN FRANCISCO, INC.	CALIFORNIA	100	MARKETING DRIVE WORLDWIDE, INC.
NORTH LIGHT, LTD.	CALIFORNIA	100	DAILEY & ASSOCIATES, INC.
OUTDOOR ADVERTISING GROUP	CALIFORNIA	100	REGISTRANT
PIC - TV, INC.	CALIFORNIA	100	INITIATIVE MEDIA WORLDWIDE, INC.
PMK/HBH, INC.	CALIFORNIA	100	REGISTRANT
THE FUTUREBRAND COMPANY, INC.	CALIFORNIA	100	REGISTRANT
WIM TRAFFIC, INC.	CALIFORNIA	100	REGISTRANT
MOMENTUM-NA, INC.	COLORADO	100	MCCANN-ERICKSON USA, INC.
CLINARC CO.	CONNECTICUT	100	REGISTRANT
ADAIR GREENE, INC.	DELAWARE	100	MCCANN-ERICKSON USA, INC.
ADVANTAGE INT'L HOLDINGS, INC.	DELAWARE	100	REGISTRANT
AMMIRATI PURIS LTD.	DELAWARE	100	LOWE & PARTNERS WORLDWIDE, INC.
AMS ADVANCED MARKETING SERVICES, INC.	DELAWARE	100	SHANDWICK INVESTMENTS LTD.
ANDERSON & LEMBKE, INC.	DELAWARE	100	REGISTRANT
ASSET RECOVERY GROUP, LLC.	DELAWARE	100	REGISTRANT
BARBOUR GRIFFITH & ROGERS, LLC	DELAWARE	100	REGISTRANT
BERENTER GREENHOUSE & WEBSTER, INC.	DELAWARE	100	BZL GROUP, INC.
BJK&E, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
BUSINESS SCIENCE RESEARCH CORP.	DELAWARE	100	REGISTRANT
BZL GROUP, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
BZL KAMSTRA, INC.	DELAWARE	100	BZL GROUP, INC.
CAMPBELL-EWALD COMPANY	DELAWARE	100	REGISTRANT
CAMPBELL MITHUN, INC.	DELAWARE	100	REGISTRANT
CARIBINER NEWCO, INC.	DELAWARE	100	IPG CARIBINER ACQUISITION CORP.
COMMUNICATIONS SERVICES INTERNATIONAL, INC.	DELAWARE	100	OCTAGON CSI LIMITED
DRAFT, INC.	DELAWARE	100	REGISTRANT
DW TECHNOLOGIES, INC.	DELAWARE	100	REGISTRANT
FCB JAPAN INC.	DELAWARE	100	FCB WORLDWIDE, L.L.C.
FCB WORLDWIDE INC.	DELAWARE	100	FCB WORLDWIDE, L.L.C.
FCB WORLDWIDE, LLC	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
FISSION COMMUNICATIONS, LLC	DELAWARE	100	REGAN CAMPBELL & WARD, LLC
GLOBAL EVENT MARKETING & MANAGEMENT (GEMM) INC.	DELAWARE	100	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Domestic:			
HILL, HOLLIDAY, CONNORS, COSMOPULOS, INC.	DELAWARE	100	REGISTRANT
HOWARD, MERRELL & PARTNERS, INC.	DELAWARE	100	BZL GROUP, INC.
HYPERMEDIA SOLUTIONS, L.L.C.	DELAWARE	80	THE COLEMAN GROUP, L.L.C.
ID MEDIA, INC.	DELAWARE	100	DRAFT, INC. (50); INITIATIVE MEDIA WORLDWIDE, INC. (50)
INFOPLAN INTERNATIONAL, INC.	DELAWARE	100	REGISTRANT
INTERPUBLIC GAME SHOWS, INC.	DELAWARE	100	REGISTRANT
INTERPUBLIC KFI VENTURES, INC.	DELAWARE	100	REGISTRANT
INTERPUBLIC SPORTS & ENTERTAINMENT GROUP, INC.	DELAWARE	100	REGISTRANT
INTERPUBLIC SV VENTURES, INC.	DELAWARE	100	REGISTRANT
IPG CARIBINER ACQUISITION CORP.	DELAWARE	100	JACK MORTON WORLDWIDE, INC.
IPG GIS US, INC.	DELAWARE	100	REGISTRANT
IPG INTERACTIVE INVESTMENT CORP.	DELAWARE	100	REGISTRANT
IPG S&E, INC.	DELAWARE	100	REGISTRANT
IPG S&E VENTURES, INC.	DELAWARE	100	REGISTRANT
JACK MORTON WORLDWIDE INC.	DELAWARE	100	REGISTRANT
JAY ADVERTISING, INC.	DELAWARE	100	REGISTRANT
JMP HOLDING COMPANY, INC.	DELAWARE	100	REGISTRANT
KALEIDOSCOPE CREATIVE GROUP, LLC	DELAWARE	100	REGISTRANT
KALEIDOSCOPE SPORTS AND ENTERTAINMENT LLC	DELAWARE	100	REGISTRANT
LFS, INC.	DELAWARE	100	REGISTRANT
LMMS-USA, INC.	DELAWARE	100	MCCANN-ERICKSON USA, INC.
LOWE & PARTNERS WORLDWIDE, INC.	DELAWARE	100	REGISTRANT
LOWE LIVE NEW YORK, INC.	DELAWARE	100	LOWE & PARTNERS/SMS INC.
MAGNA GLOBAL USA, INC.	DELAWARE	100	REGISTRANT
MARKETING COMMUNICATIONS TECHNOLOGIES, INC.	DELAWARE	100	REGISTRANT
MARKETING CORPORATION OF AMERICA	DELAWARE	100	REGISTRANT
MARKETING DRIVE USA, INC.	DELAWARE	100	MARKETING DRIVE WORLDWIDE, INC.
MARKETING DRIVE WORLDWIDE, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
MCAVEY & GROGAN, INC.	DELAWARE	100	REGISTRANT
MCCANN-ERICKSON CORPORATION INTERNATIONAL	DELAWARE	100	REGISTRANT
MCCANN-ERICKSON CORPORATION (S.A.)	DELAWARE	100	REGISTRANT
MCCANN-ERICKSON (PARAGUAY) CO.	DELAWARE	100	REGISTRANT
MCCANN-ERICKSON USA, INC.	DELAWARE	100	REGISTRANT
MCCANN-ERICKSON WORLDWIDE, INC.	DELAWARE	100	REGISTRANT
MCCANN WORLDWIDE MARKETING COMMUNICATIONS CO.	DELAWARE	100	REGISTRANT
MEDIA PARTNERSHIP CORPORATION	DELAWARE	100	REGISTRANT
MOMENTUM-NA, INC.	DELAWARE	100	REGISTRANT
MRM-CPNY, INC.	DELAWARE	100	REGISTRANT
MRM GOULD, INC.	DELAWARE	100	REGISTRANT
NAS RECRUITMENT COMMUNICATIONS, INC.	DELAWARE	100	MCCANN-ERICKSON USA, INC.
NEW AMERICA STRATEGIES GROUP LLC	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Domestic:			
NEWSPAPER SERVICES OF AMERICA, INC.	DELAWARE	100	REGISTRANT
OCTAGON WORLDWIDE INC.	DELAWARE	100	REGISTRANT
OCTAGON WORLDWIDE BRAZIL INC.	DELAWARE	100	OCTAGON WORLDWIDE INC.
OSI-US, INC.	DELAWARE	100	REGISTRANT
REGAN, CAMPBELL & WARD LLC	DELAWARE	60	MCCANN-ERICKSON WORLDWIDE, INC.
R/GA MEDIA GROUP, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
RX MEDIA, INC.	DELAWARE	100	REGISTRANT
SPRINGPOINT, INC.	DELAWARE	100	REGISTRANT
THE BOTWAY GROUP, LTD.	DELAWARE	100	REGISTRANT
THE COLEMAN GROUP, LLC	DELAWARE	100	REGISTRANT
THE COLEMAN GROUP WORLDWIDE LLC	DELAWARE	100	REGISTRANT
THE HACKER GROUP, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS INC.
THE LOWE GROUP, INC.	DELAWARE	100	LOWE WORLDWIDE HOLDINGS B.V.
THE MURPHY PINTAK GAUTIER HUDOME AGENCY, INC.	DELAWARE	100	REGISTRANT
THE MWW GROUP, INC.	DELAWARE	100	REGISTRANT
THE PUBLISHING AGENCY INT'L, INC.	DELAWARE	100	REGISTRANT
THE WORKS, LLC	DELAWARE	100	KALEIDOSCOPE SPORTS AND ENTERTAINMENT LLC
TM ADVERTISING LP	DELAWARE	99	TM HOLDINGS, INC.
TM HOLDINGS, INC.	DELAWARE	100	TM ADVERTISING OF TEXAS, INC.
TN MEDIA, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
TN TECHNOLOGIES, INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
TORRE LAZUR SPECIALTY SERVICES, INC.	DELAWARE	100	REGISTRANT
TRUE NORTH COMMUNICATIONS INC.	DELAWARE	100	REGISTRANT
TRUE NORTH HOLDINGS (ASIA/PACIFIC), INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS INC.
TRUE NORTH HOLDINGS (EUROPE), INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS INC.
TRUE NORTH HOLDINGS (LATIN AMERICA), INC.	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
WAHLSTROM GROUP LLC	DELAWARE	100	TRUE NORTH COMMUNICATIONS, INC.
WELLER & KLEIN RESEARCH, INC.	DELAWARE	100	REGISTRANT
XSR CORP.	DELAWARE	100	TRUE NORTH COMMUNICATIONS INC.
OCTAGON FINANCIAL SERVICES, INC.	DISTRICT OF COLUMBIA	100	ADVANTAGE INT'L HOLDINGS, INC.
OCTAGON, INC.	DISTRICT OF COLUMBIA	100	ADVANTAGE INT'L HOLDINGS, INC.
ROWAN & BLEWITT, INC.	DISTRICT OF COLUMBIA	100	REGISTRANT
FITZGERALD & COMPANY	GEORGIA	100	REGISTRANT
QUEST FUTURES GROUP, INC.	KANSAS	100	REGISTRANT
MULLEN ADVERTISING INC.	MASSACHUSETTS	100	LOWE GROUP HOLDINGS INC.
C-E COMMUNICATIONS, INC.	MICHIGAN	100	REGISTRANT
CARMICHAEL-LYNCH, INC.	MINNESOTA	100	REGISTRANT
THE ZIPATONI COMPANY, INC.	MISSOURI	100	LOWE GROUP HOLDINGS, INC.
COMPLETE MEDICAL GROUP, INC.	NEW JERSEY	100	COMPLETE MEDICAL GROUP LIMITED
INTEGRATED COMMUNICATIONS CORP.	NEW JERSEY	100	REGISTRANT
INTERPUBLIC, INC.	NEW JERSEY	100	REGISTRANT
PACE, INC.	NEW JERSEY	100	REGISTRANT
TORRE LAZUR HEALTHCARE GROUP, INC.	NEW JERSEY	100	REGISTRANT
BOTWAY PRINT ADVERT., INC.	NEW YORK	100	REGISTRANT



Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Domestic:			
CMGRP, INC.	NEW YORK	100	TRUE NORTH COMMUNICATIONS, INC.
DA ACQUISITION CORP.	NEW YORK	100	DA PARENT ACQUISITION CORP.
DA PARENT ACQUISITION CORP.	NEW YORK	100	REGISTRANT
DEUTSCH INC.	NEW YORK	100	DA ACQUISITION CORP.
DEVRIES PUBLIC RELATIONS, LTD.	NEW YORK	100	REGISTRANT
DIAMOND ART STUDIO LTD.	NEW YORK	100	DIAMOND MARKETING GROUP, INC.
DIAMOND MARKETING GROUP, INC.	NEW YORK	100	THE LOWE GROUP, INC.
DIAMOND PROMOTION GROUP, INC.	NEW YORK	100	DIAMOND MARKETING GROUP, INC.
DIRECT APPROACH MKTG. SERVICES, INC.	NEW YORK	100	MCCANN ERICKSON USA, INC.
GDL, INC.	NEW YORK	100	THE LOWE GROUP, INC. (100 OF COMMON STOCK) AND GOLDSCHMIDT DUNST LAWSON CORP. (100 PREF. STOCK)
GOLDSCHMIDT DUNST & LAWSON CORP.	NEW YORK	100	THE LOWE GROUP, INC
INITIATIVE TRADING LLC	NEW YORK	100	REGISTRANT
LCF&L, INC.	NEW YORK	100	THE LOWE GROUP, INC. (99.9); AND GDL, INC. (.1)
LOWE GROUP HOLDINGS, INC.	NEW YORK	100	REGISTRANT
LOWE & PARTNERS/SMS INC.	NEW YORK	100	LOWE INT'L LTD. (16); LOWE WORLDWIDE HOLDINGS B.V. (4); AND REGISTRANT (80)
LUDGATE COMMUNICATIONS, INC.	NEW YORK	100	LUDGATE GROUP LIMITED
MCCANN-ERICKSON MARKETING, INC.	NEW YORK	100	REGISTRANT
MCCANN RELATIONSHIP MARKETING, INC.	NEW YORK	100	REGISTRANT
MEDIA BRIDGE ENTERTAINMENT, INC.	NEW YORK	100	DEUTSCH, INC.
MEDIA FIRST INTERNATIONAL INC.	NEW YORK	100	REGISTRANT
PUSH EDITORIAL, INC.	NEW YORK	100	REGISTRANT
THE GOTHAM GROUP, INC.	NEW YORK	100	REGISTRANT
THE INTERPUBLIC PARTNERSHIP, INC.	NEW YORK	100	REGISTRANT
THE SLOAN GROUP	NEW YORK	100	DRAFT INC.
AW SALE CORP. OF NORTH CAROLINA	NORTH CAROLINA	100	REGISTRANT
LONG HAYMES CARR, INC.	NORTH CAROLINA	100	REGISTRANT
NAS RECRUITMENT COMMUNICATIONS LLC	OHIO	100	MCCANN-ERICKSON USA, INC.
DIAGNOSIS HEALTHCARE COMMUNICATIONS, INC.	PENNSYLVANIA	100	REGISTRANT
SCIENTIFIC FRONTIERS, INC.	PENNSYLVANIA	100	REGISTRANT
TIERNEY & PARTNERS, INC.	PENNSYLVANIA	100	TRUE NORTH COMMUNICATIONS, INC.
CUSTOM PRODUCTION SERVICE, INC.	TEXAS	100	TRUE NORTH COMMUNICATIONS, INC.
TM ADVERTISING OF TEXAS, INC.	TEXAS	100	TRUE NORTH COMMUNICATIONS, INC.
CABELL EANES, INC.	VIRGINIA	100	THE MARTIN AGENCY, INC.
GOLIN/HARRIS INTERNATIONAL, INC.	VIRGINIA	100	REGISTRANT
MARKETING ARTS CORPORATION	VIRGINIA	100	THE MARTIN AGENCY, INC.
MVPGROUP, LLC	VIRGINIA	60	THE MARTIN AGENCY, INC.
THE MARTIN AGENCY, INC.	VIRGINIA	100	LOWE & PARTNERS/SMS INC.
SEDGWICK RD., INC.	WASHINGTON	100	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
B.T.L. SA	ARGENTINA	70	AGULLA & BACCETTI S.A.
CESAR MANSILLA Y ASOCIADOS SA	ARGENTINA	90	GRUPO NUEVA COMUNICACION S.A.
FUTUREBRAND S.A.	ARGENTINA	70	REGISTRANT
INITIATIVE MEDIA S.A.	ARGENTINA	99.99	REGISTRANT
INTERPUBLIC S.A. DE PUBLICIDAD	ARGENTINA	100	REGISTRANT (99.96); MCCANN ERICKSON CORP., S.A. (0.04)
LA LLAMA S.A.	ARGENTINA	99	AGULLA & BACCETTI S.A.
NUEVA COMUNICACION S.A.	ARGENTINA	100	GRUPO NUEVA COMUNICACION S.A. (99.99); INTERPUBLIC S.A. DE PUBLICIDAD (0.01)
NUEVA COMUNICACION S.A. (ROSARIO)	ARGENTINA	90	GRUPO NUEVA COMUNICACION S.A.
PRAGMA FCB PUBLICIDAD S.A.	ARGENTINA	100	TN HOLDINGS (Latin America), INC.
PRIMERA IMPRESION SA	ARGENTINA	99	ESPACIOS S.A.
PROMOCIONAR S.A.	ARGENTINA	60	INTERPUBLIC S.A. DE PUBLICIDAD
SERVICIO INTEGRAL DE COMUNICACION S.A.	ARGENTINA	100	GRUPO NUEVA COMUNICACION S.A. (99.97); INTERPUBLIC S.A. DE PUBLICIDAD (0.03)
XYZ PRODUCTIONS S.A.	ARGENTINA	100	PRAGMA FCB PUBLICIDAD S.A.
ADVANTAGE HOLDINGS PTY (AUSTRALIA) PTY LTD	AUSTRALIA	100	ADVANTAGE INT'L HOLDINGS, INC.
AUSTRALIAN SAFARI PTY LTD	AUSTRALIA	100	OCTAGON AUSTRALIA PTY LTD
CHARCOAL NOMINEES PTY LTD	AUSTRALIA	100	OCTAGON AUSTRALIA PTY LTD
DIRECTORY INVESTMENTS PTY. LTD.	AUSTRALIA	100	SHANDWICK HOLDINGS PTY. LTD. (90.9); WEBER SHANDWICK WORLDWIDE PTY LTD (9.1)
DIRECTORY INVESTMENTS PTY. LTD.	AUSTRALIA	90.9	SHANDWICK HOLDINGS PTY. LTD.
DRAFTWORLDWIDE AUSTRALIA PTY LTD	AUSTRALIA	100	REGISTRANT
FOOTE, CONE & BELDING MELBOURNE PTY. LIMITED	AUSTRALIA	100	FOOTE, CONE & BELDING AUSTRALIA PTY. LTD.
FOOTE, CONE & BELDING SYDNEY PTY. LIMITED	AUSTRALIA	100	FOOTE, CONE & BELDING AUSTRALIA PTY. LTD.
FOOTE, CONE & BELDING AUSTRALIA PTY. LTD.	AUSTRALIA	100	TN HOLDINGS (Asia Pacific), INC.
FUTURE MOTORSPORT CONCEPTS PTY LTD	AUSTRALIA	100	OCTAGON AUSTRALIA PTY LTD
FUTUREBRAND FHA PTY LTD	AUSTRALIA	70	MCCANN WORLDGROUP PTY LIMITED
HAMMOND & THACKERAY MEDIA PTY LIMITED	AUSTRALIA	100	HAMMOND & THACKERAY PTY. LIMITED
HAMMOND & THACKERAY PTY. LIMITED	AUSTRALIA	70	TN HOLDINGS (Asia Pacific), INC.
HAMMOND & THACKERAY UNIT TRUST PTY LIMITED	AUSTRALIA	70	TN HOLDINGS (Asia Pacific), INC.
HARRISON ADVERTISING PTY. LIMITED	AUSTRALIA	100	MCCANN WORLDGROUP PTY LIMITED

