UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **August 9, 2004**

The Interpublic Group of Companies, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware	**1-6686**	**13-1024020**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS 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)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

The Interpublic Group of Companies (the “Company” or “Interpublic”) is filing this report to reclassify certain financial information for changes in accounting for reportable segments that occurred in the second quarter of 2004 (the “Reclassification”). This report reclassifies certain financial information for each of the three years in the period ended December 31, 2003. Such information is contained in Exhibit 99.1 to this report, which is incorporated by reference herein.

Exhibit 99.1 to this report reflects the Reclassification by amending and replacing the following sections of the Company’s Annual Report on Form 10-K for the year ended December 31, 2003 originally filed with the Securities and Exchange Commission (the “SEC”) on March 15, 2004, as amended and replaced by the Company’s Current Report on Form 8-K filed with the SEC on May 26, 2004 (the “2003 Form 10-K”):

- the text under the headings “Business-Advertising and Specialized Marketing and Communications Services Businesses” and “Business - Independent Agencies,” set forth in Part I, Item 1,
- the text under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” set forth in Part I, Item 7, and
- Part I, Item 8 (Financial Statements and Supplementary Data).

The Reclassification was previously disclosed in the Company’s Quarterly Reports on Form 10-Q for the periods ended June 30 and September 30, 2004. Except as otherwise described herein, the Company has not amended any other information included in its Annual Report on Form 10-K for the year ended December 31, 2003 and such Form 10-K continues to speak as of the date it was filed.

The Company is organized into four global operating groups together with several stand-alone agencies. The four global operating groups are: a) McCann-Erickson WorldGroup (“McCann”); b) the FCB Group (“FCB”); c) The Partnership; and d) the Constituent Management Group (“CMG”). Additionally, the Company owns an entity, Motorsports, that owns and/or operates venue based motorsports businesses. (The Company is in the process of exiting all of its activities related to Motorsports.) As of December 31, 2003 and March 31, 2004, the Interpublic Sports and Entertainment Group (“SEG”) was an additional global operating group. At December 31, 2003, SEG was composed of Octagon Worldwide (“OWW”), Jack Morton Worldwide (“Jack Morton”) and certain other businesses. In the first quarter of 2004, Jack Morton was transferred from SEG to CMG. Additionally, in the first quarter of 2004, the Company began to report Motorsports as a separate reportable segment. At the end the first quarter, the Company began to report three reportable segments: SEG, Motorsports and IPG (excluding SEG and Motorsports). The format as of March 31, 2004 was disclosed in the Company's Current Report on Form 8-K filed on May 26, 2004.

In the second quarter of 2004, SEG was disbanded and its component parts were either reallocated to one of the four global operating groups or became stand-alone agencies. The Company reviewed the characteristics of each of the agencies that had previously composed the SEG segment under the provisions of Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"). This review determined that OWW had different economic characteristics than the rest of the Company and thus constituted a separate reportable segment. As such, the Company began to report OWW as a separate segment and currently maintains it along with Motorsports and IPG (excluding OWW and Motorsports) as the three reportable segments of the Company. As required by SFAS 131, consolidated financial statements published by the Company in the future will reflect modifications to its reportable segments resulting from the above changes, including reclassifications of all comparable prior period segment information. The three reportable segments reflected in the attached exhibit, therefore, are: OWW, Motorsports and IPG (excluding OWW and Motorsports).

For disclosures relating to periods subsequent to December 31, 2003, please see the Company's reports filed with the Securities and Exchange Commission with respect to such subsequent periods, including the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 (for matters other than those related to the reportable segment changes above), June 30, 2004 and September 30, 2004.

STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

This current report on Form 8-K, including the Items in the attached Exhibit 99.1, including "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains forward-looking statements. Statements in this Current Report that are not historical facts, including statements about the Company's beliefs and expectations, particularly regarding recent business and economic trends, our internal control over financial reporting, impairment changes, the SEC investigation, credit ratings, regulatory and legal developments, acquisitions and dispositions, 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 described in "Risk Factors" in the Company's Annual Report for the year ended December 31, 2003. Forward-looking statements speak only as of the date they are made, and the Company undertakes 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 risk factors include, but are not limited to, the following:

- the Company's ability to attract new clients and retain existing clients;
- the Company's ability to retain and attract key employees;
- risks associated with the effects of global, national and regional economic and political conditions;
- risks arising from material weaknesses in our internal control over financial reporting;
- 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 SEC investigation;
- potential downgrades in the credit ratings of the Company's securities
- developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world; and
- the successful completion and integration of acquisitions which complement and expand the Company's business capabilities.

Investors should carefully consider these factors and the additional risk factors outlined in more detail under the heading "Business-Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2003.

AVAILABLE INFORMATION

Information regarding the Company's annual reports 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 the Company's website at www.interpublic.com, as soon as reasonably practicable after the Company electronically files such reports with or furnishes them to the Securities and Exchange Commission. Any document that the Company files with the SEC may also be read and copied at the SEC's public reference room located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The Company's 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. For further information on obtaining copies of the Company's public filings at the New York Stock Exchange, please call (212) 656-5060.

Item 9.01. Financial Statements and Exhibits.

Exhibit 23.1: Consent of Independent Registered Public Accounting Firm

Exhibit 99.1: (i) The text under the headings "Business - Advertising and Specialized Marketing and Communications Services Businesses" and "Business - Independent Agencies" set forth in Part I, Item 1 of the 2003 Form 10-K, (ii) the text under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" set forth in Part I, Item 7 of the 2003 Form 10-K, and (iii) Part I, Item 8 (Financial Statements and Supplementary Data) of the 2003 Form 10-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

Date: November 12, 2004

By /S/ NICHOLAS J. CAMERA
Nicholas J. Camera
Senior Vice President, General
Counsel and Secretary

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the following Registration Statements on Form S-8 No. 2-79071; No. 2-43811; No. 2-56269; No. 2-61346; No. 2-64338; No. 2-67560; No. 2-72093; No. 2-88165; No. 2-90878; No. 2-97440; and No. 33-28143, relating to the Stock Option Plan (1971), the Stock Option Plan (1981), the Stock Option Plan (1988) and the Achievement Stock Award Plan of the Interpublic Group of Companies, Inc. (the "Company"); Registration Statements on Form S-8 No. 2-53544; No. 2-91564; No. 2-98324; No. 33-22008; No. 33-64062; and No. 33-61371, relating to the Employee Stock Purchase Plan (1975), the Employee Stock Purchase Plan (1985) and the Employee Stock Purchase Plan of the Company (1995); Registration Statements on Form S-8 No. 33-20291 and No. 33-2830 relating to the Management Incentive Compensation Plan of the Company; Registration Statements on Form S-8 No. 33-5352; No. 33-21605; No. 333-4747; and No. 333-23603 relating to the 1986 Stock Incentive Plan, the 1986 United Kingdom Stock Option Plan and the 1996 Stock Incentive Plan of the Company; Registration Statements on Form S-8 No. 33-10087 and No. 33-25555 relating to the Long-Term Performance Incentive Plan of the Company; Registration Statement on Form S-8 No. 333-28029 relating to The Interpublic Outside Directors' Stock Incentive Plan of the Company; Registration Statement on Form S-8 No. 33-42675 relating to the 1997 Performance Incentive Plan of the Company; Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 No. 333-59254 relating to the True North Communications Inc. Stock Option Plan and the Bozell, Jacobs, Kenyon & Eckhardt, Inc. Stock Option Plan; Registration Statement on Form S-3 No. 333-44512, relating to the public offering of 7 7/8% notes of the Company; Registration Statement on Form S-3 No. 333-53592 relating to the public offering of shares of the Company; Registration Statement on Form S-3 No. 333-84573 relating to the public offering of 1.87% Convertible Subordinated Notes of the Company; Registration Statement on Form S-4 No. 333-74476 relating to the public offering of 7 ¼% Notes of the Company; Registration Statement on Form S-3 No. 333-41856 relating to the public offering of shares of the Company; Registration Statement on Form S-3 No. 333-82368 relating to the public offering of zero-coupon convertible senior notes of the Company; Registration Statement on Form S-8 No. 333-89896 relating to the 2002 Performance Incentive Plan of the Company; Registration Statement on Form S-3 No. 333-106255 relating to the public offering of 4.5% Convertible Senior Notes of the Company; and Registration Statement on Form S-3 No. 333-109384 relating to the public offering of common shares of the Company and shares of 5 3/8% Series A Mandatory Convertible Preferred Stock of the Company, of our report dated March 12, 2004, except Note 15, which is as of October 8, 2004, relating to the financial statements, which appears in this Form 8-K. We also consent to the incorporation by reference of our report dated March 12, 2004 relating to the Financial Statement Schedule II, Valuation and Qualifying Accounts, which appears in this Form 8-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York

November12, 2004

PART I

Item 1. Business

Description of the 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. It has operated under the Interpublic name since January 1961. As used in this Annual Report, the "Registrant" or "Interpublic" refers to The Interpublic Group of Companies, Inc. while the "Company" refers to Interpublic and its subsidiaries.

The Company is a group of advertising and specialized marketing and communication services companies that together represent one of the largest resources of advertising and marketing expertise in the world. With offices and other affiliations in more than 100 countries, the Company had revenues of approximately $5.863 billion and a net loss of approximately $451.7 million in 2003.

Advertising and Specialized Marketing and Communications Services Businesses

The Company is one of the world's largest groups of global marketing services companies, providing its clients with communications and marketing expertise in three broad areas:

- Advertising, which includes advertising and media management;
- Marketing Communications, which includes direct marketing, database and customer relationship management, public relations, sales promotion, event marketing, on-line marketing, corporate and brand identity, brand consultancy and healthcare marketing; and
- Marketing Services, which includes sports and entertainment marketing, corporate meetings and events, retail marketing and other marketing and business services.

The Company seeks to be the best in quality and a leading competitor in all of these areas.

The Company is currently organized into four global operating groups. Three of these groups, McCann Erickson WorldGroup ("McCann"), The FCB Group and The Partnership, provide a comprehensive array of global communications and marketing services. Each offers a distinctive range of solutions for the Company's clients. The fourth global operating group, CMG (The Constituent Management Group), provides clients with diversified services, including public relations, meeting and event production, corporate and brand identity and strategic marketing consulting. In addition to these groups, the Company also includes a group of leading stand-alone companies that provide their clients with a full range of advertising and/or marketing communications services. See "Notes to the Consolidated Financial Statements - Note 15: Segment Information" for further discussion.

The Company believes this organizational structure allows it to provide comprehensive solutions for clients, enables stronger organic growth among all its operating companies and allows it to bring improved operating efficiencies to its organization.

As of September 30, 2004, the Company was organized into the operating groups discussed below.

McCann Erickson WorldGroup was founded on the global strength and quality of McCann, one of the world's leading advertising agencies. It includes companies spanning advertising, media, customer relationship management, events, sales promotion, public relations, on-line marketing communications and healthcare communications. Launched in late 1997, McCann has expanded rapidly to become one of the world's leading networked marketing communications groups. Globally, 40 of McCann's top 50 clients now use 3 or more McCann companies. McCann Erickson WorldGroup includes the following companies:

- McCann Erickson Worldwide (advertising),

- Universal McCann Worldwide (media planning and buying),
- MRM Partners Worldwide (direct/customer relationship management; on-line marketing communications through Zentropy),
- Momentum Worldwide (event marketing/sponsorship/sales promotion), and
- Torre Lazur McCann Healthcare WorldWide (healthcare advertising and marketing).

The FCB Group is a single global integrated network centered on Foote, Cone & Belding Worldwide and its advertising, direct marketing and sales promotion capabilities. This group also includes the following specialized services:

- FCBi (direct and digital marketing),
- Marketing Drive Worldwide (integrated promotional marketing),
- R/GA (web design and development),
- FCB HealthCare (healthcare marketing), and

- The Hacker Group (customer acquisition direct marketing).