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
INITIATIVE MEDIA AUSTRALIA PTY LTD	AUSTRALIA	100	MERCHANT & PARTNERS AUSTRALIA PROPRIETARY LIMITED
INTERNATIONAL PUBLICATIONS RELATIONS PTY. LTD.	AUSTRALIA	100	SHANDWICK HOLDINGS PTY. LTD.
INTERPUBLIC AUSTRALIA PROPRIETARY LIMITED	AUSTRALIA	100	REGISTRANT
JACK MORTON WORLDWIDE PTY LIMITED	AUSTRALIA	100	REGISTRANT
JACK MORTON WORLDWIDE UNIT TRUST	AUSTRALIA	100	IPG CARIBINER ACQUISITION CORP.
KITEVEN PTY LTD	AUSTRALIA	100	MCCANN WORLDGROUP PTY LIMITED
LOWE HUNT	AUSTRALIA	59.5	LOWE SYDNEY PTY LTD (50); LOWE HUNT & PARTNERS PTY LTD (9.5)
LOWE MELBOURNE PTY LTD	AUSTRALIA	100	LOWE SYDNEY PTY LTD
LOWE SYDNEY PTY LTD	AUSTRALIA	100	REGISTRANT
MCCANN WORLDGROUP PTY LIMITED	AUSTRALIA	100	REGISTRANT
MERCHANT & PARTNERS AUSTRALIA PROPRIETARY LIMITED	AUSTRALIA	100	REGISTRANT
OCTAGON AUSTRALIA PTY LTD	AUSTRALIA	100	ADVANTAGE HOLDINGS PTY (AUSTRALIA) PTY LTD
OCTAGON CSI AUSTRALIA PTY LIMITED	AUSTRALIA	100	OCTAGON CSI LIMITED
PRODUCT MANAGEMENT PTY. LTD.	AUSTRALIA	100	WEBER SHANDWICK WORLDWIDE PTY LTD
SHANDWICK HOLDINGS PTY. LTD.	AUSTRALIA	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
TARGA TASMANIA AUSTRALIA PTY LTD.	AUSTRALIA	100	CHARCOAL NOMINEES PTY LTD
THE LOWE GROUP OCEANIA PTY LTD	AUSTRALIA	100	LOWE SYDNEY PTY LTD
UNIVERSAL ADVERTISING PLACEMENT PTY. LIMITED	AUSTRALIA	100	MCCANN WORLDGROUP PTY LIMITED
WEBER SHANDWICK WORLDWIDE PTY LTD	AUSTRALIA	100	SHANDWICK HOLDINGS PTY. LTD.
WEBER SHANDWICK WORLDWIDE SUPERANNUATION FUND PTY LTD	AUSTRALIA	100	WEBER SHANDWICK WORLDWIDE PTY LTD
FCB EVENTS & PR GMBH	AUSTRIA	52	FCB KOBZA WERBEAGENTUR GMBH
FCB KOBZA WERBEAGENTUR GMBH	AUSTRIA	10	TN HOLDINGS (Europe), INC. (60); TRUE NORTH HOLDINGS (NETHERLANDS) BV(10)
FCB RETAIL CONSULTING & WERBEGES M.B.H.	AUSTRIA	75	FCB KOBZA WERBEAGENTUR GMBH
FCBI INTERACTIVE CONSULTING & WERBEGES M.B.H.	AUSTRIA	95	FCB KOBZA WERBEAGENTUR GMBH
INITIATIVE GROUP WERBEHOLDING GESMBH	AUSTRIA	100	REGISTRANT
INITIATIVES MEDIA WERBEMITTLUNG GES. M.B.H.	AUSTRIA	100	INITIATIVE GROUP WERBEHOLDING GESMBH
LOWE GGK WIEN WERBEAGENTUR GmbH	AUSTRIA	85	LOWE LINTAS GGK HOLDING AG

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
LOWE LINTAS GGK BETEILIGUNGSVERWALTUNGS AG	AUSTRIA	100	LOWE WORLDWIDE HOLDINGS B.V.
LOWE LINTAS GGK HOLDING AG	AUSTRIA	100	LOWE LINTAS GGK BETEILIGUNGSVERWALTUNGS AG
MCCANN ERICKSON ADVERTISING GMBH	AUSTRIA	100	McCANN-ERICKSON GmBH
MCCANN-ERICKSON GMBH	AUSTRIA	100	REGISTRANT (98.40); MCCANN- ERICKSON USA, INC. (1.6)
PANMEDIA HOLDING AG	AUSTRIA	74	LOWE WORLDWIDE HOLDINGS B.V.
PANMEDIA WESTERN WERBEPLANUNG GMBH	AUSTRIA	100	PANMEDIA HOLDING AG
UNIVERSAL MCCANN WERBEBERATUNGS	AUSTRIA	100	McCANN-ERICKSON GmBH
YOU TWO MEDIA GMBH	AUSTRIA	100	McCANN-ERICKSON GmBH
INSIGHT MEDIA LTD	AZERBAIJAN	100	MCCANN AZERBAIJAN
MCCANN AZERBAIJAN	AZERBAIJAN	100	REGISTRANT
GLOBAL PUBLIC RELATIONS LIMITED	BAHAMAS	100	WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED
McCANN-ERICKSON (TRINIDAD) LIMITED - BARBADO BRANCH	BARBADO	100	McCANN-ERICKSON (TRINIDAD) LIMITED
ADVANTAGE BELGIUM	BELGIUM	100	ADVANTAGE INT'L HOLDINGS, INC.
DIRECT CREATIONS S.A.	BELGIUM	99.99	LOWE S.A.
FCB WORLDWIDE SA	BELGIUM	99.97	TN HOLDINGS (Europe), INC.
INITIATIVE MEDIA S.A.	BELGIUM	100	LOWE S.A. (96); INITIATIVE MEDIA PARIS S.A. (4)
INTERPUBLIC BELGIUM HOLDINGS II SPRL	BELGIUM	100	INTERPUBLIC GROUP DENMARK APS (99.9); BUSINESS SCIENCE RESEARCH CORP. (0.01)
INTERPUBLIC BELGIUM HOLDINGS S.A.	BELGIUM	100	INTERPUBLIC GROUP DENMARK APS (99.9); BUSINESS SCIENCE RESEARCH CORP. (0.01)
LOWE S.A.	BELGIUM	99.9	LOWE WORLDWIDE HOLDINGS B.V. (99.8); BUSINESS SCIENCE RESEARCH CORP. (0.01)
McCANN-ERICKSON COMPANY S.A.	BELGIUM	100	REGISTRANT
MOMENTUM BRUSSELS SA	BELGIUM	85	McCANN-ERICKSON COMPANY S.A.
OCTAGON CIS NV	BELGIUM	99.98	OCTAGON WORLDWIDE HOLDINGS BVBA
OCTAGON WORLDWIDE HOLDINGS BVBA	BELGIUM	100	OCTAGON WORLDWIDE HOLDINGS B.V.
OUTDOOR SERVICES S.A.	BELGIUM	100	INTERPUBLIC BELGIUM HOLDINGS S.A.
PROGRAMMING MEDIA INTERNATIONAL- PMI S.A.	BELGIUM	100	REGISTRANT
UNIVERSAL MEDIA, S.A.	BELGIUM	100	REGISTRANT
WEBER SHANDWICK BRUSSELS S.C.R.L.	BELGIUM	99.829	SHANDWICK PUBLIC AFFAIRS LIMITED (99.81); BSMG WORLDWIDE, B.V. (0.0095); FCB WORLDWIDE SA (0.0095)

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
SAH LIMITED	BERMUDA	100	LOWE & PARTNERS SOUTH AMERICA HOLDINGS, S.A.
TRIAD ASSURANCE LIMITED	BERMUDA	100	REGISTRANT
BULLET PROMOCOES LTDA	BRAZIL	60	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
DM MARKETING DIRETO LTDA	BRAZIL	100	DRAFT, INC.(fka DRAFT W/W, INC.)
DM MARKETING DIRETO SAO PAULO LTDA	BRAZIL	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FCBI RELATIONSHIP MARKETING LTDA	BRAZIL	60	GIOVANNI / FCB SA
FUTUREBRAND BC&H LTDA.	BRAZIL	60	HARRISON COMUNICACOES LTDA
GIOVANNI / FCB SA	BRAZIL	60	TN HOLDINGS (Latin America), INC.
HARRISON COMUNICACOES LTDA	BRAZIL	100	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA	BRAZIL	100	INT'L BUSINESS SERVICES, INC. (95.09); REGISTRANT (4.91)
LOWE BRAZIL HOLDING LTDA	BRAZIL	100	LOWE GROUP HOLDINGS, INC. (64.62); LOWE WORLDWIDE HOLDINGS B.V. (35.38)
LOWE LTDA	BRAZIL	98.98	REGISTRANT (98.97); BUSINESS SCIENCE RESEARCH CORP. (0.01)
LOWE SUL PUBLICIDADE LTDA	BRAZIL	100	LOWE BRAZIL HOLDING LTDA
McCANN-ERICKSON PUBLICIDADE LIMITADA	BRAZIL	100	REGISTRANT (99.98); BUSINESS SCIENCE RESEARCH CORP. (0.02)
NEW MOMENTUM LTDA	BRAZIL	100	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA (55); SIGHT MOMENTUM LTDA. (45)
OCTAGON DO BRASIL PARTICIPACOES S/C LTDA	BRAZIL	100	OCTAGON WORLDWIDE, INC.
PAP-PROMOTION, ADVERTISING & PRODUCTION LTDA	BRAZIL	99.99	LOWE & PARTNERS SOUTH AMERICA HOLDINGS, S.A.
SIGHT MOMENTUM LTDA.	BRAZIL	70	INTELAN S.A.
SPORT MOMENTUM LTDA	BRAZIL	70	INTELAN S.A.
SUN MRM LTDA.	BRAZIL	65	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
THUNDER HOUSE COMMUNICATIONS LTD	BRAZIL	99.80	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
TORRE LAZUR - MCCANN HEALTHCARE LTDA	BRAZIL	99.99	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
UNIVERSAL PUBLICIDADE LTDA.	BRAZIL	99.80	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
MCCANN ERICKSON SOFIA	BULGARIA	51	REGISTRANT
UNIVERSAL MCCANN	BULGARIA	100	MCCANN ERICKSON SOFIA
MCCANN-ERICKSON CAMEROUN	CAMEROON	65	McCANN ERICKSON COTE D'IVOIRE
3707822 CANADA INC.	CANADA	100	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
AMMIRATI PURIS LTD.	CANADA	100	LOWE & PARTNERS WW INC. (FKA AMMIRATI PURIS
CMC CANADA LTD	CANADA	60	TORRE LAZUR MCCANN HEALTHCARE WORLDWIDE SPECIALTY SERVICES LTD.
CONTINENTAL COMMUNICATIONS CORP.	CANADA	100	SHANDWICK INVESTMENTS OF CANADA LTD.
CORPORATION BDDS SHANDWICK	CANADA	100	3707822 CANADA INC.
DEUTSCH INC	CANADA	100	REGISTRANT
DIEFENBACH ELKINS LIMITED	CANADA	100	THE FUTUREBRAND CO, INC. (FKA DIEFENBACH ELKIN
DRAFT INITIATIVE OUEBEC L.P.	CANADA	99.42	DRAFT MONDIAL MONTREAL INC.
DRAFT MONDIAL MONTREAL INC.	CANADA	100	DRAFT MONDIAL QUEBEC INC.
DRAFT MONDIAL QUEBEC INC.	CANADA	100	DRAFT WORLDWIDE CANADA, INC.
DRAFT WORLDWIDE CANADA, INC.	CANADA	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FOOTE CONE & BELDING WORLDWIDE (CANADA) LTD.	CANADA	100	INTERPUBLIC HOLDINGS (CANADA) LTD.
HYPERMEDIA SOLUTIONS (1998) INC.	CANADA	85	HYPERMEDIA SOLUTIONS, LLC
INTERPUBLIC HOLDINGS (CANADA) LTD.	CANADA	100	TN HOLDINGS (Asia Pacific), INC.
ISOGROUPE CANADA INC.	CANADA	100	OSI-US, INC (FKA THE ISO HEALTH CARE GROUP, INC./FKA ISO/HCG)
KALEIDOVISION LTD.	CANADA	100	INTERPUBLIC HOLDINGS (CANADA) LTD.
KELLY MANAGEMENT GROUP INC.	CANADA	100	OCTAGON CANADA INC.
LAMABERT MULTIMEDIA (G.E.C.M.) INC.	CANADA	100	DRAFT MONDIAL QUEBEC INC.
MACLAREN MCCANN CANADA, INC.	CANADA	100	REGISTRANT
MEDIA IDA VISION INC.	CANADA	100	DRAFT MONDIAL MONTREAL INC.
OCTAGON CANADA INC.	CANADA	100	OCTAGON WORLDWIDE, INC.
P & T COMMUNICATIONS INC.	CANADA	100	DRAFT WORLDWIDE CANADA, INC.
PEDERSEN & GESK (CANADA) LTD	CANADA	100	THE FUTUREBRAND COMPANY, INC.
SHANDWICK INVESTMENTS OF CANADA LTD.	CANADA	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
TEMERLIN MCCLAIN CANADA, INC.	CANADA	100	TM ADVERTISING OF TEXAS INC LP (FKA TEMERLIN McCLAIN OF TEXAS, INC.)
THE FUTUREBRAND COMPANY, INC.	CANADA	100	MACLAREN MCCANN CANADA, INC.
THE INTERPUBLIC GROUP OF COMPANIES CANADA, INC.	CANADA	100	REGISTRANT
THE MEDICINE GROUP LIMITED	CANADA	74	TORRE LAZUR MCCANN HEALTHCARE WORLDWIDE SPECIALTY SERVICES LTD. (46); REGISTRANT (28)
TRUE NORTH COMMUNICATIONS (CANADA) LTD.	CANADA	100	INTERPUBLIC HOLDINGS (CANADA) LTD.
WEBER SHANDWICK WORLDWIDE (CANADA) INC.	CANADA	100	GOLIN/HARRIS INTERNATIONAL, INC. (50); SHANDWICK INVESTMENTS OF CANADA LTD. (50)

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
BOZELL CHILE S.A.	CHILE	100	TN HOLDINGS (Latin America), INC.
CREATIVA S.A.	CHILE	60	DRAFTWORLDWIDE CHILE LIMITADA
DITTBORN & UNZUETA / MRM	CHILE	60	McCANN-ERICKSON S.A. DE PUBLICIDAD
DRAFTWORLDWIDE CHILE LIMITADA	CHILE	100	DRAFTWORLDWIDE LATINOAMERICA LIMITADA (99.76); DRAFT, INC.(fka DRAFT W/W, INC.) (0.24)
DRAFTWORLDWIDE LATINOAMERICA LIMITADA	CHILE	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FUTUREBRAND S.A.	CHILE	99	FUTUREBRAND S.A.
IDB/FCB S.A.	CHILE	70	TN HOLDINGS (Latin America), INC.
INITIATIVE MEDIA SERVICIOS DE MEDIOS LTDA.	CHILE	99	INMOBILIARIA AMMIRTI PURIS LINTAS CHILE S.A.
INMOBILIARIA AMMIRTI PURIS LINTAS CHILE S.A.	CHILE	100	LOWE WORLDWIDE HOLDINGS B.V. (99); IPG NEDERLAND B.V. (1)
LOWE (CHILE) HOLDINGS, S.A.	CHILE	100	LOWE & PARTNERS SOUTH AMERICA HOLDINGS, S.A. (99.9) THE LOWE GROUP, INC. (0.1)
LOWE MEDIA S.A.	CHILE	99	LOWE PORTA S.A.
McCANN-ERICKSON S.A. DE PUBLICIDAD	CHILE	100	REGISTRANT (97.07); BUSINESS SCIENCE RESEARCH CORP. (2.93)
SERVICIOS DE MARKETING DIRECTO LIMITADA	CHILE	99	DITTBORN & UNZUETA / MRM
GUANGZHOU SHANDWICK PR CONSULTANT CO.	CHINA	100	WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED
INTERPUBLIC MARKETING SERVICES SHANGHAI LTD	CHINA	100	IPG HONG KONG LTD
MCCANN-ERICKSON GUANGMING ADVERTISING LTD.	CHINA	51	MCCANN ERICKSON WORLDWIDE, INC.
OCTAGON MARKETING CONSULTING LTD	CHINA	100	OCTAGON MARKETING LIMITED
AMMIRATI PURIS LINTAS S.A.	COLOMBIA	100	BUSINESS SCIENCE RESEARCH CORP. (94.08); INT'L BUSINESS SERVICES, INC. (5.91)
ARTEFILME LIMITADA	COLOMBIA	100	TRUE NORTH COMMUNICATIONS, INC. (99); FCB WORLDWIDE, INC. (1)
EPOCA PUBLICIDAD S.A.	COLOMBIA	60	EPOCA MCCANN S.A.
FCB WORLDWIDE COLOMBIA S.A.	COLOMBIA	99.99	TN HOLDINGS (Latin America), INC. (93.99); FCB WORLDWIDE, INC. (6)
INITIATIVE MEDIA COLOMBIA S.A.	COLOMBIA	99.99	AMMIRATI PURIS LINTAS S.A. (93.95); BUSINESS SCIENCE RESEARCH CORP. (6.04)
ARTE Y CINEMA S.A.	COSTA RICA	100	TN HOLDINGS (Latin America), INC.
ATITLAN	COSTA RICA	100	TN HOLDINGS (Latin America), INC.
FCB DE COSTA RICA, S.A.	COSTA RICA	100	TN HOLDINGS (Latin America), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
McCANN-ERICKSON CENTROAMERICANA (COSTA RICA) S.A.	COSTA RICA	100	REGISTRANT
MCCANN-RELATIONSHIP MARKETING (MRM), S.A.	COSTA RICA	100	McCANN-ERICKSON CENTROAMERICANA (COSTA RICA) S.A.
McCANN-ERICKSON ZAGREB D.O.O.	CROATIA	100	McCANN-ERICKSON (INTERNATIONAL) GmBH
DRAFT PRAGUE S.R.O.	CZECH REPUBLIC	100	LOWE WORLDWIDE HOLDINGS B.V.
FOOTE, CONE & BELDING, S.R.O.	CZECH REPUBLIC	100	WILKENS GROUP BV (85); FOOTE, CONE & BELDING, S.R.O. (15)
INITIATIVE MEDIA PRAGUE S.R.O.	CZECH REPUBLIC	100	REGISTRANT
LOWE GGK, S.R.O.	CZECH REPUBLIC	100	LOWE LINTAS GGK HOLDING AG
MCCANN-ERICKSON PRAGUE LTD.	CZECH REPUBLIC	100	McCANN-ERICKSON (INTERNATIONAL) GmBH
PANMEDIA WESTERN PRAHA, S.R.O.	CZECH REPUBLIC	100	LOWE LINTAS GGK HOLDING AG
UNIT 003 SPOL S.r.o.	CZECH REPUBLIC	80	MCCANN-ERICKSON PRAGUE LTD.
UNIVERSAL MCCANN S.R.O.	CZECH REPUBLIC	100	REGISTRANT
AMMIRATI PURIS LINTAS DENMARK A/S	DENMARK	100	LOWE A/S
CAMPBELL-EWALD APS	DENMARK	100	REGISTRANT
INITIATIVE UNIVERSAL MEDIA A/S	DENMARK	100	INITIATIVE UNIVERSAL MEDIA HOLDINGS A/S
INITIATIVE UNIVERSAL MEDIA HOLDINGS A/S	DENMARK	100	REGISTRANT
INTERPUBLIC GROUP DENMARK APS	DENMARK	100	INTERPUBLIC GROUP (LUXEMBOURG) S.A.R.L.
LOWE A/S	DENMARK	75	LOWE WORLDWIDE HOLDINGS B.V.
LOWE HOLDINGS APS	DENMARK	100	INTERPUBLIC GROUP DENMARK APS
MAGIC HAT A/S	DENMARK	100	INTERPUBLIC GROUP DENMARK APS
MCCANN MOMENTUM A/S	DENMARK	100	INTERPUBLIC GROUP DENMARK APS
OCTAGON HOLDINGS APS	DENMARK	100	INTERPUBLIC GROUP DENMARK APS
PARAFILM A/S	DENMARK	100	AMMIRATI PURIS LINTAS DENMARK A/S
PROPAGANDA MCCANN - APS	DENMARK	91.66	REGISTRANT
SCANDINAVIAN DESIGN GROUP APS	DENMARK	100	SCANDINAVIAN DESIGN GROUP AS
SIGNATUR APS	DENMARK	100	AMMIRATI PURIS LINTAS DENMARK A/S
SIGNATUR INTERNET	DENMARK	100	AMMIRATI PURIS LINTAS DENMARK A/S
ZP GROUP DENMARK APS	DENMARK	100	ZENTROPY, INC. — merged 2004
ZP NORDIC A/S	DENMARK	100	ZP NORDIC HOLDINGS A/S
ZP NORDIC HOLDINGS A/S	DENMARK	100	ZP GROUP DENMARK APS
FOOTE CONE & BELDING DOMINICAN REPUBLIC	DOM. REP.	100	TN HOLDINGS (Latin America), INC.
McCANN-ERICKSON DOMINICANA, S.A.	DOM. REP.	100	REGISTRANT (99.96); INT'L BUSINESS SERVICES, INC. (0.01); BUSINESS SCIENCE RESEARCH CORP. (0.01); INTERPUBLIC, INC. (0.01); WELLER & KLEIN, INC. (0.01)

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
FCB EDUADOR	ECUADOR	100	TN HOLDINGS (Latin America), INC.
FOOTE, CONE & BELDING ECUADOR	ECUADOR	100	MCCANN ERICKSON CORP., INT'L (96); MCCANN ERICKSON USA, INC. (1); MCCANN ERICKSON MARKETING, INC. (1); INT'L BUSINESS SERVICES, INC. (1); BUSINESS SCIENCE RESEARCH CORP. (1)
HORIZON FCB LIMITED (EGYPT)	EGYPT	100	HORIZON HOLDINGS LIMITED
FCB EL SALVADOR PUBLICIDAD, S.A. DE C.V.	EL SALVADOR	100	TN HOLDINGS (Latin America), INC.
McCANN-ERICKSON CENTRO AMERICANA (EL SALVADOR) S.A.	EL SALVADOR	100	REGISTRANT
AMMIRATI PURIS LINTAS OY	FINLAND	100	LOWE WORLDWIDE HOLDINGS B.V.
FCB ESPA OY	FINLAND	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
HASAN & PARTNERS FINLAND OY	FINLAND	51	HASAN & PARTNERS OY
HASAN & PARTNERS OY	FINLAND	100	FIELDPLAN LTD.
LINTAS SERVICE OY	FINLAND	100	AMMIRATI PURIS LINTAS OY
LOWE & PARTNERS OY	FINLAND	63	AMMIRATI PURIS LINTAS OY (49.7); LOWE NORDIC AB (13.3)
LOWE DRIVE OY	FINLAND	52.50	LOWE & PARTNERS OY
LOWE FOREVER OY	FINLAND	60	LOWE & PARTNERS OY
MAINOSTOIMISTO AMI HASAN & COMPANY OY	FINLAND	100	HASAN & PARTNERS OY
MAINOSTOIMISTO WOMENA-MCCANN OY	FINLAND	100	REGISTRANT
MCCANN HELSINKI OY	FINLAND	100	REGISTRANT
MRM MCCANN RELATIONSHIP MARKETING OY	FINLAND	100	MCCANN HELSINKI OY
NEO GEO GRAPHIC DESIGN OY	FINLAND	100	MCCANN HELSINKI OY
POOL MEDIA INTERNATIONAL OY	FINLAND	66.6	AMMIRATI PURIS LINTAS OY (33.3); MCCANN HELSINKI OY (33.3)
SODAPOPOP MOMENTUM OY	FINLAND	100	MCCANN HELSINKI OY
20/80 (FCB SOLUTIONS)	FRANCE	79.95	FOOTE, CONE & BELDING S.A.
ACAM	FRANCE	50.2	TRUE NORTH HOLDINGS (FRANCE) S.A. (50.2); FOOTE, CONE & BELDING S.A.(0.2)
AGENCE VIRTUELLE	FRANCE	100	FIELDPLAN LTD. (60); REGISTRANT (40)
CAPSKIRRING	FRANCE	51	ACAM
DIMENSION 4	FRANCE	99.80	20/80 (FCB SOLUTIONS)
DRAFT PARIS	FRANCE	100	DRAFT GROUP HOLDINGS LIMITED
EMPIR MEDIA S.A.	FRANCE	99.8	TRUE NORTH HOLDINGS (FRANCE) S.A. (99.76); FOOTE, CONE & BELDING S.A. (0.04)
EMPIR MEDIA S.A.	FRANCE	99.76	TRUE NORTH HOLDINGS (FRANCE) S.A.
FAB+ S.A.	FRANCE	100	MCCANN-ERICKSON FRANCE SAS
FOOTE, CONE & BELDING S.A.	FRANCE	100	TRUE NORTH HOLDINGS (FRANCE) S.A.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
FORMES ET FACONS SARL	FRANCE	99.60	TRUE NORTH HOLDINGS (FRANCE) S.A.
FRANCE C.C.P.M. S.A.	FRANCE	100	LOWE WORLDWIDE HOLDINGS B.V.
FUTURE BRAND MENU	FRANCE	55.76	THE FUTUREBRAND CO, INC. (FKA DIEFENBACH ELKIN)
HUY OETTGEN OETTGEN SA	FRANCE	100	DRAFT PARIS
INITIATIVE INTERNATIONAL SAS	FRANCE	100	FRANCE C.C.P.M. S.A. (95); INITIATIVE MEDIA PARIS S.A. (5)
INITIATIVE MEDIA PARIS S.A.	FRANCE	99.7	FRANCE C.C.P.M. S.A. (99.4); BUSINESS SCIENCE RESEARCH CORP. (0.1); INTERPUBLIC, INC. (0.1); THE BDF GROUP, LLC (0.1)
ISOGROUP FRANCE SARL	FRANCE	100	ISOGROUP EUROPE B.V.
LOWE PARIS SAS	FRANCE	99.98	FRANCE C.C.P.M. S.A.
MACAO COMMUNICATIONS S.A.	FRANCE	83.03	MCCANN-ERICKSON FRANCE SAS (83); WORLDGROUP EUROPE SARL (0.01); McCANN-ERICKSON PARIS (0.01); MCCANN SANTE (0.01)
MACLAREN MULTIMEDIA SAS	FRANCE	99.92	FRANCE C.C.P.M. S.A. (99.88); BUSINESS SCIENCE RESEARCH CORP. (0.02) INTERPUBLIC, INC. (0.02)
MCCANN GOVERNANCE AGENCY	FRANCE	66	MCCANN-ERICKSON FRANCE SAS
MCCANN MOMENTUM	FRANCE	99.88	MACAO COMMUNICATIONS S.A. (99.76); WORLDGROUP EUROPE SARL (0.04); McCANN-ERICKSON PARIS (0.04); MCCANN-ERICKSON FRANCE SAS (0.04)
MCCANN SANTE	FRANCE	99.97	MCCANN-ERICKSON FRANCE SAS
MCCANN-ERICKSON FRANCE SAS	FRANCE	100	INTERPUBLIC GROUP DENMARK APS
McCANN-ERICKSON PARIS	FRANCE	100	MCCANN-ERICKSON FRANCE SAS
MCCANN-ERICKSON RHONE ALPES S.A.	FRANCE	99.94	MCCANN-ERICKSON FRANCE SAS (99.85); UNIVERSAL MEDIA S.A. (0.03); McCANN-ERICKSON PARIS (0.03); FAB+ S.A. (0.03)
MRM PARTNERS	FRANCE	99.8	MACAO COMMUNICATIONS S.A. (99.4); WORLDGROUP EUROPE SARL (0.1); UNIVERSAL MEDIA S.A. (0.1); McCANN-ERICKSON PARIS (0.1); MCCANN-ERICKSON FRANCE SAS (0.1)
OCTAGON SPORTS MARKETING S.A.	FRANCE	100	ADVANTAGE INT'L HOLDINGS, INC.
STRATEUS S.A.	FRANCE	73.73	FRANCE C.C.P.M. S.A.
THERA MCCANN HEALTHCARE	FRANCE	84.92	MCCANN SANTE
TRUE NORTH HOLDINGS (FRANCE) S.A.	FRANCE	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
UNIVERSAL COMCORD	FRANCE	99.78	REGISTRANT (99.73); WORLDGROUP EUROPE SARL (0.05)
UNIVERSAL MEDIA S.A.	FRANCE	99.80	MCCANN-ERICKSON FRANCE SAS

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
VALEFI	FRANCE	66	MCCANN-ERICKSON FRANCE SAS
WEBER SHANDWICK HOLDING S.A.	FRANCE	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
WORLDGROUP EUROPE SARL	FRANCE	100	MCCANN-ERICKSON FRANCE SAS
ACTS & ARTISTS ENTERTAINMENT GMBH	GERMANY	100	JACK MORTON WORLDWIDE B.V.
BAADER-LANG-BEHNKEN WERBEAGENTUR GMBH	GERMANY	100	LOWE COMMUNICATION GROUP GMBH
BCG MARKETING COMMUNICATIONS GMBH	GERMANY	100	INTERPUBLIC GMBH
CHANGE COMMUNICATION GMBH	GERMANY	100	LOWE COMMUNICATION GROUP GMBH
DCM DIALOG-CRATION-MUENCHEN AGENTUR FUER DIALOGMARKETING GMBH	GERMANY	80	M&V AGENTUR FUR DIALOGMARKETING UND VER. GMBH
DRAFT AGENTUR FUR MARKETING KOMMUNIKATION GMBH (HAMBURG)	GERMANY	100	M&V AGENTUR FUR DIALOGMARKETING UND VER. GMBH
DRAFT WORLDWIDE STUTTGART-KRETIVES DIREKTMARKETING GMBH	GERMANY	100	DRAFTDIRECT WORLDWIDE HOLDINGS GmbH GERMANY
DRAFTDIRECT WORLDWIDE HOLDINGS GmbH GERMANY	GERMANY	100	DRAFT GROUP HOLDINGS LIMITED
FAREWELL BETEILGUNGAGES MBH & CO. KG	GERMANY	100	FAREWELL GMBH
FAREWELL GMBH	GERMANY	100	SPRINGER & JACOBY BETEILIGUNGSGESELLSCHAFT MBH
FCB FRANKFURT GMBH	GERMANY	91.90	TRUE NORTH HOLDINGS (GERMANY) GMBH
FCB/WILKENS GMBH	GERMANY	100	TRUE NORTH HOLDINGS (GERMANY) GMBH
FCBi DEUTSCHLAND GMBH	GERMANY	100	FCB/WILKENS GMBH
FUTUREBRAND AG	GERMANY	100	FUTUREBRAND AG
GOLIN/HARRIS B&L GMBH	GERMANY	100	INTERPUBLIC GMBH
HEINRICH HOFFMAN & PARTNER GMBH	GERMANY	100	MCCANN ERICKSON BRAND COMMUNICATIONS AGENCY GMBH
INITIATIVE GROUP GMBH	GERMANY	100	LOWE COMMUNICATION GROUP GMBH
INTERPUBLIC GMBH	GERMANY	100	McCANN-ERICKSON (INTERNATIONAL) GmbH
ISOGROUP EUROPE CONSULTANTS GMBH	GERMANY	100	ISOGROUP EUROPE B.V.
JACK MORTON WORLDWIDE GMBH	GERMANY	100	JACK MORTON WORLDWIDE INC.
KARRASH	GERMANY	50.20	WEBER SHANDWICK DEUTSCHLAND GMBH
LINTAS PENSION GMBH	GERMANY	100	LOWE COMMUNICATION GROUP GMBH
LOWE AND PARTNERS GMBH, DUSSELDORF	GERMANY	100	LOWE DEUTSCHLAND HOLDING GMBH
LOWE COMMUNICATION GROUP GMBH	GERMANY	100	REGISTRANT (99.97); LOWE & PARTNERS WW INC.(FKA AMMIRATI PURIS (0.03)
LOWE DEUTSCHLAND HOLDING GMBH	GERMANY	100	LOWE WORLDWIDE HOLDINGS B.V. (75); REGISTRANT (25)
LOWE HAMBURG GMBH	GERMANY	100	LOWE COMMUNICATION GROUP GMBH