The Partnership provides collaboration across a global group of independently managed networks with creative and executional capabilities across all disciplines. The partners seek to preserve their uniqueness while creating the ability to interconnect seamlessly to better service clients. Partner companies include:

- Lowe & Partners Worldwide (advertising),
- Lowe Healthcare Worldwide (healthcare marketing),
- Draft (direct and promotional marketing),
- Zipatoni (promotional marketing),
- Mullen (advertising), and
- Dailey & Associates (advertising).

CMG (The Constituent Management Group) was formalized during the first quarter of 2004. CMG provides clients with diversified constituent marketing services, including public relations, meeting and event production, corporate and brand identity and strategic marketing consulting. Prior to its formalization its constituent parts (except for Jack Morton) had been stand-alone entities. It includes:

- Weber Shandwick Worldwide, Golin/Harris International and DeVries Public Relations (public relations);
- FutureBrand; and
- Jack Morton Worldwide

Independent Agencies

Interpublic also includes a group of leading stand-alone companies that provide their clients with a full range of advertising, marketing communications services and/or partner with the Company’s global operating groups as needed. These include:

- Campbell Ewald,
- Deutsch,
- Hill Holliday,
- The Martin Agency,
- Carmichael-Lynch,

- Gotham,
- MAGNA Global (advertising media negotiations and television program development),
- Initiative Media (media planning and buying),
- Octagon (sports marketing),
- Motorsports, and
- Entertainment PR (Bragman Nyman Cafarelli and PMK/HBH).

In January 2004, Interpublic sold the four motorsports circuits owned by its Brands Hatch Circuits unit to MotorSport Vision Limited for approximately $26 million. As a result of the sale, Interpublic’s remaining interest in Motorsports consists of its obligations related to the Formula One British Grand Prix and the lease of the Silverstone track.

Prior to the second quarter of 2004, the Company had maintained another operating group, the Interpublic Sports & Entertainment Group (SEG) focused on sports marketing and event planning activities.

In addition to its domestic operations, the Company provides services for clients whose businesses are international in scope, as well as for clients whose businesses are restricted to a single country or a small number of countries. The Company has offices in Canada, as well as in one or more cities in each of the following countries and territories:

<u>EUROPE, AFRICA AND THE MIDDLE EAST</u>

Austria
Azerbaijan
Bahrain
Belgium
Bulgaria
Croatia
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Greece
Hungary
Israel
Ireland
Italy
Ivory Coast
Jordan
Kazakhstan
Kenya
Kuwait
Latvia
Lebanon
Malawi
Mauritius
Morocco
Namibia
Netherlands
Nigeria
Norway
Oman
Pakistan
Poland
Portugal
Qatar
Romania
Russia
Saudi Arabia
Senegal
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan
Zambia
Zimbabwe

LATIN AMERICA AND THE CARIBBEAN

Argentina
Barbados
Bermuda
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Mexico

Panama
Peru
Puerto Rico
Trinidad
Uruguay
Venezuela

ASIA AND THE PACIFIC

Australia
Cambodia
Hong Kong
India
Indonesia
Japan
Malaysia
Nepal
New Zealand
People's Republic of China
Paraguay
Philippines
Singapore
Sri Lanka
South Korea
Taiwan
Thailand
Vietnam

Operations in the foregoing countries are carried out by one or more operating companies, at least one of which is either wholly owned by Interpublic or a direct or indirect subsidiary or is a company in which Interpublic or a direct or indirect subsidiary owns a 50% interest or more, except in Bahrain, Cambodia, Egypt, Kuwait, Jordan, Lebanon, Oman, Nepal, Qatar, Saudi Arabia, Trinidad and United Arab Emirates where Interpublic or a direct or indirect subsidiary holds a minority interest.

The Company also offers services in Albania, Aruba, the Bahamas, Belize, Bolivia, Gabon, Ghana, Grand Cayman, Guadeloupe, Guam, Guyana, Haiti, Ivory Coast, Malawi, Martinique, Namibia, Nicaragua, Nigeria, Pakistan, Paraguay, Sri Lanka, Surinam, Uganda, Zaire and Zambia through association arrangements with local agencies operating in those countries or territories.

For information concerning revenues and long-lived assets on a geographical basis for each of the last three years, see "Notes to the Consolidated Financial Statements - Note 15: Segment Information" included in this Current Report under Item 8.

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

PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

When comparing performance between years, the Company discusses non-GAAP financial measures such as organic revenue growth. The nature of such amounts is described more fully in "Results of Operations" below.

OVERVIEW OF SIGNIFICANT EVENTS

During 2003, the Company continued to experience difficult economic conditions as evidenced by the fact that, on an organic basis, revenue declined by 3.6%. In response to the declines in revenues, the Company implemented a major restructuring program designed to bring expenses more in line with revenue. This plan, which commenced in the second quarter of 2003, is expected to result in additional charges in 2004. In addition to the restructuring plan, the Company has continued to focus on improving its balance sheet and, during 2003, raised significant amounts of cash from equity issuance's, refinancing of debt, and sales of certain non-strategic assets.

Significant events during 2003 included:

- **Economic Conditions**

  On an organic basis, revenue declined by 3.6% from 2002 to 2003, reflecting the continued softness in demand for the Company's advertising and marketing communications services. This reduced demand affected all of the Company's service offerings and, in particular, public relations and the Company's project-based businesses. The Company has, however, experienced improved revenue performance during the latter part of 2003 coinciding with signs of economic recovery. Specifically, the organic revenue decline for the Company was 3.1% in the third quarter of 2003 and was 1.1% in the fourth quarter of 2003.

- **Restructuring**

In 2003, the Company began to implement a major restructuring program in response to declines in revenue. In 2003, restructuring charges of $175.6 were recorded related to severance for approximately 2,900 terminated employees and for costs associated with vacating 55 offices worldwide. In addition, a charge of $16.5 was recorded in office and general expenses related to the amortization of leasehold improvements on properties included in the 2003 restructuring program. Approximately $85 in additional charges is expected to be incurred in the first half of 2004.

The Company anticipates that this program will continue through the first half of 2004 and, including amounts classified in office and general expenses, will approximate $275. The amount of salary and occupancy costs eliminated as a result of the restructuring charges recorded in 2003 is estimated to be approximately $175, a portion of which has begun to be realized during 2003.