Exhibit 21

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
LOWE HOFFMAN SCHNAKENBERG WERBEAGENTUR GMBH	GERMANY	100	LOWE DEUTSCHLAND HOLDING GMBH
M&V AGENTUR FUR DIALOGMARKETING UND VER. GMBH	GERMANY	100	DRAFTDIRECT WORLDWIDE HOLDINGS GmbH GERMANY
M.E.C.H. THE COMMUNICATIONS HOUSE BERLIN GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
MAGIC HAT GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
MAGNA GLOBAL GERMANY GMBH	GERMANY	100	INITIATIVE GROUP GMBH (50); UNIVERSAL MCCANN GMBH (50)
MAGNA GLOBAL MEDIA PLUS GMBH (MGMP)	GERMANY	100	MAGNA GLOBAL GERMANY GMBH
MAILPOOL ADRESSEN - MANAGEMENT GMBH	GERMANY	100	DRAFTDIRECT WORLDWIDE HOLDINGS GmbH GERMANY
MCCANN ERICKSON BRAND COMMUNICATIONS AGENCY GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
McCANN-ERICKSON (INTERNATIONAL) GmbH	GERMANY	100	REGISTRANT
MCCANN-ERICKSON DEUTSCH. GMBH & CO. MGMT. PROP. KG	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH (80); INTERPUBLIC GMBH (20)
McCANN-ERICKSON DEUTSCHLAND GmbH	GERMANY	100	McCANN-ERICKSON (INTERNATIONAL) GmbH
McCANN-ERICKSON DUSSELDORF GmbH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
McCANN-ERICKSON FRANKFURT GmbH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
McCANN-ERICKSON HAMBURG GmbH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
McCANN-ERICKSON NURNBERG GMBH WERBEAGENTUR	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
MCCANN-ERICKSON SERVICE GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
McCANN-ERICKSON THUNDERHOUSE	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
MCEMOTION GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
MRM MCCANN RELATIONSHIP MARKETING GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
PWS PROMARKET WERBE SERVICE GMBH & CO. KG	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
SERVICEPRO AGENTUR FUR DIALOGM. UND. VER. GMBH	GERMANY	100	M&V AGENTUR FUR DIALOGMARKETING UND VER. GMBH
SPECTRUM COMMUNICATIONS GMBH	GERMANY	100	JACK MORTON WORLDWIDE LTD
SPRINGER & JACOBY BETEILIGUNGSGESELLSCHAFT MBH	GERMANY	50.5	TN HOLDINGS (Europe), INC.
SPRINGER & JACOBY DESIGN GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DESIGN GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
SPRINGER & JACOBY DEUTSCHLAND GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DEUTSCHLAND GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DIGITAL GMBH & CO., KG	GERMANY	82	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DIRECT GMBH	GERMANY	70	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DIRITTE WERBEAGENTUR GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY DRITTE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY ERSTE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY ERSTE WERBEAGENTUR GMBH & CO, KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY FUNFTE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY FUNFTE WERBEAGENTUR GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY HOLDING GMBH	GERMANY	100	FAREWELL BETEILGUNGAGES MBH & CO. KG
SPRINGER & JACOBY HOLDING GMBH & CO. KG	GERMANY	100	FAREWELL BETEILGUNGAGES MBH & CO. KG
SPRINGER & JACOBY INTERACTIVE GMBH, HAMBURG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY INTERNATIONAL GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY MEDIA GMBH	GERMANY	60	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY MEDIA GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY PLANNING GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY PLANNING GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY SECHSTE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY SECHSTE WERBEAGENTUR GMBH & CO, KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY VIERTE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY VIERTE WERBEAGENTUR GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY WERBUNG GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY WERBUNG GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY ZWEITE WERBEAGENTUR GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
SPRINGER & JACOBY ZWEITE WERBEAGENTUR GMBH & CO. KG	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
SPRINGER & JACOBYOSTERREICH GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH & CO. KG
TORRE LAZUR MCCANN GMBH	GERMANY	87	INTERPUBLIC GMBH
TRUE NORTH HOLDINGS (GERMANY) GMBH	GERMANY	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
TYPO-WENZ ARTWORK GMBH	GERMANY	100	INTERPUBLIC GMBH
UNIVERSAL MCCANN FRANKFURT GMBH COMMUNICATIONS-GROUP	GERMANY	100	MCCANN ERICKSON BRAND COMMUNICATIONS AGENCY GMBH
UNIVERSAL MCCANN GMBH	GERMANY	100	INTERPUBLIC GMBH
UNTERSTUTZUNGSKASSE DER MCCANN-ERICKSON-UNTERNEHMENSGRUPPE IN DEUTSCHLAND GMBH	GERMANY	100	McCANN-ERICKSON (INTERNATIONAL) GmbH
VERWALTUNG'SCHAFT SPRINGER & JACOBY DIGITAL GMBH	GERMANY	100	SPRINGER & JACOBY HOLDING GMBH
WEBER SHANDWICK DEUTSCHLAND GMBH	GERMANY	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
ZENTROPY PARTNERS GMBH	GERMANY	100	McCANN-ERICKSON DEUTSCHLAND GmbH
GROUP AFRICA GHANA LIMITED	GHANA	100	ASDIA LIMITED
INTERPUBLIC (GIBRALTAR) LIMITED	GIBRALTAR	100	REGISTRANT
ASHLEY AND HOLMES S.A.	GREECE	51	REGISTRANT
BRAND CONNECTION ADVERTISING SCA	GREECE	51	COMMUNICATION CHANNELS MANAGEMENT SERVICES SCA
COMMUNICATION CHANNELS MANAGEMENT SERVICES SCA	GREECE	100	FIELDPLAN LTD. (99.9); INTERPUBLIC LIMITED (0.1)
DRAFT WORLDWIDE ADVERTISING S.A.	GREECE	100	LOWE COMMUNICATIONS SA
HORIZON FCB LIMITED - GREECE BRANCH	GREECE	100	HORIZON FCB LIMITED
INITIATIVE MEDIA ADVERTISING S.A.	GREECE	100	FIELDPLAN LTD. (99.8); INTERPUBLIC LIMITED (0.2)
LE SPOT PRODUCTIONS SA	GREECE	100	ASHLEY AND HOLMES S.A.
LOWE COMMUNICATIONS SA	GREECE	100	FIELDPLAN LTD.
MCCANN-ERICKSON ATHENS S.A.	GREECE	100	WORLDGROUP EUROPE SARL (99.8); MCCANN ERICKSON CORP., INT'L (0.2)
MWG ALCO S.A.	GREECE	51	MCCANN-ERICKSON ATHENS S.A.
MWG POLITICS SA	GREECE	72	MCCANN-ERICKSON ATHENS S.A.
UNIVERSAL MEDIA HELLAS S.A.	GREECE	99.70	McCANN-ERICKSON (INTERNATIONAL) GmbH
FCB PUBLICIDAD GUATEMALA SA	GUATEMALA	100	TN HOLDINGS (Latin America), INC.
FCB PUBLICIDAD S.A.	GUATEMALA	100	TN HOLDINGS (Latin America), INC.
PUBLICIDAD M/E CENTROAMERICANA (GUATEMALA), S.A.	GUATEMALA	100	REGISTRANT
FCB / HONDURAS	HONDURAS	100	TN HOLDINGS (Latin America), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
McCANN-ERICKSON CENTROAMERICANA(HONDURAS)S. DE R.L. DE C.V.	HONDURAS	100	REGISTRANT (98); MCCANN ERICKSON CORP., S.A (2)
AFM PRODUCTIONS LIMITED	HONG KONG	100	FOOTE CONE & BELDING LIMITED.
ANDERSON AND LEMBKE ASIA, LTD.	HONG KONG	99.99	REGISTRANT
DAILEY INTERNATIONAL ENTERPRISE LIMITED	HONG KONG	100	REGISTRANT (50); LOWE LIMITED (50)
DAILEY INVESTMENTS LIMITED	HONG KONG	100	REGISTRANT (50); LOWE LIMITED (50)
DRAFT WORLDWIDE LIMITED	HONG KONG	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FCB ASIA (HOLDING) LTD.	HONG KONG	100	TN HOLDINGS (Asia Pacific), INC.
FOOTE CONE & BELDING LIMITED.	HONG KONG	99.10	FCB ASIA (HOLDING) LTD.
FOOTE CONE & BELDING (TAIWAN) LTD.	HONG KONG	100	TN HOLDINGS (Asia Pacific), INC.
FUTUREBRAND HONG KONG LIMITED	HONG KONG	100	McCANN-ERICKSON (HK) LIMITED (99); BUSINESS SCIENCE RESEARCH CORP.(1)
GOLIN/HARRIS INTERNATIONAL LIMITED	HONG KONG	100	REGISTRANT
INITIATIVE MEDIA (ASIA PACIFIC) LTD.	HONG KONG	100	REGISTRANT
INITIATIVE MEDIA LTD	HONG KONG	100	POPE KIERNAN & BLACK LIMITED
INTERFACE COMMUNICATIONS LIMITED	HONG KONG	100	POPE KIERNAN & BLACK LIMITED
IPG HONG KONG LTD	HONG KONG	100	REGISTRANT
JACK MORTON WORLDWIDE LIMITED	HONG KONG	100	REGISTRANT
KART MALL	HONG KONG	100	KARTING MARKETING & MANAGEMENT CORPORATION
LOWE DIGITAL HK LIMITED	HONG KONG	100	LOWE GROUP HOLDINGS, INC.
LOWE LIMITED	HONG KONG	99.90	LOWE WORLDWIDE HOLDINGS B.V.
MARKETING COMMUNICATIONS TECHNOLOGIES ASIA PACIFIC, LTD	HONG KONG	100	McCANN-ERICKSON (HK) LIMITED
MCCANN HEALTH BRANDS (HK) LTD.	HONG KONG	99.99	McCANN-ERICKSON (HK) LIMITED
McCANN-ERICKSON (HK) LIMITED	HONG KONG	100	REGISTRANT
MCCANN-ERICKSON, GUANGMING LTD.	HONG KONG	51	REGISTRANT
OCTAGON CSI SAM PACIFIC LIMITED	HONG KONG	100	OCTAGON CSI INTERNATIONAL HOLDINGS SA
OCTAGON GREATER CHINA LIMITED	HONG KONG	100	OCTAGON SPORTS MARKETING LIMITED (99); OCTAGON MKTG. SERVICES LIMITED (1)
OCTAGON MARKETING LIMITED	HONG KONG	99	OCTAGON ASIA, INC.
ORVIETO COMPANY LIMITED	HONG KONG	100	ASIATIC CORPORATION
POPE KIERNAN & BLACK LIMITED	HONG KONG	100	FOOTE CONE & BELDING LIMITED. (80); FCB ASIA (HOLDING) LTD. (20)
PRESKO LIMITED	HONG KONG	100	WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED
SCOTCHBROOK / BSMG WORLDWIDE (HK) LIMITED	HONG KONG	100	TN HOLDINGS (Asia Pacific), INC.
SPRINGPOINT ASIA LIMITED	HONG KONG	100	SPRINGPOINT LTD.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
TN MEDIA LIMITED	HONG KONG	100	TN HOLDINGS (Asia Pacific), INC.
WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED	HONG KONG	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
WEBER SHANDWICK WORLDWIDE (HONG KONG) LIMITED	HONG KONG	100	WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED
FOOTE, CONE & BELDING KFT	HUNGARY	70	TRUE NORTH HOLDINGS (NETHERLANDS) BV
GGK DIRECT KFT	HUNGARY	100	LOWE LINTAS GGK KFT. (97.37); LOWE LINTAS GGK HOLDING AG (2.26)
GJW POLITIKAI ES KOMMUNIKACIOS TANACSADO KFT	HUNGARY	100	GJW GOVERNMENT RELATIONS LTD.
INITIATIVE MEDIA HUNGARY	HUNGARY	100	LOWE LINTAS GGK HOLDING AG
LOWE LINTAS GGK KFT.	HUNGARY	86	LOWE LINTAS GGK HOLDING AG
McCANN-ERICKSON BUDAPEST LTD.	HUNGARY	100	MCCANN ERICKSON WORLDWIDE, INC.
MOMENTUM HUNGARY KFT (LTD.) (A/K/A MOMENTUM HUNGARY PR AND ADVERTISING LTD.)	HUNGARY	100	McCANN-ERICKSON BUDAPEST LTD. (96.67); MRM BUDAPEST KFT (A/K/A McCANN RELATIONSHIP MARKETING KFT.) (3.33)
MRM BUDAPEST KFT (A/K/A McCANN RELATIONSHIP MARKETING KFT.)	HUNGARY	100	McCANN-ERICKSON BUDAPEST LTD.
PAN MEDIA WESTERN KFT.	HUNGARY	75	LOWE LINTAS GGK HOLDING AG
ASSOCIATED CORPORATE CONSULTANTS (INDIA) PVT.LTD.	INDIA	99.60	MCCANN ERICKSON (INDIA) LTD.
DRAFT WORLDWIDE INDIA PVT LTD	INDIA	74	DRAFT, INC.(fka DRAFT W/W, INC.)
FCB-ULKA ADVERTISING LIMITED	INDIA	51	ADVERTISEMENT AND COMMUNICATION SERVICES LTD
GAIA COMMUNICATION PRIVATE LIMITED	INDIA	99.99	ENTERPRISE NEXUS COMMUNICATIONS RIVATE LIMITED
INITIATIVE MEDIA (INDIA) LIMITED	INDIA	99.99	LINTAS INDIA LIMITED
INTERFACE COMMUNICATIONS LIMITED	INDIA	100	FCB-ULKA ADVERTISING LIMITED
KARISHMA ADVERTISING PRIVATE LTD.	INDIA	99.95	LINTAS INDIA LIMITED
MCCANN ERICKSON (INDIA) LTD.	INDIA	100	MCCANN ERICKSON MARKETING, INC. (92.82); ASSOCIATED CORPORATE CONSULTANTS (INDIA) PVT.LTD. (7.18)
MCCANN-ERICKSON (NEPAL) PVT. LTD	INDIA	100	MCCANN ERICKSON (INDIA) LTD.
QUADRANT COMMUNICATIONS LTD	INDIA	51	LINTAS INDIA LIMITED
RESULT SERVICES PRIVATE LTD.	INDIA	99	MCCANN ERICKSON (INDIA) LTD.
SSC&B LINTAS LIMITED	INDIA	99.98	LINTAS INDIA LIMITED
P.T. FAJAR CAHAYA BUANA	INDONESIA	65	FOOTE, CONE & BELDING SINGAPORE PTE. LTD.
PT IMPUREMA KONSULTAMA	INDONESIA	100	ME MAURITIUS HOLDINGS LIMITED
PT INTRA PRIMUSTANA RESPATI	INDONESIA	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
PT. CITRA LINK INDONESIA	INDONESIA	53.20	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
PT. CITRA LINTAS INDONESIA	INDONESIA	53.20	REGISTRANT
PT. INIATIF MEDIA INDONESIA	INDONESIA	53.85	REGISTRANT
EXPERIENTIAL MARKETING COMPANY LIMITED	IRELAND	100	MCCANN-ERICKSON DUBLIN LIMITED
MCCANN-ERICKSON DUBLIN LIMITED	IRELAND	100	REGISTRANT
SPICE STUDIOS LIMITED	IRELAND	100	MCCANN-ERICKSON DUBLIN LIMITED
SUGAR FILMS LIMITED	IRELAND	100	MCCANN-ERICKSON DUBLIN LIMITED
UNIVERSAL MEDIA IRELAND LIMITED	IRELAND	100	MCCANN-ERICKSON DUBLIN LIMITED (99); BUSINESS SCIENCE RESEARCH CORP. (1)
WEBER SHANDWICK/FCC LIMITED	IRELAND	100	REGISTRANT
FRONTLINE MARKETING LIMITED	ISLE OF MANN	100	HORIZON HOLDINGS LIMITED
HORIZON FCB LIMITED	ISLE OF MANN	100	HORIZON HOLDINGS LIMITED
HORIZON HOLDINGS LIMITED	ISLE OF MANN	51	FCB WORLDWIDE LLC
A.T.M.Z. HOLDING COMPANY LTD	ISRAEL	75	REGISTRANT
BTL MOMENTUM LTD	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
ELAZAR GOLAN AND COMPANY ADVERTISING AND MARKETING LIMITED	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
ELAZR GOLAN AND CO. ADVERTISING AND MARKETING (1999) LTD	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
EXPOSE PRODUCTIONS LTD.	ISRAEL	100	IPG REUVENI PRIDAN LTD.
FUTURE BRAND ISRAEL LTD	ISRAEL	70	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
HEKER RATING MARKETING RESEARCH LIMITED	ISRAEL	50	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
HOT SHOP STUDIO LTD.	ISRAEL	100	IPG REUVENI PRIDAN LTD.
INTITIATIVE MEDIA TEL-AVIV LIMITED	ISRAEL	78	REGISTRANT
IPG REUVENI PRIDAN LTD.	ISRAEL	51	A.T.M.Z. HOLDING COMPANY LTD
MCCANN-ERICKSON GROUP'S MOMENTUM ISRAEL	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
McCANN/KESHER BARREL & CO. ADVERTISING LIMITED	ISRAEL	82	REGISTRANT
MRM ISRAEL LTD	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
PREMIUM MARKTING GROUP LTD	ISRAEL	60	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
PROMOSEVEN LTD	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
TEL AVIV STUDIOS TELEVISION AND FILMS PRODUCTIONS LTD	ISRAEL	60	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
UNIVERSAL MCCANN ISRAEL LTD	ISRAEL	100	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
WEBER SHANDWICK RIMON-COHEN LTD	ISRAEL	60	McCANN/KESHER BARREL & CO. ADVERTISING LIMITED
COLNAGHI & MANCIANI/SPRINGER & JACOBY S.R.L. MAILAND	ITALY		SPRINGER & JACOBY INTERNATIONAL GMBH
COMPAGNIA DEL MARKETING DIRETTO SYSTEMS SRL.	ITALY	100	FOOTE, CONE & BELDING SRL
DRAFT DIRECT WORLDWIDE SRL	ITALY	100	DRAFT, INC.(fka DRAFT W/W, INC.)
DRAFT ITALY SPA	ITALY	100	DRAFT DIRECT WORLDWIDE SRL
EXEL S.R.L.	ITALY	99.99	LOWE PIRELLA S.P.A.
FOOTE, CONE & BELDING SRL	ITALY	100	TN HOLDINGS (Europe), INC.
FUTUREBRAND GIO ROSSI ASSOCIATI SPA	ITALY	92.80	CONSOUTEUR BV
INITIATIVE MEDIA MILANO S.P.A.	ITALY	100	LOWE PIRELLA S.P.A.
INTERPUBLIC (IPG) WORLDGROUP ITALIA S.R.L.	ITALY	100	WORLDGROUP EUROPE SARL
IT INTERACTIVE TOUCH S.R.L.	ITALY	100	MCCANN WORLDGROUP S.R.L. (94.12); REGISTRANT (5.88)
LA SCUOLA PIRELLI ITALY [LA SCUOLA DI EMANUELE PIRELLA SRL]	ITALY	100	LOWE WORLDWIDE HOLDINGS B.V.
LOWE PIRELLA S.P.A.	ITALY	100	LOWE WORLDWIDE HOLDINGS B.V.
MCCANN ERICKSON S.R.L.	ITALY	100	MCCANN WORLDGROUP S.R.L.
MCCANN WORLDGROUP S.R.L.	ITALY	100	INTERPUBLIC (IPG) WORLDGROUP ITALIA S.R.L.
MCCANN-ERICKSON ROMA S.R.L.	ITALY	100	MCCANN WORLDGROUP S.R.L.
MOMENTUM ITALIA S.R.L.	ITALY	100	MCCANN WORLDGROUP S.R.L.
MRM PARTNERS SRL	ITALY	100	MCCANN WORLDGROUP S.R.L.
POOL MEDIA INTERNATIONAL (P.M.I.) SRL	ITALY	100	REGISTRANT (95); BUSINESS SCIENCE RESEARCH CORP. (5)
RGB TORRE LAZUR MCCANN HEALTHCARE	ITALY	100	INTERPUBLIC (IPG) WORLDGROUP ITALIA S.R.L.
UNIVERSAL MCCANN SRL	ITALY	100	MCCANN WORLDGROUP S.R.L.
WEBER SHANDWICK ITALIA S.P.A.	ITALY	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD (99); AMS ADVANCED MARKETING SERVICES LTD. (1)
McCANN ERICKSON COTE D'IVOIRE	IVORY COAST	98.80	MCCANN-ERICKSON FRANCE SAS
McCANN-ERICKSON (JAMAICA) LIMITED	JAMAICA	100	REGISTRANT
AMMIRATI PURIS LINTAS: K.K.	JAPAN	100	REGISTRANT (76); LOWE WORLDWIDE HOLDINGS B.V. (24)
AOYAMA GRAPHIC DESIGN INC.	JAPAN	100	MCCANN-ERICKSON, INC.
DAIKO K.K.	JAPAN	100	HAKUHODO DY HOLDINGS INCORPORATED
FCB WORLDWIDE (JAPAN) K.K.	JAPAN	100	TN HOLDINGS (Asia Pacific), INC.
FUTUREBRAND INC	JAPAN	100	MCCANN-ERICKSON, INC.
GOLIN/HARRIS INTERNATIONAL CO. LTD.	JAPAN	100	WEBER SHANDWICK WORLDWIDE, INC.

Exhibit 21

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
HARRISON MCCANN INC.	JAPAN	100	MCCANN-ERICKSON, INC.
INFOPLAN, INC.	JAPAN	100	MCCANN-ERICKSON, INC.
INITIATIVE MEDIA TOKYO JAPAN K.K.	JAPAN	100	REGISTRANT
INTERNATIONAL MANAGEMENT CONSULTING INC.	JAPAN	100	WEBER SHANDWICK WORLDWIDE, INC.
INTERNATIONAL PR INC.	JAPAN	100	WEBER SHANDWICK WORLDWIDE, INC.
IPG JAPAN INC.	JAPAN	100	REGISTRANT
ISD JAPAN INC.	JAPAN	100	MCCANN-ERICKSON, INC.
MCCANN HEALTHCARE INC.	JAPAN	100	TORRE LAZUR COMMUNICATIONS INC.
MCCANN-ERICKSON MANAGEMENT SERVICE INC.	JAPAN	100	MCCANN-ERICKSON, INC.
MCCANN-ERICKSON, INC.	JAPAN	100	REGISTRANT
MOMENTUM MIK INC.	JAPAN	75	MCCANN-ERICKSON, INC.
MRM INC.	JAPAN	100	MCCANN-ERICKSON, INC.
OCTAGON WORLDWIDE INC.	JAPAN	100	OCTAGON WORLDWIDE HOLDINGS B.V.
PR SERVICES CO. LTD.	JAPAN	100	WEBER SHANDWICK WORLDWIDE, INC.
TLM JAPAN INC.	JAPAN	100	TORRE LAZUR COMMUNICATIONS INC.
TORRE LAZUR COMMUNICATIONS INC.	JAPAN	100	MCCANN HEALTHCARE, INC. - merged into TRL effective 12/31/2005
WEBER SHANDWICK WORLDWIDE, INC.	JAPAN	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
LAMTARA LIMITED	JERSEY	100	REGISTRANT
THIRD DIMENSION (HOLDINGS) LIMITED	JERSEY	100	INTERPUBLIC LIMITED
MCCANN ERICKSON KAZAHKSTAN	KAZAKHSTAN	100	MCCANN-ERICKSON NETWORK LIMITED
GROUP AFRICA KENYA LTD.	KENYA	100	ASDIA LIMITED
McCANN-ERICKSON (KENYA) LIMITED	KENYA	73.15	REGISTRANT
FCB KOREA INC.	KOREA	71	TN HOLDINGS (Asia Pacific), INC.
MCCANN-ERICKSON INC. (KOREA)	KOREA	100	MCCANN ERICKSON MARKETING, INC.
UNIVERSAL MCCANN INC., KOREA	KOREA	100	MCCANN-ERICKSON INC. (KOREA)
BRANDCONNECTION SARL	LEBANON	100	FRONTINE MARKETING LIMITED
HORIZON FCB SARL	LEBANON	100	HORIZON HOLDINGS LIMITED (80); HORIZON FCB LIMITED (10); FRONTINE MARKETING LIMITED (10)
COMMUNICATION SERVICES INTERNATIONAL HOLDINGS, S.A.	LUXEMBOURG	100	REGISTRANT
INTERPUBLIC GROUP (LUXEMBOURG) S.A.R.L.	LUXEMBOURG	100	INTERPUBLIC GROUP OF COMPANIES HOLDING (LUXEMBOURG) S.A.R.L.
INTERPUBLIC GROUP OF COMPANIES HOLDING (LUXEMBOURG) S.A.R.L.	LUXEMBOURG	100	REGISTRANT
API SPONSORSHIP SDN BHD	MALAYSIA	100	OCTAGON SPORTS MARKETING LIMITED
DRAFTWORLDWIDE SDN BHD	MALAYSIA	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FOOTE, CONE & BELDING SDN. BHD	MALAYSIA	100	TN HOLDINGS (Asia Pacific), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
FUTUREBRAND MALAYSIA SDN BHD	MALAYSIA	100	REGISTRANT
INITIATIVE MEDIA (M) SDN. BHD.	MALAYSIA	100	LOWE & PARTNERS SDN. BHD.
INTERFACE ADVERTISING SDN. BHD.	MALAYSIA	100	FOOTE, CONE & BELDING SDN. BHD
LOWE & PARTNERS SDN. BHD.	MALAYSIA	71	REGISTRANT
McCANN-ERICKSON (MALAYSIA) SDN. BHD.	MALAYSIA	100	REGISTRANT
MUTIARA-McCANN (MALAYSIA) SDN. BHD.	MALAYSIA	100	REGISTRANT
OCTOPUS HOLDING SDN BHD	MALAYSIA	100	BOZELL WORLDWIDE SDN BHD
UNIVERSAL COMMUNICATION SDN. BHD.	MALAYSIA	100	McCANN-ERICKSON (MALAYSIA) SDN. BHD.
WEBER SHANDWICK WORLDWIDE (MALAYSIA) SDN BHD	MALAYSIA	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD (92); BRIEFCOPE LIMITED (8)
ADVERTISEMENT AND COMMUNICATION SERVICES LTD	MAURITIUS	100	TN HOLDINGS (Asia Pacific), INC.
LOWE MAURITIUS LIMITED	MAURITIUS	100	LOWE GROUP HOLDINGS, INC.
ME MAURITIUS HOLDINGS LIMITED	MAURITIUS	100	INTERPUBLIC GROUP DENMARK APS
ADVERTISEMENT MOMENTUM; S.A. DE C.V.	MEXICO	99.99	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
ARTEST S.A. DE C.V.	MEXICO	100	FCB WORLDWIDE S.A. DE C.V.
BSC/MRM DE MEXICO, S.A. DE C.V.	MEXICO	99.99	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
CORPORACION INTERPUBLIC MEXICANA, S.A. DE C.V.	MEXICO	100	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
DIRECT DIGITAL DATA BASE S.A. DE C.V.	MEXICO	100	FCB WORLDWIDE S.A. DE C.V.
DRAFT WORLDWIDE MEXICO S.A. DE C.V.	MEXICO	99.80	LOWE S.A. DE C.V.
FCB WORLDWIDE S.A. DE C.V.	MEXICO	100	TN HOLDINGS (Latin America), INC.
FUTUREBRAND MEXICO, S.A. DE C.V.	MEXICO	100	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
IM INITIATIVE MEDIA SA DE CV	MEXICO	100	INTERPUBLIC HOLDING COMPANY S.A. DE C.V. (98.99); INVERSIONISTAS ASOCIADOS, S.A. DE C.V. (1.01)
INTERPUBLIC HOLDING COMPANY S.A. DE C.V.	MEXICO	100	REGISTRANT
INVERSIONISTAS ASOCIADOS, S.A. DE C.V.	MEXICO	100	CORPORACION INTERPUBLIC MEXICANA, S.A. DE C.V.
LOWE S.A. DE C.V.	MEXICO	99.99	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
MARKETING DIVISION S.A. DE CV	MEXICO	98	FCB WORLDWIDE S.A. DE C.V.
MCCANN-ERICKSON DE MEXICO, SA DE CV	MEXICO	100	INTERPUBLIC HOLDING COMPANY S.A. DE C.V.
PUBLICIDAD NORTENA, S. DE R.L. DE C.V.	MEXICO	100	CORPORACION INTERPUBLIC MEXICANA, S.A. DE C.V.
TN MEDIA S.A. DE C.V.	MEXICO	99	FCB WORLDWIDE S.A. DE C.V.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
OCTAGON SAM	MONACO	100	COMMUNICATION SERVICES INTERNATIONAL HOLDINGS, S.A.
GROUP AFRICA MOMENTUM LDA MOZAMBIQUE	MOZAMBIQUE	99	ASDIA LIMITED
ANDERSON & LEMBKE EUROPE B.V.	NETHERLANDS	100	REGISTRANT
BORUS GROEP B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
BOZELL ADVERTISING B.V.	NETHERLANDS	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
BRAND CONNECTION B.V.	NETHERLANDS	100	INITIATIVE GROUP B.V.
BSMG WORLDWIDE, B.V.	NETHERLANDS	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
CONSOUTEUR BV	NETHERLANDS	100	IPG NEDERLAND B.V.
DECISION/DATA DATABASE MEDIA MARKETING BV	NETHERLANDS	100	VDBJ COMMUNICATIEGROEP BV
DRAFT NETHERLANDS BV	NETHERLANDS	100	LOWE & PARTNERS BV
DRAFTWORLDWIDE NEDERLAND B.V.	NETHERLANDS	100	BORUS GROEP B.V.
FHP PRINT CONSULT BV	NETHERLANDS	100	VDBJ COMMUNICATIEGROEP BV
INITIATIVE MEDIA B.V.	NETHERLANDS	100	INITIATIVE GROUP B.V.
INITIATIVE GROUP B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
IPG NEDERLAND B.V.	NETHERLANDS	100	FIELDPLAN LTD. (62.43); REGISTRANT (37.57)
ISOGROUP EUROPE B.V.	NETHERLANDS	100	OSI-US, INC (FKA THE ISO HEALTH CARE GROUP, INC./FKA ISO/HCG)
JACK MORTON WORLDWIDE B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
LOWE & PARTNERS BV	NETHERLANDS	100	LOWE WORLDWIDE HOLDINGS B.V.
LOWE HOLLAND B.V.	NETHERLANDS	100	LOWE WORLDWIDE HOLDINGS B.V.
LOWE WORLDWIDE HOLDINGS B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
MAGNA GLOBAL VOF	NETHERLANDS	100	INITIATIVE MEDIA B.V.
MCCANN RECRUITMENT BV	NETHERLANDS	100	VDBJ COMMUNICATIEGROEP BV
McCANN-ERICKSON (NEDERLAND) B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
MOMENTUM CF BV	NETHERLANDS	100	McCANN-ERICKSON (NEDERLAND) B.V.
OCTABON MAASSTRICHT B.V.	NETHERLANDS	100	ADVANTAGE INT'L HOLDINGS, INC.
OCTAGON CIS BV	NETHERLANDS	100	OCTAGON CIS NV
OCTAGON CSI INTERNATIONAL BV	NETHERLANDS	100	OCTAGON CSI INTERNATIONAL NV
OCTAGON CSI INTERNATIONAL NV	NETHERLANDS	100	OCTAGON CSI SA
OZLO BV	NETHERLANDS	100	LOWE & PARTNERS BV
PLUSPOINT B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
PROGRAMMING MEDIA INTERNATIONAL B.V.	NETHERLANDS	100	REGISTRANT
ROOMIJSFABRIEK "DE HOOP" B.V.	NETHERLANDS	100	LOWE WORLDWIDE HOLDINGS B.V.
TRUE NORTH HOLDINGS (NETHERLANDS) BV	NETHERLANDS	100	TN HOLDINGS (Europe), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
UNIVERSAL MEDIA B.V.	NETHERLANDS	100	IPG NEDERLAND B.V.
VDBJ COMMUNICATIEGROEP BV	NETHERLANDS	100	IPG NEDERLAND B.V.
WALBOUW HAERLEM BV	NETHERLANDS	100	IPG NEDERLAND B.V.
WEBER SHADWICK INTERNATIONAL BV	NETHERLANDS	100	WEBER SHANDWICK NETHERLANDS BV
WEBER SHANDWICK B.V.	NETHERLANDS	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
WEBER SHANDWICK NETHERLANDS BV	NETHERLANDS	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
WESTERN INTERNATIONAL MEDIA HOLDINGS B.V.	NETHERLANDS	100	LOWE GROUP HOLDINGS, INC. (52) AMMIRATI PURIS LINTAS USA, INC. (38); INITIATIVE MEDIA WW, INC. (10)
WILKENS GROUP BV	NETHERLANDS	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
APL DIGITAL LTD	NEW ZEALAND	100	LOWE LIMITED
CHANNEL I LIMITED	NEW ZEALAND	100	LOWE LIMITED
DRAFT NEW ZEALAND LIMITED	NEW ZEALAND	100	LOWE LIMITED
FOOTE, CONE & BELDING LTD.	NEW ZEALAND	100	TN HOLDINGS (Asia Pacific), INC.
HAMMOND & THACKERAY LIMITED	NEW ZEALAND	100	HAMMOND & THACKERAY UNIT TRUST PTY LIMITED
LOWE LIMITED	NEW ZEALAND	100	REGISTRANT
McCANN-ERICKSON LIMITED	NEW ZEALAND	99.9	REGISTRANT
OCTAGON NEW ZEALAND PTY LTD	NEW ZEALAND	100	OCTAGON AUSTRALIA PTY LTD
PRITCHARD WOOD-QUADRANT LIMITED	NEW ZEALAND	100	REGISTRANT
SHANDWICK NEW ZEALAND LIMITED	NEW ZEALAND	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
UNIVERSAL MCCANN LIMITED	NEW ZEALAND	100	McCANN-ERICKSON LIMITED
UNIVERSAL MEDIA LIMITED	NEW ZEALAND	99.9	McCANN-ERICKSON LIMITED
ASDIA NIGERIA LIMITED	NIGERIA	100	ASDIA LIMITED
DRAFT SWEDEN AB	NORWAY	100	LOWE NORWAY A/S HOLDING
INITIATIVE UNIVERSAL MEDIA A/S	NORWAY	100	McCANN-ERICKSON A/S
JBR MCCANN A/S	NORWAY	100	McCANN-ERICKSON A/S
JBR MCCANN PRODUCTION A/S	NORWAY	100	McCANN-ERICKSON A/S
LOWE NORWAY A/S HOLDING	NORWAY	100	LOWE NORDIC AB
MCCANN INFORMASJON AS	NORWAY	100	McCANN-ERICKSON A/S
McCANN-ERICKSON A/S	NORWAY	100	MCCANN ERICKSON MARKETING, INC.
SCANDINAVIAN DESIGN GROUP AS	NORWAY	100	McCANN-ERICKSON A/S
EPOCA MCCANN S.A.	PANAMA	100	REGISTRANT
McCANN-ERICKSON DE PANAMA, S.A.	PANAMA	100	REGISTRANT
MCCANN-ERICKSON WORLDGROUP PANAMA	PANAMA	100	McCANN-ERICKSON DE PANAMA, S.A.
UNIVERSAL IDEAS, S.A.	PANAMA	100	McCANN-ERICKSON DE PANAMA, S.A.
MAYO-FCB PUBLICIDAD S.A.	PERU	60	TN HOLDINGS (Latin America), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
McCANN-ERICKSON CORPORACION PUBLICIDAD, S.A.	PERU	100	REGISTRANT (99.62); MCCANN ERICKSON USA, INC. (0.35); BUSINESS SCIENCE RESEARCH CORP. (0.03)
PARK ADVERTISING & DIRECT MARKETING S.A.	PERU	60	TN HOLDINGS (Latin America), INC.
FASTTRACK INTEGRATED MARKETING COMMUNICATIONS, INC.	PHILIPPINES	100	LOWE INC.
FCB WORLDWIDE, INC.	PHILIPPINES	51	FCB ASIA (HOLDING) LTD. (30); TN ASSET HOLDING, INC. (21)
GROUP ASIA FACE TO FACE, INC.	PHILIPPINES	100	MCCANN-ERICKSON (PHILIPPINES), INC. (70); McCANN GROUP OF COMPANIES, INC. (30)
HARRISON COMMUNICATIONS INC.	PHILIPPINES	99.5	MCCANN-ERICKSON (PHILIPPINES), INC.
LOWE INC.	PHILIPPINES	100	TREYNA HOLDINGS, INC. (70); LOWE WORLDWIDE HOLDINGS B.V. (30)
McCANN GROUP OF COMPANIES, INC.	PHILIPPINES	100	REGISTRANT
MCCANN-ERICKSON (PHILIPPINES), INC.	PHILIPPINES	58	REGISTRANT (30); BUSINESS SCIENCE RESEARCH CORP. (28)
PARADIGM PRODUCTION & DESIGN INC.	PHILIPPINES	100	LOWE INC.
AD FABRIKA FCB SP. ZO. O.	POLAND	100	WILKENS GROUP BV
BRAND CONNECTION SP. ZO.O.	POLAND	100	INITIATIVE MEDIA WARSZAWA SP ZOO
GGK PUBLIC RELATIONS SP ZOO	POLAND	90	LOWE LINTAS GGK HOLDING AG
INITIATIVE MEDIA WARSZAWA SP ZOO	POLAND	100	LOWE GGK SP. Z.O.O.
LOWE BRAND SP. ZOO	POLAND	100	LOWE LINTAS GGK HOLDING AG
LOWE GGK SP. Z.O.O.	POLAND	100	LOWE LINTAS GGK HOLDING AG
MAGNA ENTERTAINMENT SP. Z.O.O.	POLAND	100	MAGNA GLOBAL POLSKA
MAGNA GLOBAL POLSKA	POLAND	99.99	INITIATIVE MEDIA WARSZAWA SP ZOO (33.33) PAN MEDIA WESTERN WARSZAWA SP ZOO (33.33); UNIVERSAL MCCANN SP. Z.O.O.(33.33)
MCCANN RELATIONSHIP MARKETING SPO KA Z O.O.	POLAND	100	MCCANN-ERICKSON WORLDGROUP POLAND SPO.Z.O.O.
MCCANN-ERICKSON POLSKA SP. Z.O.O.	POLAND	100	WALBOUW HAERLEM BV (50); McCANN-ERICKSON (INTERNATIONAL) GmbH (50)
MCCANN-ERICKSON WORLDGROUP POLAND SPO.Z.O.O.	POLAND	100	REGISTRANT (98); MCCANN-ERICKSON POLSKA SP. Z.O.O. (2)