- **Divestitures**

  The Company sold certain non-strategic assets, including the following:

  - In July 2003, the Company completed the sale of its NFO WorldGroup ("NFO") research unit for $415.6 and approximately 11.7 million shares of Taylor Nelson Sofres PLC ("TNS"). Net of expenses and cash sold the proceeds were approximately $377. A pre-tax gain of approximately $99 was recorded.
  - In December 2003, the Company sold the TNS shares for approximately $42. A gain of approximately $13 was recorded.
  - In December 2003, the Company sold approximately 11 million of the shares it owned in Modem Media, Inc. for net proceeds of approximately $57. A pre-tax gain of approximately $30 was recorded.
  - In January 2004, the Company sold the four motorsports circuits owned by its Motorsports division for approximately $26 in cash. The Company recorded a long-lived asset impairment charge of $38.0 in 2003 to appropriately reflect the assets held for sale at fair market value at December 31, 2003.

- **Financing Activities**

  During 2003, the Company accomplished the following:

  - In March 2003, the Company completed the issuance and sale of $800 aggregate principal amount of 4.5% Convertible Senior Notes due 2023. In April 2003, the Company used approximately $581 of the net proceeds of this offering to repurchase the Zero-Coupon Convertible Senior Notes due 2021 (the "Zero Coupon Notes") tendered in its concurrent tender offer and is using the remaining proceeds for the repayment of other indebtedness, general corporate purposes and working capital.
  - In the third quarter of 2003, the Company repaid $142.5 of principal amount of outstanding borrowings under its various note purchase agreements with the Prudential Insurance Company of America (the "Prudential Agreements") bearing interest rates ranging from 8% to 10%, the highest cost debt in the Company's portfolio. A prepayment penalty of $24.8 was incurred in connection with this retirement.
  - During the third quarter of 2003, the company filed a universal shelf registration in the amount of $1,800, $721.4 of which was used in connection with the concurrent offerings discussed below.
  - On December 16, 2003, the Company issued 25.8 million common shares at a price of $13.50 under its existing shelf registration statement. This offering was closed concurrently with an offering of approximately 7.5 million shares of its Preferred Stock. As a result of the transaction, the Company raised approximately $693. Approximately $246 of the net proceeds from this offering were used to redeem the Company's 1.80% Convertible Subordinated Notes due 2004 in January 2004. The remaining proceeds will be used for general corporate purposes.
  - Reduced debt levels from approximately $2,600 at December 31, 2002 to approximately $2,500 at December 31, 2003 and increased cash from approximately $900 at December 31, 2002 to approximately $2,000 at December 31, 2003.

- **Goodwill Impairment**

  During 2003, the Company recorded a goodwill impairment charge of $221.0 related to its Octagon WorldWide ("OWW") unit. The impairment charge was caused by OWW's lower than expected performance in 2003 and revised future projections indicating that the factors behind the 2003 performance were likely to persist.

- **Management Changes**

  In the first quarter of 2003, the Company made significant changes in the top management of the Company and its largest agency, McCann-Erickson WorldGroup ("McCann"). The Company's former chairman and CEO, John J. Dooner, Jr. has resumed an active operating role as Chairman and CEO of McCann, replacing James R. Heekin, who has left the Company. David A. Bell, Vice Chairman and former CEO of True North Communications, Inc., assumed the role of Chairman and CEO of the Company.

  In June 2003, the Company hired Christopher J. Coughlin, as its Chief Operating Officer. Mr. Coughlin assumed the additional responsibilities and title of Chief Financial Officer upon the departure of Executive Vice President and Chief Financial Officer, Sean F. Orr, in August of 2003.

- **Litigation and SEC Investigation**

  As discussed in Note 16 to the Consolidated Financial Statements, the Company is involved in legal matters which include certain class action suits brought against the Company as a result of filing restated financial statements in 2002. Subject to federal court approval, a tentative agreement was reached with the parties to the consolidated class action suits in the federal district of New York under which the Company agreed to pay $115, of which $20 will be paid in cash and $95 in common stock. The Company recorded a charge in the third quarter of 2003 primarily representing the current estimate of amounts payable in regard to the settlement.

The Company is also under a formal investigation with the SEC related to the above restatements of its earnings. The Company is cooperating fully with the investigation.

OUTLOOK AS OF MARCH 15, 2004

The Company's results of operations are dependent upon: a) maintaining and growing its revenue, b) the ability to retain and gain new clients, c) the continuous alignment of its costs to its revenue and d) retaining and attracting key personnel. Revenue is also highly dependent on overall economic and political conditions. For a discussion of these and other factors that could affect the Company's results of operations and financial conditions, see "Statement Regarding Forward-Looking Disclosure" and "Business - Risk Factors".

As discussed above, 2003 was a difficult year for the Company, reflecting continued softness in worldwide demand for advertising and marketing communications services. The decline in organic revenue versus the prior year was a decline of 3.6% for the full year. However, the Company noted a positive trend in its revenues during the latter part of 2003, particularly internationally. There was sequential improvement throughout the year as the organic revenue decline was 3.1% in the third quarter and 1.1% in the fourth quarter of 2003, in each case versus the prior year. While management expects continued progress overall in the Company's organic revenue trends, it does not expect that the progression will be linear, in particular given the cyclical nature of the Company's business.

Industry forecasters expect that there will continue to be signs of improving economic activity, on a worldwide basis, in 2004. Specifically, worldwide advertising and marketing services spending is expected to rise by 3-4%. Such a forecast confirms that, while there is no certainty as to what will ultimately occur, economic conditions in 2004 should continue to be better than 2003 for the industry as a whole.

The Company's performance in the recent past has lagged, somewhat, that of the industry and may continue to do so. Management has responded to its recent performance issues, however, by implementing a turnaround program. The program was begun in mid 2003 and is targeted to be complete by mid 2006. The first stage of the program has focused on implementing the restructuring initiatives discussed below and improving the Company's capital structure. Going forward the turnaround program will focus on achieving certain defined performance objectives based on the Company's perceived peer competitor performance levels. The objectives include those relating to:

- achieving organic revenue growth comparable to the Company's peer competitors, by building on the collaboration and supplemental incentive plan and changing the Company's culture;
- improving the Company's operating margin, by reducing staff costs and office and general costs, including further property consolidation; and
- continuing to manage the Company's debt to capital ratio, building on actions taken to date, and improving its debt-to-profitability and its interest coverage ratio.