MRM/MOMENTUM SP Z O.O.	POLAND	100	MCCANN-ERICKSON WORLDGROUP POLAND SPO.Z.O.O.
PAN MEDIA WESTERN WARSZAWA SP ZOO	POLAND	100	LOWE LINTAS GGK HOLDING AG
PRISMA COMMUNICATIONS SPOLKA Z OGRANICZONG= O.O.	POLAND	100	MCCANN-ERICKSON WORLDGROUP POLAND SPO.Z.O.O.
UNIVERSAL MCCANN SP. Z.O.O.	POLAND	100	MCCANN-ERICKSON POLSKA SP. Z.O.O.
BRAND CONNECTION-ACTIVIDADES PUBICITARIAS, LDA.	PORTUGAL	99.80	INTERPUBLIC SGPS, UNIPESOAAL LDA.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
EXPERIENTIA MARKETING EXPERENCICAL LDA	PORTUGAL	98	McCANN-ERICKSON PORTUGAL PUBLICIDADE LTDA.
FOOTE CONTE& BELDING PUBLICIDADE, LDA	PORTUGAL	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
INCIATIVAS DE MEIOS-ACTIVIDADES PUBLICITARIAS, LDA.	PORTUGAL	100	INOVIPAER SGPS S.A.
INOVIPAER SGPS S.A.	PORTUGAL	100	INTERPUBLIC SGPS, UNIPESOAAL LDA.
INTERPUBLIC SGPS, UNIPESOAAL LDA.	PORTUGAL	95	REGISTRANT
MCCANN ERICKSON SGPS SA	PORTUGAL	100	INTERPUBLIC SGPS, UNIPESOAAL LDA.
MCCANN RELATIONSHIP MARKETING MRM PORTUGAL MARKEING RELACIONAL LDA	PORTUGAL	98	McCANN-ERICKSON PORTUGAL PUBLICIDADE LTDA.
McCANN-ERICKSON PORTUGAL PUBLICIDADE LTDA.	PORTUGAL	99.84	INTERPUBLIC SGPS, UNIPESOAAL LDA.
UNIVERSAL MCCANN CONNECTIONS-PUBLICIDADE, LDA	PORTUGAL	100	INTERPUBLIC SGPS, UNIPESOAAL LDA. (99.6); McCANN-ERICKSON PORTUGAL PUBLICIDADE LTDA. (0.4)
UNIVERSAL MEDIA PUBLICIDADE, LTDA.	PORTUGAL	99.84	McCANN-ERICKSON PORTUGAL PUBLICIDADE LTDA.
FCB WORLDWIDE (PUERTO RICO), INC.	PUERTO RICO	100	TN HOLDINGS (Latin America), INC.
MARKETING DRIVE, INC.	PUERTO RICO	100	TN HOLDINGS (Latin America), INC.
B.V. McCANN-ERICKSON SRL.	ROMANIA	75	REGISTRANT
MEDIC ONE	ROMANIA	68	LOWE LINTAS GGK S.A.
McCANN-ERICKSON MOSCOW	RUSSIA	100	McCANN-ERICKSON (INTERNATIONAL) GmbH
ALAFQA FOR ADVERTISING & PUBLICITY - JEDDAH	SAUDI ARABIA	100	REGISTRANT
ALMIAWIAH FOR ADVERTISING & PUBLICITY LTD - RIYADH	SAUDI ARABIA	67	REGISTRANT
MISAN FOR ADVERTISING - BRANDCONNECTIONS	SAUDI ARABIA	67	REGISTRANT
MCCANN-ERICKSON SENEGAL	SENEGAL	100	McCANN ERICKSON COTE D'IVOIRE
AMMIRATI PURIS LINTAS (S) PRIVATE LIMITED	SINGAPORE	100	REGISTRANT (99.99); BUSINESS SCIENCE RESEARCH CORP. (0.01)
DRAFTWORLDWIDE PTY LTD	SINGAPORE	100	DRAFT, INC.(fka DRAFT W/W, INC.)
FOOTE, CONE & BELDING SINGAPORE PTE. LTD.	SINGAPORE	100	FCB ASIA (HOLDING) LTD.
FUTUREBRAND SINGAPORE PTE LTD	SINGAPORE	100	McCANN-ERICKSON (SINGAPORE) PRIVATE LIMITED
GOLIN/HARRIS INTERNATIONAL PTE LIMITED	SINGAPORE	100	GOLIN/HARRIS INTERNATIONAL LIMITED
INITIATIVE MEDIA SINGAPORE PTE. LTD.	SINGAPORE	100	REGISTRANT
LOWE & PARTNERS (SINGAPORE) PTE LTD	SINGAPORE	100	LOWE GROUP HOLDINGS, INC.
McCANN-ERICKSON (SINGAPORE) PRIVATE LIMITED	SINGAPORE	100	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
OCTAGON CSI PTE LIMITED	SINGAPORE	100	OCTAGON CSI INTERNATIONAL HOLDINGS SA
SCOTCHBROOK / BSMG WORLDWIDE (SINGAPORE) LTD.	SINGAPORE	100	TN HOLDINGS (Asia Pacific), INC.
WEBER SHANDWICK WORLDWIDE (SINGAPORE) PTE LIMITED	SINGAPORE	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
LOWE GSK, S.R.O.	SLOVAK REPUBLIC	87	LOWE LINTAS GSK HOLDING AG
McCANN-ERICKSON BRATISLAVA	SLOVAK REPUBLIC	100	MCCANN-ERICKSON PRAGUE LTD.
PAN MEDIA BRATISLAVA SPOL. S.R.O.	SLOVAK REPUBLIC	86	LOWE LINTAS GSK HOLDING AG
ADSEARCH (PROPRIETARY) LIMITED	SOUTH AFRICA	100	REGISTRANT
ADVANTAGE SPONSORSHIP PTY LTD	SOUTH AFRICA	67.30	OCTAGON MARKETING PTY LTD
AMMIRATI PURIS LINTAS (PROPRIETARY) LIMITED	SOUTH AFRICA	100	LOWE WORLDWIDE HOLDINGS B.V. (76); REGISTRANT (24)
AZAGUYS ADVERTISING AND MARKETING (PTY)	SOUTH AFRICA	100	FOOTE, CONE & BELDING HOLDINGS (SA)
BLACK ADS MEDIA PTY LTD	SOUTH AFRICA	100	THE MEDIA SHOP (PTY) LIMITED
COURT ROAD PROPERTIES (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA PROPERTIES (PTY) LIMITED
ELECTRIC OCEAN (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB ACTIV (PTY) LTD	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB AFRICA (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB CAPE TOWN (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB DURBAN (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB FUZE (PTY) LTD	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB JONSSONS (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB PLATO HEALTHCARE PROMOTIONS (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB SOUTH AFRICA (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB SOUTH AFRICA 2004 (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FCB SOUTH AFRICA HOLDING (PTY) LIMITED	SOUTH AFRICA	100	FOOTE, CONE & BELDING HOLDINGS (SA) (40.89); REGISTRANT (40.22); HANKS INTERNATIONAL (18.89)
FCB SOUTH AFRICA PROPERTIES (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
FINSET (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
FOOTE, CONE & BELDING HOLDINGS (SA)	SOUTH AFRICA	100	TN HOLDINGS (Asia Pacific), INC.
GALAXY MEDIA (PTY) LIMITED	SOUTH AFRICA	100	THE MEDIA SHOP (PTY) LIMITED
GROUP AFRICA MARKETING (PTY) LTD.	SOUTH AFRICA	100	GROUP AFRICA INVESTMENTS (PTY) LTD
HERDBUOYS MCCANN-ERICKSON HOLDING (PTY) LTD	SOUTH AFRICA	100	McCANN-ERICKSON SOUTH AFRICA (PROPRIETARY) LIMITED
HERDBUOYS MCCANN-ERICKSON SOUTH AFRICA (PTY) LTD	SOUTH AFRICA	100	HERDBUOYS MCCANN-ERICKSON HOLDING (PTY) LTD
HERDBUOYS SALES PROMOTIONS (PTY) LTD	SOUTH AFRICA	100	HERDBUOYS MCCANN-ERICKSON SOUTH AFRICA (PTY) LTD
JOE PUBLIC (PTY) LTD	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
LEXSHELL 262 INVESTMENT HOLDINGS (PTY) LIMITED	SOUTH AFRICA	100	THE ADMARK TRUST
LINDSAY SMITHERS FCB DISTRIBUTORS (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
MCCANN-ERICKSON AFRICA (PTY) LTD	SOUTH AFRICA	100	REGISTRANT
MCCANN-ERICKSON PROMOTIONS (PTY) LTD.	SOUTH AFRICA	100	McCANN-ERICKSON SOUTH AFRICA (PROPRIETARY) LIMITED
McCANN-ERICKSON SOUTH AFRICA (PROPRIETARY) LIMITED	SOUTH AFRICA	100	REGISTRANT
MCCANN-ERICKSON WORLDGROUP AFRICA	SOUTH AFRICA	100	McCANN-ERICKSON SOUTH AFRICA (PROPRIETARY) LIMITED
MEDIA INITIATIVE (PROPRIETARY) LIMITED	SOUTH AFRICA	100	AMMIRATI PURIS LINTAS (PROPRIETARY) LIMITED
NU-INTEGRATED MEDIA SHOP (PTY) LIMITED	SOUTH AFRICA	100	THE MEDIA SHOP (PTY) LIMITED
O2 MEDIA PTY LTD	SOUTH AFRICA	100	THE MEDIA SHOP (PTY) LIMITED
OCTAGON COMMUNICATION SERVICES INTERNATIONAL (PTY) LTD	SOUTH AFRICA	51	OCTAGON MARKETING PTY LTD
OCTAGON IKAGENG (PTY) LTD	SOUTH AFRICA	100	OCTAGON MARKETING PTY LTD
OCTAGON MARKETING PTY LTD	SOUTH AFRICA	100	OCTAGON SPORTS MARKETING LIMITED
PARK ADVERTISING INVESTMENT HOLDINGS (PTY) LTD.	SOUTH AFRICA	100	THE ADMARK TRUST
PARTNERSHIP IN ADVERTISING (NAMIBIA) PTY	SOUTH AFRICA	100	THE ADMARK TRUST
PERCEIVE ADVERTISING PTY LTD	SOUTH AFRICA	100	THE MEDIA SHOP (PTY) LIMITED
SPRIGG ABBOTT EIGHTY (PTY) LIMITED	SOUTH AFRICA	100	FCB SOUTH AFRICA PROPERTIES (PTY) LIMITED
THE ADMARK TRUST	SOUTH AFRICA	100	FCB SOUTH AFRICA HOLDING (PTY) LIMITED
THE MEDIA SHOP (PTY) LIMITED	SOUTH AFRICA	100	PARK ADVERTISING INVESTMENT HOLDINGS (PTY) LTD.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
TORRE LAZUR MCCANN AFRICA (PTY) LTD	SOUTH AFRICA	100	McCANN-ERICKSON SOUTH AFRICA (PROPRIETARY) LIMITED
UNIVERSAL MCCANN (PTY) LTD.	SOUTH AFRICA	100	HERDBUOYS MCCANN-ERICKSON HOLDING (PTY) LTD
ALPHA GRUPO DE COMUNICACION CIENTIFICA, S.L.	SPAIN	60	WEBER SHANDWICK IBERICA, S.A.U.
BEACH SOCCER WORLD WIDE S.L.	SPAIN	84.8	OCTAGON ESEDOS S.L. (51.4); KOCH TAVARES PROMOCOES e EVENTOS S.A. (33.4)
CACHAGUA, S.L.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L.
CLOUSEAU, S.L.	SPAIN	80	DRAFTWORLDWIDE S.A.
DRAFTWORLDWIDE S.A.	SPAIN	100	DRAFT GROUP HOLDINGS LIMITED
FCB/TAPSA BARCELONA, S.A.	SPAIN	100	FOOTE, CONE & BELDING / TAPSA, S.A.
FOOTE, CONE & BELDING TAPSA TFM, S.A.	SPAIN	51	FOOTE, CONE & BELDING / TAPSA, S.A.
FUTUREBRAND S.A.	SPAIN	100	McCANN-ERICKSON S.A. (99.99); BUSINESS SCIENCE RESEARCH CORP. (0.01)
INICIATIVAS DE MEDIOS, S.A.	SPAIN	100	LOWE & PARTNERS S.A. (99.9); BUSINESS SCIENCE RESEARCH CORP. (0.1)
INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L.	SPAIN	100	REGISTRANT
LOWE & PARTNERS S.A.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L. (99.8); BUSINESS SCIENCE RESEARCH CORP. (0.02)
LOWE FMRG S.A.	SPAIN	81	LOWE WORLDWIDE HOLDINGS B.V.
MAGNA GLOBAL S.A.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L. (99.98); LOWE FMRG S.A. (0.01); McCANN-ERICKSON S.A. (0.01)
McCANN RELATIONSHIP MARKETING PARTNERS, S.A.	SPAIN	99.99	McCANN-ERICKSON S.A.
McCANN-ERICKSON S.A.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L. (99.99); MCCANN ERICKSON CORP., INT'L (0.01)
MOMENTUM MADRID S.A.	SPAIN	89	McCANN-ERICKSON S.A.
MRM CONTEN, S.L.	SPAIN	100	McCANN-ERICKSON S.A.
PRO BEACH SOCCER S.L.	SPAIN	99.99	OCTAGON ESEDOS S.L.
REPORTER S.A.	SPAIN	75	MRM CONTEN, S.L.
SPRINGER & JACOBY ESPANA S.A.	SPAIN	100	SPRINGER & JACOBY INTERNATIONAL GMBH
THE DESIGN HOUSE 2000, S.A.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L. (99.99); McCANN-ERICKSON S.A. (0.01)
TRUE NORTH HOLDING ESPANA, S.L.	SPAIN	100	TN HOLDINGS (Europe), INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
UNIVERSAL MCCANN S.A.	SPAIN	100	McCANN-ERICKSON S.A. (99.99); INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L. (0.01)
VALMORISCO COMMUNICATIONS, S.A.	SPAIN	100	INTERPUBLIC GROUP OF COMPANIES DE ESPANA, S.L.
WEBER SHANDWICK IBERICA, S.A.U.	SPAIN	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
INITIATIVE MEDIA (PRIVATE) LIMITED	SRI LANKA	100	LDB LINTAS (PVT) LTD
AKTIEBOLAGET GRUNDSTENEN 89942	SWEDEN	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
ANDERSON & LEMBKE AB	SWEDEN	100	ANDERSON & LEMBKE, INC.
BRAND CONNECTION AB	SWEDEN	100	LOWE NORDIC AB
EXP CRETOR MOMENTUM AB	SWEDEN	80	McCANN-ERICKSON AB
FASTBRIDGE AB	SWEDEN	100	PMI INITIATIVE UNIVERSAL MEDIA AB
FB COMPANY AB	SWEDEN	100	McCANN-ERICKSON AB
INTER P GROUP SWEDEN AB	SWEDEN	100	INTERPUBLIC GROUP DENMARK APS
LOWE BRINDFORS ANNONSBYRA AB	SWEDEN	100	LOWE NORDIC AB
LOWE FOREVER AB	SWEDEN	100	LOWE BRINDFORS ANNONSBYRA AB
LOWE NORDIC AB	SWEDEN	100	LOWE WORLDWIDE HOLDINGS B.V.
LOWE PEOPLE AB	SWEDEN	100	LOWE WORLDWIDE HOLDINGS B.V.
McCANN ANNONSYBRA I MALMO AB	SWEDEN	100	McCANN-ERICKSON AB
MCCANN MRM SWEDEN AB	SWEDEN	100	MCCANN-ERICKSON AB
McCANN-ERICKSON AB	SWEDEN	100	REGISTRANT
MESSAGE PLUS DIGITAL AB	SWEDEN	100	LOWE NORDIC AB
PMI INITIATIVE UNIVERSAL MEDIA AB	SWEDEN	100	LOWE PEOPLE AB (50); McCANN-ERICKSON AB (50)
RONNBERG McCANN AB	SWEDEN	100	McCANN-ERICKSON AB
STORAKERS SVERIGE AB	SWEDEN	100	RONNBERG McCANN AB
TRIGGER AB	SWEDEN	80	McCANN-ERICKSON AB
ACCLARO INTERNATIONAL SARL	SWITZERLAND	100	REGISTRANT
BOSCH & BUTZ AG ZOLLIKON	SWITZERLAND	100	LOWE WORLDWIDE HOLDINGS B.V.
FCB LEUTENEGGER KRULL AG	SWITZERLAND	70	TRUE NORTH HOLDINGS (SWITZERLAND) AG
FUTUREBRAND AG	SWITZERLAND	97.48	COLEMAN GROUP WORLDWIDE LLC
GET NEUE GESTALTUNGSTECHNIK AG	SWITZERLAND	100	BOSCH & BUTZ AG ZOLLIKON
INITIATIVE MEDIA WESTERN AG	SWITZERLAND	100	WESTERN INTERNATIONAL MEDIA HOLDINGS B.V.
LOWE AG ZURICH	SWITZERLAND	92.20	LOWE WORLDWIDE HOLDINGS B.V.
McCANN-ERICKSON S.A.	SWITZERLAND	100	REGISTRANT
MRM WORLDWIDE S.A.	SWITZERLAND	67.50	McCANN-ERICKSON S.A.
OCTAGON SWITZERLAND AG	SWITZERLAND	100	OCTAGON HOLDINGS APS
OCTAGON WORLDWIDE LIMITED	SWITZERLAND	100	OCTAGON WORLDWIDE, INC.