RESULTS OF OPERATIONS

The Company reports its financial results in accordance with generally accepted accounting principles ("GAAP"). When comparing performance between years, however, the Company also discusses non-GAAP financial measures such as the impact that foreign currency rate changes, acquisitions/dispositions and organic growth have on reported results.

The Company derives organic revenue by adjusting reported revenue in respect of any given period by:

- excluding the impact of foreign currency effects over the course of the period to provide revenues on a constant currency basis; and
- excluding the impact on reported revenue resulting from acquisitions and dispositions that were consummated after the first day of the year prior to the given period.

Additionally, organic revenue calculations for the year ended, and each quarter of, 2003 have been adjusted to make 2003 organic revenue principally arising from public relations and sporting event arrangements more directly comparable to organic revenue arising from public relations and sporting event arrangements in periods preceding January 1, 2003, and for the impact of the deconsolidation of certain international entities. If these adjustments had been made to revenue for prior periods, there would have been neither a material effect on results in prior periods nor any effect whatsoever on operating or net income. These adjustments principally relate to "grossing up"

revenues and expenses by the same amount in connection with the reimbursement of certain out of pocket expenses relating to public relations and sporting event arrangements.

Management believes that discussing organic revenue, giving effect to the above factors, provides a better understanding of the Company's revenue performance and trends than reported revenue because it allows for more meaningful comparisons of current-period revenue to that of prior periods. Management also believes that organic revenue determined on a generally comparable basis is a common measure of performance in the businesses in which it operates.

When the Company discusses amounts on a constant currency basis, the prior period results are adjusted to remove the impact of changes in foreign currency exchange rates during the current period that is being compared to the prior period. The impact of changes in foreign currency exchange rates on prior period results is removed by converting the prior period results into US dollars at the average exchange rate for the current period. Management believes that discussing results on a constant currency basis allows for a more meaningful comparison of current-period results to such prior-period results.

The Company has also highlighted the impact of the loss of the Chrysler account in the fourth quarter of 2000 (revenue and operating expenses related to which continued through 2001). Chrysler was a major client of True North Communications, Inc. ("True North"), which the Company acquired in a transaction accounted for as a pooling of interests in June 2001. As a result of the acquisition of True North, the Company lost accounts of Pepsi-owned brands due to client conflicts within the combined company. Management believes that adjusting for the impact of these significant client losses is relevant when comparing organic revenue performance between 2002 and 2001.

As discussed in Note 15 to the Consolidated Financial Statements, the Company is comprised of three reportable segments: Octagon Worldwide ("OWW"), Motorsports and Interpublic (excluding OWW and Motorsports).

The revenues of OWW and Motorsports are not material to the Company as a whole. However, due to the recording of long-lived asset impairment charges, operating difficulties and resulting higher costs, OWW and Motorsports have incurred significant operating losses. Based on certain substantial contractual obligations at Motorsports and revised projections for OWW, the Company does not expect that margins for these businesses will converge with those of the rest of the Company. Given the expected margin performance and other factors indicating that OWW and Motorsports have different economic characteristics than IPG (excluding OWW and Motorsports), OWW and Motorsports are maintained as separate reportable segments. Other than the impairment charges which are discussed below and the commitments discussed in "Other Matters", the operating results of OWW and Motorsports are not material to those of the Company, and therefore are not discussed in detail below.

Discontinued Operations

As discussed below and in Note 3 to the Consolidated Financial Statements, on July 10, 2003, the Company completed the sale of its NFO research unit to TNS. The results of NFO are classified as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and, accordingly, the results of operations and cash flows of NFO have been removed from the Company's results of continuing operations and cash flow for all periods presented in this document.

Continuing Operations

The following table shows the Company's net income (loss) and earnings per share for the years ended December 31, 2003, 2002, and 2001.

	2003	2002	2001
Continuing Operations	$ (552.9)	$ 68.0	$ (550.1)
Discontinued Operations	101.2	31.5	15.6
Net Income (Loss)	$ (451.7)	$ 99.5	$ (534.5)
Diluted EPS from Continuing Operations	$ (1.43)	$ 0.18	$ (1.49)
Diluted EPS from Discontinued Operations	0.26	0.08	0.04
Total Diluted EPS	$ (1.17)	$ 0.26	$ (1.45)

The following summarizes certain financial information by the three reportable segments for purposes of management's discussion and analysis:

	2003				2002				2001			
Actual Reported	**IPG Excl. OWW & Motor-sports**	**OWW**	**Motorsports**	**Total IPG**	**IPG Excl. OWW & Motor-sports**	**OWW**	**Motorsports**	**Total IPG**	**IPG Excl. OWW & Motor-sports**	**OWW**	**Motorsports**	**Total IPG**
Revenue	$ 5,610.1	$ 173.6	$ 79.7	$ 5,863.4	$ 5,494.0	$ 150.5	$ 93.0	$ 5,737.5	$ 6,102.8	$ 135.6	$ 114.3	$ 6,352.7
Operating Expenses:												
Salaries and related	3,377.8	59.8	14.2	3,451.8	3,274.4	55.6	20.0	3,350.0	3,553.6	53.6	13.7	3,620.9
Office and general	1,652.5	125.1	108.0	1,885.6	1,646.0	81.1	153.3	1,880.4	1,748.0	57.7	90.4	1,896.1
Amortization of intangibles	9.9	1.3	0.1	11.3	6.2	0.2	2.5	8.9	159.1	5.5	—	164.6
Restructuring and other merger-related	174.7	0.5	0.4	175.6	12.1	—	—	12.1	634.3	0.2	—	634.5
Long-lived asset impairment and other charges	1.6	221.5	63.8	286.9	—	—	127.1	127.1	303.1	—	—	303.1
Operating income (loss)	$ 393.6	$ (234.6)	$ (106.8)	$ 52.2	$ 555.3	$ 13.6	$ (209.9)	$ 359.0	$ (295.3)	$ 18.6	$ 10.2	$ (266.5)

Some of the key factors driving the financial results in 2003:

<u>Operating Income (Loss)</u>

- Higher foreign exchange rates for 2003, primarily the Euro and Pound, versus the US Dollar that resulted in higher US Dollar revenue and expense in comparison to 2002;

- Organic revenue declines as a result of the continued softness in demand for the Company's advertising and marketing communications services by current clients, particularly in public relations and in other project-based businesses in international markets;

- Restructuring charges of $175.6 were recorded in 2003. In connection with the Company's restructuring program, a charge of $16.5 was also recorded in office and general expenses related to the amortization of leasehold improvements;

- A long-lived asset impairment charge of $221.0 was recorded related to the goodwill of OWW, the Company's sports marketing business; and
- A long-lived asset impairment charge of $38.0 was recorded related to the Company's motorsports operations.

Other Income (Expense)

- Investment impairment charges of $84.9 were recorded primarily related to unconsolidated, principally international, affiliates;
- Litigation charges of $127.6, anticipated to be funded principally with Company stock, was recorded relating primarily to the shareholder suits;
- A debt prepayment penalty of $24.8 was recorded as a result of retiring all of the Company's outstanding borrowings under the Prudential Agreements; and
- A pre-tax gain on the sale of approximately 11 million shares of Modem Media, Inc. of approximately $30.

Income taxes

- A total charge of $84.4 was recorded to increase the Company's valuation allowance for deferred income tax assets primarily relating to foreign net operating and US capital loss carryforwards.

Discontinued operations

- A pre-tax gain on the sale of NFO of $99.1 ($89.1 after tax) was recorded to reflect the closing of the sale in the third quarter.

REVENUE

The Company is a worldwide global marketing services company, providing clients with communications expertise in three broad areas: a) advertising and media management, b) marketing communications, which includes direct marketing and customer relationship management, public relations, sales promotion, event marketing, on-line marketing, corporate and brand identity and healthcare marketing and c) specialized marketing services, which includes sports and entertainment marketing and corporate meetings and events.

The following analysis provides further detail on revenue:

2003 vs. 2002

					Increase/(Decrease)			
					Reported		Excluding Currency Effect	
	2003	% of Total	2002	% of Total	Dollars	%	Dollars	%
Domestic Revenue	$ 3,284.2	56%	$ 3,313.6	58%	$ (29.4)	(0.9)%	$ (29.4)	(0.9)%
International Revenue	2,579.2	44%	2,423.9	42%	155.3	6.4%	(114.0)	(4.2)%
Worldwide Revenue	$ 5,863.4	100%	$ 5,737.5	100%	$ 125.9	2.2%	$ (143.4)	(2.4)%

The components of the total revenue change in 2003 were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ 269.3	4.6%
Net acquisitions/divestitures	(13.9)	(0.2)%
Reclassifications	80.7	1.4%
Organic revenue	(210.2)	(3.6)%
Total revenue increase	$ 125.9	2.2%

The decrease in organic revenue of 3.6% for the year was due to continued softness in the demand for advertising and marketing services by current clients, particularly in international markets and in the Company's public relations services and other project related business. Coincident with the signs of an economic recovery, the Company's revenue trend improved sequentially toward the latter part of 2003. Organic revenue was a decline of 3.1% in the third quarter and 1.1% in the fourth quarter of 2003 in comparison to 2002. During the first part of the year, revenue was impacted by the uncertainty in the geopolitical environment resulting from the uncertainty associated with the war in Iraq, and, to a lesser extent, from the outbreak of the SARS virus. During the latter part of the year, the Company has seen improving revenue trends, particularly internationally, coincident with the signs of an economic recovery.

2002 vs. 2001

					Increase/(Decrease)			
					Reported		Excluding Currency Effect	
	2002	% of Total	2001	% of Total	Dollars	%	Dollars	%
Domestic Revenue	$ 3,313.6	58%	$ 3,708.0	58%	$ (394.4)	(10.6)%	$ (394.4)	(10.6)%
International Revenue	2,423.9	42%	2,644.7	42%	(220.8)	(8.3)%	(232.2)	(8.7)%
Worldwide Revenue	$ 5,737.5	100%	$ 6,352.7	100%	$ (615.2)	(9.7)%	$ (626.6)	(9.8)%

The components of the total revenue change in 2002 were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ 11.4	0.1%
Net acquisitions/divestitures	(53.6)	(0.5)%
Loss of the Chrysler and Pepsi accounts	(52.8)	(0.8)%
Organic revenue	(520.2)	(8.5)%
Total revenue decrease	$ (615.2)	(9.7)%

The decrease in organic revenue was primarily the result of the overall softness in the demand for advertising and marketing services by current clients due to the weak economy, both domestically and internationally.

OPERATING EXPENSES

Salaries and Related Expenses

In 2003, the Company's expenses related to employee compensation and various employee incentive and benefit programs amounted to approximately 59% of revenue. The employee incentive programs are based primarily upon operating results. Salaries and related expenses in all periods were also impacted by salary progression.

2003 vs. 2002

Salaries and related expenses were $3,451.8 for 2003 and $3,350.0 in 2002, an increase of $101.8 or 3.0%. The increase reflects the effect of higher foreign exchange rates, primarily the Euro and Pound, versus the US Dollar. Offsetting this increase is a decrease in salaries as a result of lower headcount. Total headcount dropped by 7.5% to 43,400 at December 31, 2003 from 46,900 at December 31, 2002. The reduction accelerated towards the end of the year as the Company implemented its new restructuring program.

The components of the total change in 2003 were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ 154.9	4.5%
Net acquisitions/divestitures	(2.3)	—%
Reclassifications	(9.7)	(0.3)%
Reductions in salaries and related expense from existing operations	(41.1)	(1.2)%
Total change	$ 101.8	3.0%

2002 vs. 2001

Salaries and related expenses were $3,350.0 for 2002 and $3,620.9 in 2001, a decrease of $270.9 or 7.5%. The decrease is a result of lower headcount, which was reduced by 6.9% to 46,900 at December 31, 2002 from 50,400 at December 31, 2001. This was partially offset by a benefit of $50.0 recorded in 2001 resulting from a reduction in severance reserves related to significant headcount reductions.