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
TRUE NORTH HOLDINGS (SWITZERLAND) AG	SWITZERLAND	100	TRUE NORTH HOLDINGS (NETHERLANDS) BV
TYPEART AG, WALLISELLEN	SWITZERLAND	100	FCB LEUTENEGGER KRULL AG
UNIMEDIA S.A.	SWITZERLAND	100	REGISTRANT
WEBER SHANDWICK DEUTSCHLAND GMBH - SWITZERLAND BRANCH	SWITZERLAND	100	WEBER SHANDWICK DEUTSCHLAND GMBH
FCB TAIWAN LTD	TAIWAN	100	TN HOLDINGS (Asia Pacific), INC.
INITIATIVE MEDIA (ASIA PACIFIC) LTD. - TAIWAN BRANCH	TAIWAN	100	INITIATIVE MEDIA (ASIA PACIFIC) LTD.
INTERFACE INTERGRATED LTD	TAIWAN	100	FCB TAIWAN LTD
LOWE TAIWAN	TAIWAN	100	REGISTRANT
MCCANN-ERICKSON COMMUNICATIONS GROUP COMPANY LIMITED	TAIWAN	100	REGISTRANT
WEBER SHANDWICK WORLDWIDE (TAIWAN) LTD.	TAIWAN	100	WEBER SHANDWICK WORLDWIDE (ASIA PACIFIC) LIMITED
GROUP AFRICA TANZANIA LIMITED	TANZANIA	99	ASDIA LIMITED
BTL (THAILAND) LIMITED	THAILAND	100	CMGRP (THAILAND) LIMITED
CMGRP (THAILAND) LIMITED	THAILAND	100	SHANDWICK HOLDINGS (THAILAND) LIMITED (51); ORVIETO COMPANY LIMITED (49)
FCB WORLDWIDE (THAILAND) LTD.	THAILAND	100	PRAKH HOLDINGS PUBLIC COMPANY LTD
I.M.C. COMMUNICATIONS CO. LTD	THAILAND	50	PRAKH HOLDINGS PUBLIC COMPANY LTD
IMPACT COMMUNICATION LIMITED	THAILAND	95	TN HOLDINGS (Asia Pacific), INC. (49); PRAKH HOLDINGS PUBLIC COMPANY LTD (46)
LOWE LIMITED	THAILAND	99.99	REGISTRANT
MAGNUS NANKERVIS & CURL/ FCN LIMITED	THAILAND	100	TN HOLDINGS (Asia Pacific), INC.
MCCANN WORLDGOUNP (THAILAND) LTD.	THAILAND	99.99	REGISTRANT
PRAKIT & FCB (CAMBODIA) LTD.	THAILAND	80	PRAKH HOLDINGS PUBLIC COMPANY LTD
PRAKIT & FCB (MYANMAR) LTD	THAILAND	90	PRAKH HOLDINGS PUBLIC COMPANY LTD
SHANDWICK HOLDINGS (THAILAND) LIMITED	THAILAND	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
McCANN-ERICKSON (TRINIDAD) LIMITED	TRINIDAD	100	REGISTRANT
EKOMEDYA MEDYA HIZMETLERI A.S.	TURKEY	16.60	LOWE TANITIM HIZMETLERI A.S.
FCB REKLAM HIZMETLERI A.S.	TURKEY	69.99	TRUE NORTH HOLDINGS (NETHERLANDS) BV
INFORMATION REKALMCILIK LTD. STI.	TURKEY	100	PARS McCANN-ERICKSON REKLAMCILIK A.S.
INITIATIVE MEDIA, ISTANBUL MEDYA HIZMETLERI AS	TURKEY	69.97	REGISTRANT

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
IPG TANITIM VE HALKLA ILISKILER A.S.	TURKEY	100	REGISTRANT
LINK/MCCANN-ERICKSON REKLAMCILIK AS	TURKEY	99.92	PARS McCANN-ERICKSON REKLAMCILIK A.S.
LOTUS MEDYA PLANLAMA VE DAGITIM A.S.	TURKEY	99.99	MCCANN-ERICKSON ISTANBUL REKLAMCILIK A.S.
LOWE TANITIM HIZMETLERI A.S.	TURKEY	86	LOWE WORLDWIDE HOLDINGS B.V.
MCCANN-ERICKSON ISTANBUL REKLAMCILIK A.S.	TURKEY	99.99	PARS McCANN-ERICKSON REKLAMCILIK A.S.
MOMENTUM BEYAZ REKLAM TANITIM HIZMETLERI AS	TURKEY	99.92	PARS McCANN-ERICKSON REKLAMCILIK A.S.
MOMENTUM ILETISIM HIZMETLERI DANISMANLIK E TICARET A.S.	TURKEY	99.92	PARS McCANN-ERICKSON REKLAMCILIK A.S.
MRM REKLAM VE TANITAMA SERVISLERI A.S.	TURKEY	100	REGISTRANT (97); PARS McCANN-ERICKSON REKLAMCILIK A.S. (3)
PARS McCANN-ERICKSON REKLAMCILIK A.S.	TURKEY	100	REGISTRANT (99.8); BUSINESS SCIENCE RESEARCH CORP. (0.2)
UNIVERSAL MCCANN MEDIA PLANLAMA VE DAGITIM A.S.	TURKEY	100	REGISTRANT (99.7); PARS McCANN-ERICKSON REKLAMCILIK A.S. (0.3)
HORIZON FCB (LLC)	U.A.E.	100	HORIZON HOLDINGS LIMITED
ASDIA UGANDA LIMITED	UGANDA	100	ASDIA LIMITED
021 LIMITED	UNITED KINGDOM	100	1995 VENTURES LTD.
10 MEDIA LIMITED	UNITED KINGDOM	50	GENUS MEDIA LIMITED
1995 VENTURES LTD.	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
ACCLARO INTERNATIONAL LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
ADDITION COMMUNICATIONS LIMITED	UNITED KINGDOM	100	APL GROUP LIMITED
ADDITION MARKETING GROUP LIMITED	UNITED KINGDOM	100	APL GROUP LIMITED
ADVANTAGE SOCCER LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
ADVANTAGE SPONSORSHIP CANADA LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
ADVANTAGE SPORTS MEDIA LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
ADVANTAGE TELEVISION LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
AMMIRATI PURIS LINTAS LIMITED	UNITED KINGDOM	100	APL GROUP LIMITED
AMMIRATI PURIS LINTAS RUSSIA LIMITED	UNITED KINGDOM	100	LOWE & PARTNERS WORLDWIDE LIMITED
AMS ADVANCED MARKETING SERVICES INVESTMENTS LIMITED	UNITED KINGDOM	100	AMS ADVANCED MARKETING SERVICES LIMITED
AMS ADVANCED MARKETING SERVICES LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
ANALYTIC I LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
APL DIGITAL LIMITED	UNITED KINGDOM	50	APL GROUP LIMITED
APL GROUP LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
BAHBOUT AND STRATTON LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
BLUE INTERACTIVE LTD.	UNITED KINGDOM	100	1995 VENTURES LTD.
BOZELL UK LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
BRAND CONNECTION LIMITED	UNITED KINGDOM	100	GENUS MEDIA LIMITED
BRIEFSCOPE LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
BRILLIANT PICTURES LIMITED	UNITED KINGDOM	99.98	AMMIRATI PURIS LINTAS LIMITED
BROADWAY COMMUNICATIONS GROUP (HOLDINGS) LIMITED	UNITED KINGDOM	100	NEWTONVALE LIMITED
BROMPTON ADVERTISING LIMITED	UNITED KINGDOM	100	THE BROMPTON GROUP LIMITED
BROMPTON PROMOTIONS LIMITED	UNITED KINGDOM	100	THE BROMPTON GROUP LIMITED
BSMG MEDICAL & HEALTH COMMUNICATIONS LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
BSMG WORLDWIDE (EUROPE) LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
BUREAU OF COMMERCIAL INFORMATION LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
BUSINESS GEOGRAPHICS LIMITED	UNITED KINGDOM	100	INTERNATIONAL POSTER MANAGEMENT LIMITED
CAUDEX MEDICAL (ABINGDON) LTD	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.(46.60); MCCANN MEDICAL COMMUNICATIONS LIMITED (53.400)
CAUDEX MEDICAL LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
CHARLES BARKER ESOP TRUSTEE LIMITED	UNITED KINGDOM	100	CHARLES BARKER LIMITED
CHARLES BARKER HEALTHCARE LIMITED	UNITED KINGDOM	100	CHARLES BARKER LIMITED
CHARLES BARKER LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
CHARLES BARKER PUBLISHING LIMITED	UNITED KINGDOM	100	CHARLES BARKER LIMITED
CM: LINTAS INTERNATIONAL LIMITED	UNITED KINGDOM	99.995	INTERPUBLIC LIMITED
COLOURWATCH GROUP LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
COMPLETE CONGRESS SERVICES LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED (66.667); THE INTERPUBLIC GROUP OF COMPANIES, INC. (33.333)
COMPLETE HEALTHCARE TRAINING LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED(75); THE INTERPUBLIC GROUP OF COMPANIES, INC. (25)
COMPLETE HEALTHVIZION LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED
COMPLETE MARKET RESEARCH LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED (75); THE INTERPUBLIC GROUP OF COMPANIES, INC. (25)



Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
COMPLETE MEDICAL COMMUNICATIONS (UK) LIMITED	UNITED KINGDOM	100	COMPLETE MEDICAL GROUP LIMITED (80); THE INTERPUBLIC GROUP OF COMPANIES, INC.(20)
COMPLETE MEDICAL GROUP LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED(85); THE INTERPUBLIC GROUP OF COMPANIES, INC. (15)
COMPLETE PROFESSIONAL RELATIONS LIMITED	UNITED KINGDOM	100	MCCANN MEDICAL COMMUNICATIONS LIMITED (80); THE INTERPUBLIC GROUP OF COMPANIES, INC. (20)
CYCLOPS PRODUCTIONS LTD.	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
DAVIES DAY LIMITED	UNITED KINGDOM	100	OCTAGON SPONSORSHIP CONSULTING LIMITED (80); THE INTERPUBLIC GROUP OF COMPANIES, INC. (20)
DELANEY FLETCHER DELANEY LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
DRAFT GROUP HOLDINGS LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
DRAFT LONDON LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
EPIC (EVENTS & PROGRAMMING INTERNATIONAL CONSULTANCY) LIMITED	UNITED KINGDOM	99	INTERPUBLIC LIMITED
EXP. MOMENTUM LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
EXPERT MEDIA LIMITED	UNITED KINGDOM	100	GENUS MEDIA LIMITED
F.C.B. MANAGEMENT SERVICES LIMITED	UNITED KINGDOM	100	FOOTE, CONE & BELDING EUROPE LIMITED
FBC (FUTUREBRAND CONSUMER) LIMITED	UNITED KINGDOM	100	FBC (FUTUREBRAND) LIMITED
FBC (FUTUREBRAND DIGITAL) LIMITED	UNITED KINGDOM	100	FBC (FUTUREBRAND) LIMITED
FBC (FUTUREBRAND) LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
FCB ADVERTISING LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
FCB LONDON LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
FCBI LONDON LIMITED	UNITED KINGDOM	100	1995 VENTURES LTD.
FIELDPLAN LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
FLEET FINANCIAL COMMUNICATIONS LIMITED	UNITED KINGDOM	100	SQUARE MILE HOLDINGS LIMITED
FOOTE CONE & BELDING INTERNATIONAL LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
FOOTE, CONE & BELDING EUROPE LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
GENUS MEDIA LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
GJW EUROPE LIMITED	UNITED KINGDOM	100	GJW HOLDINGS LIMITED
GJW GOVERNMENT RELATIONS LIMITED	UNITED KINGDOM	100	GJW HOLDINGS LIMITED
GJW HOLDINGS LIMITED	UNITED KINGDOM	100	BSMG WORLDWIDE (EUROPE) LIMITED



Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
GJW INTERNATIONAL LIMITED	UNITED KINGDOM	100	GJW HOLDINGS LIMITED
GJWS LIMITED	UNITED KINGDOM	100	GJW GOVERNMENT RELATIONS LIMITED
GLOBESPAN MARKETING SERVICES LIMITED	UNITED KINGDOM	100	MARKETING DRIVE GROUP LIMITED
GO FIGURE LIMITED	UNITED KINGDOM	100	INITIATIVE MEDIA LONDON LIMITED
GOLIN/HARRIS INTERNATIONAL LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
GOTHAM LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
GRAND SLAM MILLENNIUM TELEVISION LIMITED	UNITED KINGDOM	85	OCTAGON SPORTS MARKETING LIMITED
GRAND SLAM SPORTS LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
GSD (SCOTLAND) LIMITED	UNITED KINGDOM	100	MOMENTUM FIELD MARKETING LIMITED
GSD MOMENTUM LIMITED	UNITED KINGDOM	100	MOMENTUM FIELD MARKETING LIMITED
H.K. MCCANN LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON ADVERTISING LIMITED
HARRISON ADVERTISING (INTERNATIONAL) LIMITED	UNITED KINGDOM	99.995	INTERPUBLIC LIMITED
HOPKINS AND BAILEY LIMITED	UNITED KINGDOM	100	RADCLYFFE COMMUNICATIONS GROUP LIMITED
INITIATIVE MEDIA LIMITED	UNITED KINGDOM	100	APL GROUP LIMITED
INITIATIVE MEDIA LONDON LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
INTERNATIONAL POSTER MANAGEMENT LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
INTERPUBLIC GIS (UK) LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
INTERPUBLIC GLOBAL ADVERTISING SERVICES LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
INTERPUBLIC LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
INTERPUBLIC PENSION FUND TRUSTEE COMPANY LIMITED	UNITED KINGDOM	50	INTERPUBLIC LIMITED
JOINT VENTURE 36 TRAVEL LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON ADVERTISING LIMITED
JONES BRITTON BRECKON COMPANY LIMITED	UNITED KINGDOM	100	GENUS MEDIA LIMITED
JUNK MAIL LIMITED	UNITED KINGDOM	100	FCBI LONDON LIMITED
JV KNIGHTSBRIDGE TRAVEL LIMITED	UNITED KINGDOM	50	LOWE INTERNATIONAL LIMITED
KEITH LITTLEWOOD ASSOCIATES LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
LEWIS GACE BOZELL HEALTH CARE WORLDWIDE LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
LHSB MANAGEMENT SERVICES LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LINTAS W A LIMITED	UNITED KINGDOM	99.9	INTERPUBLIC LIMITED

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
LOCKSWAY LIMITED	UNITED KINGDOM	100	OPUS HOLDINGS INTERNATIONAL LIMITED
LOWE & HOWARD-SPINK MEDIA LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE & PARTNERS FINANCIAL LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE & PARTNERS LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE & PARTNERS UK LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE & PARTNERS WORLDWIDE LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
LOWE AZURE LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE BROADWAY LIMITED	UNITED KINGDOM	100	BROADWAY COMMUNICATIONS GROUP (HOLDINGS) LIMITED (99.998); NEWTONVALE LIMITED(0.002)
LOWE CONSULTING LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE DIGITAL LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE FUSION HEALTHCARE LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
LOWE INTERNATIONAL LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
LUDGATE COMMUNICATIONS LIMITED	UNITED KINGDOM	100	LUDGATE GROUP LIMITED
LUDGATE DESIGN LIMITED	UNITED KINGDOM	100	LUDGATE GROUP LIMITED
LUDGATE GROUP LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
LUDGATE LAUD LIMITED	UNITED KINGDOM	100	LUDGATE GROUP LIMITED
LUXON CARRA LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
MAGISTER CONSULTING LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
MAGNA GLOBAL (UK) LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MARKETING COMMUNICATIONS TECHNOLOGIES (EMEA) LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MARKETING COMMUNICATIONS TECHNOLOGIES (EUROPE) LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MARKETING DRIVE (MANCHESTER) LIMITED	UNITED KINGDOM	100	MARKETING DRIVE GROUP LIMITED
MARKETING DRIVE GROUP LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
MARKETING DRIVE LIMITED	UNITED KINGDOM	100	SPRINGER & JACOBY UK HOLDINGS LIMITED
MBS MEDIA LIMITED	UNITED KINGDOM	100	INITIATIVE MEDIA LONDON LIMITED
MCCANN COMMUNICATIONS LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON ADVERTISING LIMITED
MCCANN DIRECT LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MCCANN MANAGED CARE SERVICES LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
MCCANN MEDICAL COMMUNICATIONS LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MCCANN PROPERTIES LIMITED	UNITED	100	MCCANN-ERICKSON NETWORK