The components of the total change were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ 11.6	0.3%
Net acquisitions/divestitures	(44.7)	(1.0)%
Loss of the Chrysler and Pepsi accounts	(20.1)	(0.6)%
Reductions in salaries and related expenses from existing operations	(217.7)	(6.2)%
Total change	$ (270.9)	(7.5)%

Office and General Expenses

2003 vs. 2002

Office and general expenses were $1,885.6 in 2003 and $1,880.4 in 2002, an increase of $5.2 or 0.3%. The increase reflects the effect of higher foreign exchange rates, primarily the Euro and Pound, versus the US Dollar, and the reclassification related to grossing-up expenses as previously discussed.

The reduction in office and general expenses from existing operations was due to a decrease in occupancy and overhead costs as a result of the 2003 restructuring program and a decrease in bad debt expense from improved collection activity, primarily toward the latter part of the year. Offsetting these reductions are higher professional fees resulting from the securities litigation and SEC investigation, higher audit costs and costs associated with preparation for compliance with the Sarbanes-Oxley Act.

The components of the total change in 2003 were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ 102.9	5.2%
Net acquisitions/divestitures	(15.2)	(0.7)%
Reclassifications	90.9	5.1%
Reduction in office and general expenses from existing operations	(173.4)	(9.3)%
Total change	$ 5.2	0.3%

2002 vs. 2001

Office and general expenses were $1,880.4 in 2002 and $1,896.1 in 2001, a decrease of $15.7 or 0.8%. The net decrease in operating expenses of $15.7 was due to various factors including the cost reduction initiatives from the 2001 restructuring plan that accounted for year-on-year reductions in occupancy costs of approximately $32. These reductions represent savings in 2002, the year in which substantially all of the savings from the 2001 restructuring program began to be realized. Travel and entertainment costs and office related and supplies costs also decreased. These decreases were offset by an increase in professional fees resulting from the restatements and the related securities litigation and the SEC investigation previously described, an increase in bad debt expense and higher costs related to the Company's motorsports business.

The components of the total change in 2002 were:

	$ Change	Increase/(Decrease)
Foreign currency changes	$ (3.6)	(0.2)%
Net acquisitions/divestitures	(3.5)	(0.1)%
Loss of the Chrysler and Pepsi accounts	(14.2)	(0.8)%
Increases in office and general expenses from existing operations	5.6	0.3%
Total change	$ (15.7)	(0.8)%

Amortization of Intangible Assets
Amortization of intangible assets was $11.3 in 2003, $8.9 in 2002 and $164.6 in 2001. The decrease from 2001 is primarily a result of the adoption of Statement of Financial Accounting Standards No. 142*, Goodwill and Other Intangible Assets* ("SFAS 142*").*

Restructuring and Other Merger-related Costs
During 2003, the Company recorded restructuring charges of $175.6 in connection with the 2003 and 2001 restructuring programs as discussed below. The Company expects that the restructuring charges recorded to date will result in cash payments of $39.3 to be paid in 2004, $15.5 in 2005 and $6.1 in 2006 and thereafter. Approximately $85 in additional restructuring charges is expected to be incurred in the first half of 2004. The total amount of pre-tax charges the Company expects to incur, through the first half of 2004, including amounts classified in office and general expenses, will approximate $275.

The amount of salary and occupancy costs eliminated as a result of the restructuring charges recorded in 2003 is estimated to be approximately $175, a portion of which has begun to be realized during 2003 (as discussed in "Operating Expenses" above).

2003 Program
During the second quarter of 2003, the Company announced that it would undertake restructuring initiatives in response to softness in demand for advertising and marketing services. The restructuring initiatives include severance and lease terminations.

During 2003, the Company recorded pre-tax restructuring charges of $175.6, of which $163.2 related to the 2003 program. The pre-tax restructuring charge for the 2003 program was composed of severance costs of $126.2 and lease terminations costs of $37.0. Included in the $37.0 of lease termination costs was $4.8 related to the write-off of leasehold improvements on vacated properties. The charges related to leases terminated as part of the 2003 program are recorded at net present value and are net of estimated sublease income amounts. The discount relating to lease terminations will be amortized over future periods. In addition, a charge of $16.5 has been incurred in 2003 related to acceleration of amortization of leasehold improvements on premises included in the 2003 program. The charge related to such amortization is included in office and general expenses in the accompanying Consolidated Statement of Operations.

A summary of the liability for restructuring charges related to the 2003 restructuring plan is as follows:

	2003 Charges	Non-cash Charges	2003 Cash Payments	Foreign Currency Adjustment	Liability at December 31, 2003
TOTAL BY TYPE					
Severance and termination costs	$ 126.2	$ 1.4	$ 88.3	$ 1.2	$ 37.7
Lease terminations and other exit costs	37.0	4.8	8.5	0.4	24.1
Total	$ 163.2	$ 6.2	$ 96.8	$ 1.6	$ 61.8

The severance and termination costs recorded to date relate to a reduction in workforce of approximately 2,900 employees worldwide. The employee groups affected include all levels and functions across the Company: executive, regional and account management and administrative, creative and media production personnel. Approximately 30% of the charge relates to severance in the US, 15% to severance in the UK, 10% to severance in France with the remainder largely relating to the rest of Europe, Asia and Latin America.

Lease termination costs, net of estimated sublease income, relate to the offices that have been or will be vacated as part of the restructuring. Fifty-five locations have already been vacated and an additional 25 are to be vacated, with substantially all actions to be completed by June 30, 2004; however, given the remaining lease terms involved, the cash portion of the charge will be paid out over a period of several years. The majority of the offices to be vacated are located in the US, with approximately one third in overseas markets, principally in Europe.

2001 Program
Following the completion of the True North acquisition in June 2001, the Company executed a wide-ranging restructuring plan that included severance, lease terminations and other actions. The total amount of the charges incurred in 2001 in connection with the plan was $634.5.