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
MCCANN WEBER PUBLIC RELATIONS LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON BRISTOL LIMITED (99); INTERPUBLIC LIMITED (1)
MCCANN-ERICKSON (WINDSOR) LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON NETWORK LIMITED (99); INTERPUBLIC LIMITED (1)
MCCANN-ERICKSON ADVERTISING LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON UK GROUP LIMITED
MCCANN-ERICKSON BRISTOL LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON UK GROUP LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
MCCANN-ERICKSON CENTRAL LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON NETWORK LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
MCCANN-ERICKSON EMEA LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MCCANN-ERICKSON HEALTHCARE UK LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MCCANN-ERICKSON MANCHESTER LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON NETWORK LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
MCCANN-ERICKSON NETWORK LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MCCANN-ERICKSON PAYNE GOLLEY LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON NETWORK LIMITED
MCCANN-ERICKSON UK GROUP LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
MDGS LIMITED	UNITED KINGDOM	100	MARKETING DRIVE GROUP LIMITED
MILLER STARR LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
MLS SOCCER LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
MOMENTUM ACTIVATING DEMAND LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
MOMENTUM EXPERIENTIAL MARKETING LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON PAYNE GOLLEY LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
MOMENTUM FIELD MARKETING LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
MOMENTUM ON THE MOVE LTD	UNITED KINGDOM	100	EXP. MOMENTUM LIMITED
MOVIE & MEDIA SPORTS (HOLDINGS) LIMITED	UNITED KINGDOM	50.489	OCTAGON WORLDWIDE LIMITED (49.931); THE INTERPUBLIC GROUP OF COMPANIES, INC. (0.158)
MRM WORLDWIDE (UK) LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC. (81.533); TPD GROUP LIMITED (18.467)
MSW MANAGEMENT LTD	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
MWORKS LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
NATIONWIDE PUBLIC RELATIONS LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
NDI MOMENTUM LIMITED	UNITED KINGDOM	99.999	THE INTERPUBLIC GROUP OF COMPANIES, INC.
NDI RETAIL DEVELOPMENT LIMITED	UNITED KINGDOM	100	NDI MOMENTUM LIMITED
OCTAGON ATHLETE REPRESENTATION LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
OCTAGON CSI LIMITED	UNITED	100	THIRD DIMENSION

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
OCTAGON EVENT MARKETING LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
OCTAGON MARKETING SERVICES LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
OCTAGON MOVIE AND MEDIA LIMITED	UNITED KINGDOM	100	MOVIE & MEDIA SPORTS (HOLDINGS) LIMITED
OCTAGON SC LIMITED	UNITED KINGDOM	100	OCTAGON SPONSORSHIP CONSULTING LIMITED
OCTAGON SPONSORSHIP CONSULTING LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
OCTAGON SPONSORSHIP EUROPE LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
OCTAGON SPONSORSHIP LIMITED	UNITED KINGDOM	100	OCTAGON SPONSORSHIP CONSULTING LIMITED
OCTAGON SPORTS MARKETING LIMITED	UNITED KINGDOM	100	OCTAGON WORLDWIDE LIMITED
OCTAGON WORLDWIDE LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
OPUS GROUP INTERNATIONAL LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
OPUS HOLDINGS INTERNATIONAL LIMITED	UNITED KINGDOM	100	OPUS GROUP INTERNATIONAL LIMITED
ORBIT INTERNATIONAL (1990) LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
POUNDHOLD LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
PR CONSULTANTS SCOTLAND LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
PROPELLER CREATIVE SERVICES LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON MANCHESTER LIMITED (99); INTERPUBLIC LIMITED (1)
RADCLYFFE COMMUNICATIONS GROUP LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
ROGERS & COWAN BRAND PLACEMENT LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK UK LIMITED
ROGERS & COWAN INTERNATIONAL LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
SALESDESK LIMITED	UNITED KINGDOM	100	HARRISON ADVERTISING (INTERNATIONAL) LIMITED (99); INTERPUBLIC LIMITED (1)
SHANDWICK DESIGN LIMITED	UNITED KINGDOM	100	PR CONSULTANTS SCOTLAND LIMITED
SHANDWICK NORTH LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
SHANDWICK PUBLIC AFFAIRS LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
SHANDWICK PUBLIC RELATIONS LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
SHANDWICK SCOTLAND LIMITED	UNITED KINGDOM	100	PR CONSULTANTS SCOTLAND LIMITED
SLAYMAKER COWLEY WHITE/BOZELL (HOLDINGS) LIMITED	UNITED KINGDOM	100	TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED
SM ACTIVITIES LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
SMITHFIELD LEASE LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
SPRINGER & JACOBY DESIGN UK LIMITED	UNITED KINGDOM	100	SPRINGER & JACOBY HOLDING GMBH & CO. KG

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
SPRINGER & JACOBY UK HOLDINGS LIMITED	UNITED KINGDOM	100	MARKETING DRIVE GROUP LIMITED (64); SPRINGER & JACOBY INTERNATIONAL GMBH (36)
SPRINGER & JACOBY UK LIMITED	UNITED KINGDOM	100	SPRINGER & JACOBY UK HOLDINGS LIMITED
SPRINGPOINT LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK MARKETING SERVICES LIMITED
SPRINGPOINT UK LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
SQUARE MILE COMMUNICATIONS LIMITED	UNITED KINGDOM	100	SQUARE MILE HOLDINGS LIMITED
SQUARE MILE HOLDINGS LIMITED	UNITED KINGDOM	100	BSMG WORLDWIDE (EUROPE) LIMITED
STILL PRICE COURT TWIVY D'SOUZA LIMITED	UNITED KINGDOM	99.995	APL GROUP LIMITED
STOWE, BOWDEN, WILSON LIMITED	UNITED KINGDOM	100	MCCANN-ERICKSON NETWORK LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
TAVISTOCK ADVERTISING LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
THE BELOW THE LINE AGENCY LIMITED	UNITED KINGDOM	99.995	INTERPUBLIC LIMITED
THE BROMPTON GROUP LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
THE CHAMPIONSHIP GROUP LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
THE HOWLAND STREET STUDIO LIMITED	UNITED KINGDOM	99	INTERPUBLIC LIMITED
THE HPI RESEARCH GROUP LIMITED	UNITED KINGDOM	100	DRAFT GROUP HOLDINGS LIMITED
THE INTERNET FACTORY LIMITED	UNITED KINGDOM	100	BUSINESS GEOGRAPHICS LIMITED
THE LINE LIMITED	UNITED KINGDOM	100	APL GROUP LIMITED
THE LOWE GROUP LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
THE PR CENTRE LIMITED	UNITED KINGDOM	100	PR CONSULTANTS SCOTLAND LIMITED
THE PROMOTIONS DEPARTMENT PARTNERSHIP LIMITED	UNITED KINGDOM	100	MOMENTUM ACTIVATING DEMAND LIMITED
THE QUAY ADVERTISING AND MARKETING LIMITED	UNITED KINGDOM	100	BAHBOUT AND STRATTON LIMITED
THE REALLY BIG PROMOTIONS COMPANY LIMITED	UNITED KINGDOM	100	EXP. MOMENTUM LIMITED
THE SLOAN GROUP LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
TINKER AND PARTNERS LIMITED	UNITED KINGDOM	99.9	INTERPUBLIC LIMITED
TPD GROUP LIMITED	UNITED KINGDOM	100	THE INTERPUBLIC GROUP OF COMPANIES, INC.
TPD IP LIMITED	UNITED KINGDOM	100	TPD GROUP LIMITED
TWO SIX SEVEN LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
UNIVERSAL ADVERTISING LIMITED	UNITED KINGDOM	99.995	INTERPUBLIC LIMITED
UNIVERSAL COMMUNICATIONS WORLDWIDE LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
UNIVERSAL MCCANN LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED (99.999); THE INTERPUBLIC GROUP OF COMPANIES, INC. (0.001)

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
WAM/MCCANN-ERICKSON LIMITED	UNITED KINGDOM	99.995	MCCANN-ERICKSON UK GROUP LIMITED (99.995); INTERPUBLIC LIMITED (0.005)
WASHINGTON SOCCER LIMITED	UNITED KINGDOM	100	OCTAGON SPORTS MARKETING LIMITED
WEBER EUROPE LIMITED	UNITED KINGDOM	100	GOLIN/HARRIS INTERNATIONAL LIMITED
WEBER SHANDWICK BROADCAST LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
WEBER SHANDWICK CONSULTANTS LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
WEBER SHANDWICK CONSUMER LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
WEBER SHANDWICK INTERNATIONAL LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
WEBER SHANDWICK INVESTOR RELATIONS LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK UK LIMITED
WEBER SHANDWICK LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED (54.084); TRUE NORTH HOLDINGS (UNITED KINGDOM) LIMITED (45.916)
WEBER SHANDWICK MARKETING SERVICES LIMITED	UNITED KINGDOM	100	AMS ADVANCED MARKETING SERVICES LIMITED
WEBER SHANDWICK PR COMPANY LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
WEBER SHANDWICK TECHNOLOGY LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
WEBER SHANDWICK TRUSTEES LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK LIMITED
WEBER SHANDWICK UK LIMITED	UNITED KINGDOM	100	WEBER SHANDWICK INTERNATIONAL LIMITED
WESTERN INTERNATIONAL MEDIA EUROPE LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED
WESTERN INTERNATIONAL MEDIA LIMITED	UNITED KINGDOM	100	LOWE INTERNATIONAL LIMITED (52); WIMC (UK) LIMITED (48)
WIDESTRONG LIMITED	UNITED KINGDOM	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LIMITED (99.963); AMS ADVANCED MARKETING SERVICES LIMITED (0.037)
WIMC (UK) LIMITED	UNITED KINGDOM	100	INTERPUBLIC LIMITED
ZENTROPY PARTNERS UNITED KINGDOM LTD	UNITED KINGDOM	100	MRM WORLDWIDE (UK) LIMITED
ADERAL S.A.	URUGUAY	90	GRUPO NUEVA COMUNICACION S.A.
INTELAN S.A.	URUGUAY	100	LINGFIELD S.A.
LINGFIELD S.A.	URUGUAY	100	INTERPUBLIC PUBLICIDADE E PESQUISAS SOCIEDADE LTDA
LOWE & PARTNERS SOUTH AMERICA HOLDINGS, S.A.	URUGUAY	100	LOWE GROUP HOLDINGS, INC.
MCCANN-ERICKSON LATIN AMERICA, S.A.	URUGUAY	100	UNIVERSAL PUBLICIDAD S.A. (80); LINGFIELD S.A. (20)

Exhibit 21

Name	Jurisdiction Under Which Organized	Percentage Of Voting Securities Owned By Immediate Parent (%)	Immediate Parent
Foreign:			
THE STEFEN CORP. SOCIEDAD ANONIMA	URUGUAY	100	LOWE LTDA
UNIVERSAL PUBLICIDAD S.A.	URUGUAY	100	McCANN-ERICKSON PUBLICIDADE LIMITADA
McCANN UZBEKISTAN	UZBEKISTAN	100	REGISTRANT
AJL PARK PUBLICIDAD, CA	VENEZUELA	60	TN HOLDINGS (Latin America), INC.
FCB PUBLICIDAD, C.A.	VENEZUELA	99.50	FOOTE, CONE & BELDING PUBLICIDAD, CA
FOOTE, CONE & BELDING PUBLICIDAD, CA	VENEZUELA	100	TN HOLDINGS (Latin America), INC.
FUTUREBRAND S.A.	VENEZUELA	99.99	THE FUTUREBRAND CO, INC. (FKA DIEFENBACH ELKIN REGISTRANT
McCANN-ERICKSON PUBLICIDAD DE VENEZUELA S.A.	VENEZUELA	100	TN HOLDINGS (Latin America), INC.
TN MEDIOS PUBLICIDAD, CA	VENEZUELA	100	REGISTRANT
LOWE VIETNAM	VIETNAM	100	TN HOLDINGS (Latin America), INC.
MCCANN-ERICKSON (VIETNAM) LTD	VIETNAM	80	REGISTRANT
ASIATIC CORPORATION	VIRGIN ISLANDS	100	McCANN-ERICKSON (SINGAPORE) PRIVATE LIMITED
HANKS INTERNATIONAL	VIRGIN ISLANDS	100	AMS ADVANCED MARKETING SERVICES INVESTMENTS LTD
KARTING MARKETING & MANAGEMENT CORPORATION	VIRGIN ISLANDS	51	TRUE NORTH COMMUNICATIONS, INC.
OCTAGON ASIA, INC.	VIRGIN ISLANDS	100	CAB (NO. 1) LTD
OCTAGON CSI INTERNATIONAL HOLDINGS SA	VIRGIN ISLANDS	100	OCTAGON GREATER CHINA LIMITED
OCTAGON CSI SA	VIRGIN ISLANDS	100	OCTAGON CSI SA
GROUP AFRICA ZAMBIA PTY LIMITED	ZAMBIA	100	COMMUNICATION SERVICES INTERNATIONAL HOLDINGS, S.A.
AFAMAL ADVERTISING (RHODESIA) PRIVATE LIMITED	ZIMBABWE	100	ASDIA LIMITED
GROUP AFRICA MARKETING (PTY) LTD.	ZIMBABWE	100	REGISTRANT
LINTAS (PRIVATE) LIMITED	ZIMBABWE	80	ASDIA LIMITED
MEDIA INITIATIVE (ZIMBABWE) PTY LTD	ZIMBABWE	80	FIELDPLAN LTD.
			LINTAS (PRIVATE) LIMITED

A number of inactive subsidiaries and other subsidiaries, all of which considered in the aggregate as a single subsidiary would not constitute a significant subsidiary, are omitted from the above list. These subsidiaries normally do business under their official corporate names. International Business Services, Inc. does business in Michigan under the name "McCann-I.B.S., Inc." and in New York under the name "McCann International Business Services". Lowe & Partners Worldwide, Inc. conducts business through its Ammirati Puris Lintas New York division. McCann-Erickson conducts some of its business in the states of Kentucky and Michigan under the name "McGraphics". McCann-Erickson USA, Inc. does business in Michigan under the name SAS and does business in Indiana, Michigan, New York, Pennsylvania and Wisconsin under the name of McCann-Erickson Universal Group.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints MICHAEL I. ROTH, FRANK MERGENTHALER, NICHOLAS S. CYPRUS and NICHOLAS J. CAMERA, and each of them, as true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her, and in his or her name, place and stead, in any and all capacities, to sign the Report on Form 10-K for the year ended December 31, 2005, for The Interpublic Group of Companies, Inc., S.E.C. File No. 1-6686, and any and all amendments and supplements thereto and all other instruments necessary or desirable in connection therewith, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission and the New York Stock Exchange, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requested and necessary to be done in and about the premises as fully to all intents and purposes as he or she might do or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 22, 2006

/s/ Michael I. Roth
Michael I. Roth

/s/ Frank J. Borelli
Frank J. Borelli

/s/ Reginald K. Brack
Reginald K. Brack

/s/ Jill M. Considine
Jill M. Considine

/s/ Richard A. Goldstein
Richard A. Goldstein

/s/ H. John Greeniaus
H. John Greeniaus

/s/ J. Philip Samper
J. Philip Samper

/s/ David M. Thomas
David M. Thomas

/s/ Nicholas S. Cyprus
Nicholas S. Cyprus



THE INTERPUBLIC GROUP OF COMPANIES, INC.

Certified Resolutions

I, Nicholas J. Camera, Secretary of The Interpublic Group of Companies, Inc. (the "Corporation"), hereby certify that the resolutions attached hereto were duly adopted on March 22, 2006 by the Board of Directors of the Corporation and that such resolutions have not been amended or revoked.

WITNESS my hand and the seal of the Corporation this 22nd day of March, 2006.

/s/ Nicholas J. Camera

Nicholas J. Camera

THE INTERPUBLIC GROUP OF COMPANIES, INC.

MEETING OF THE BOARD OF DIRECTORS

Resolutions re Form 10-K

RESOLVED, that the Chairman of the Board and the Executive Vice President and Chief Financial Officer of the Corporation be, and each of them hereby is, authorized to execute and deliver on behalf of the Corporation an annual report on Form 10-K for the year ended December 31, 2005, in the form presented to this meeting with such changes therein as either of them with the advice of the General Counsel shall approve; and further

RESOLVED, that the Chairman of the Board in his capacity as Chief Executive Officer, the Executive Vice President and Chief Financial Officer in his capacity as Chief Financial Officer, and the Senior Vice President, Controller and Chief Accounting Officer in his capacity as Chief Accounting Officer of the Corporation be, and each of them hereby is, authorized to execute such annual report on Form 10-K; and further

RESOLVED, that the officers of the Corporation be and each of them hereby is, authorized and directed to file such annual report on Form 10-K, with all the exhibits thereto and any other documents that may be necessary or desirable in connection therewith, after its execution by the foregoing officers and by a majority of this Board of Directors, with the Securities and Exchange Commission and the New York Stock Exchange; and further

RESOLVED, that the officers and directors of the Corporation who may be required to execute such annual report on Form 10-K be, and each of them hereby is, authorized to execute a power of attorney in the form submitted to this meeting appointing Michael I. Roth, Frank Mergenthaler, Nicholas S. Cyprus and Nicholas J. Camera, and each of them, severally, his or her true and lawful attorneys and agents to act in his or her name, place and stead, to execute said annual report on Form 10-K and any and all amendments and supplements thereto and all other instruments necessary or desirable in connection therewith; and further

RESOLVED, that the signature of any officer of the Corporation required by law to affix his signature to such annual report on Form 10-K or to any amendment or supplement thereto and such additional documents as they may deem necessary or advisable in connection therewith, may be affixed by said officer personally or by any attorney-in-fact duly constituted in writing by said officer to sign his name thereto; and further

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to execute such amendments or supplements to such annual report on Form 10-K and such additional documents as they may deem necessary or advisable in connection with any such amendment or supplement and to file the foregoing with the Securities and Exchange Commission and the New York Stock Exchange; and further

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to take such actions and to execute such other documents, agreements or instruments as may be necessary or desirable in connection with the foregoing.

CERTIFICATION

I, Michael I. Roth, certify that:

1. I have reviewed this annual report on Form 10-K of The Interpublic Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael I. Roth

Michael I. Roth

Chairman and Chief Executive Officer

Date: March 22, 2006

CERTIFICATION

I, Frank Mergenthaler, certify that:

1. I have reviewed this annual report on Form 10-K of The Interpublic Group of Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Frank Mergenthaler

Frank Mergenthaler
Executive Vice President and
Chief Financial Officer

Date: March 22, 2006

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The Interpublic Group of Companies, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 10-K for the year ended December 31, 2005 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the annual report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael I. Roth

Michael I. Roth
Chairman and Chief Executive Officer

Dated: March 22, 2006

/s/ Frank Mergenthaler

Frank Mergenthaler
Executive Vice President and
Chief Financial Officer

Dated: March 22, 2006