In the third quarter of 2002, the Company recorded an additional $12.1 in charges related to the 2001 restructuring plan. The additional charge was necessitated largely by increases in estimates of lease losses due to lower than anticipated sublease income in key markets, including San Francisco, Chicago, Paris and London.

During 2003, the Company recorded restructuring charges of $175.6, of which $12.4 related to additional losses on properties vacated as part of the 2001 program.

A summary of the remaining liability for restructuring and other merger related costs related to the 2001 restructuring plan is as follows:

	Liability at December 31, 2002	2003 Charge	2003 Cash Payments	Liability at December 31, 2003
TOTAL BY TYPE				
Severance and termination costs	$ 15.9	$ —	$ 10.9	$ 5.0
Lease terminations and other exit costs	94.6	12.4	33.1	73.9
Total	$ 110.5	$ 12.4	$ 44.0	$ 78.9

The Company terminated approximately 7,000 employees in connection with the 2001 restructuring program. The Company downsized or vacated approximately 180 locations. Given the remaining lease terms involved, the remaining liabilities will be paid out over a period of several years. Lease termination and related costs included write-offs related to the abandonment of leasehold improvements as part of the office vacancies.

Other exit costs related principally to the impairment loss on sale or closing of certain business units in the US and Europe. In the aggregate, the businesses sold or closed represented an immaterial portion of the revenue and operating profit of the Company. The write-off amount was computed based upon the difference between the estimated sales proceeds (if any) and the carrying value of the related assets. The sales and closures had been completed by September 30, 2002.

Long-Lived Asset Impairment and Other Charges
The following table summarizes the long-lived asset impairment and other charges for 2003, 2002, and 2001:

	2003	2002	2001
Goodwill impairment	$ 221.0	$ 82.1	$ 303.1
Fixed asset impairment	49.7	24.7	—
Current capital expenditure impairment	16.2	8.3	—
Record fair value of put option	—	12.0	—
Total	$ 286.9	$ 127.1	$ 303.1

2003 Impairments
During 2003, the Company recorded total charges of $286.9 related to the impairment of long-lived assets. This amount includes $221.0 related to goodwill at OWW and $63.8 related to the Company's Motorsports businesses.

OWW
During the third quarter of 2003, the Company performed its annual impairment review for goodwill and other intangible assets and recorded a non-cash charge of $221.0. The charge was required to reduce the carrying value of goodwill at the Company's OWW reporting unit. OWW is separate from Motorsports and offers a variety of sports marketing services including athlete representation, TV rights distribution and other marketing and consulting services.

The OWW charges reflect the reporting unit's lower than expected performance in 2003 and revised future projections indicating that the factors behind the poor 2003 performance are likely to persist. Specifically, during 2003 it became apparent that there was significant pricing pressure in both overseas and domestic TV rights distribution. Further, declining athlete pay scales are expected to result in significantly lower fees from athlete representation, and proceeds from events (including ticket revenue and sponsorship) to which the Company is committed will be lower than amounts that had been anticipated when the event rights were acquired. Various factors, including the operating loss incurred at OWW in 2003, have indicated that lower revised growth projections are required, reflecting lower projected gross margins than OWW has earned historically.

Motorsports
The Company's Motorsports unit owned and leased certain racing circuit facilities that were used for automobile, motorcycle and go-cart racing, primarily in the UK. On January 12, 2004, the Company 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 its Brands Hatch subsidiaries, to MotorSport Vision Limited. The consideration for the sale was approximately 15 million Pounds, (approximately $26) before expenses. An additional contingent amount of up to 2 million Pounds, (approximately $4) may be paid to the Company depending

upon the future financial results of the operations being sold. The Company and its Brands Hatch subsidiaries retain their interests and contractual commitments relating to the Silverstone circuit. The Company recognized an impairment loss related to the four owned circuits of $38.0 in the fourth quarter of 2003 and has classified the relevant assets and liabilities as held for sale in the Consolidated Balance Sheet of the Company as of December 31, 2003. See Note 16 to the Company's Consolidated Financial Statements for a discussion of the Company's remaining contingent obligations related to motorsports.

In addition to the Brands Hatch impairment charge, $25.8 in charges was incurred related to the impairment of other assets, including $16.2 of current capital expenditure outlays that the Company is contractually required to spend to upgrade and maintain certain of its remaining Motorsports racing facilities, as well as an impairment of assets at other Motorsports entities. At December 31, 2003, there were additional capital expenditures commitments of approximately $25, which are expected to be impaired as incurred based on the cash flow analysis for the relevant asset groupings.

2002 Impairments
Motorsports
Beginning in the second quarter of 2002 and continuing in subsequent quarters, certain of the Motorsports businesses experienced significant operational

difficulties, including significantly lower than anticipated attendance at the marquee British Grand Prix race in July 2002. These events and a change in management at Motorsports in the third quarter of 2002 led the Company to begin assessing its long-term strategy for Motorsports.

In accordance with the provisions of SFAS 142, the Company prepared a discounted cash flow analysis which indicated that the book value of Motorsports significantly exceeded its estimated fair value and that a goodwill impairment had occurred. In addition, as a result of the goodwill analysis, the Company assessed whether there had been an impairment of the Company's long-lived assets in accordance with SFAS 144. The Company concluded that the book value of certain asset groupings at Motorsports was significantly higher than their expected future cash flows and that an impairment had occurred. Accordingly, the Company recognized a non-cash impairment loss and related charge of $127.1 in 2002. The charges included $82.1 of goodwill impairment, $33.0 of fixed assets and capital expenditure write-offs, and $12.0 to record the fair value of an associated put option.

2001 Impairments

Following the completion of the True North acquisition in 2001 and the realignment of certain of the Company's businesses, the Company evaluated the realizability of various assets. In connection with this review undiscounted cash flow projections were prepared for certain investments, and the Company determined that the goodwill attributable to certain business units was stated at an amount in excess of the future estimated cash flows. As a result, an impairment charge of $303.1 was recorded in 2001. Of the total write-off, $221.4 was recorded in the second quarter, with the remainder recorded in the third quarter. The largest components of the goodwill impairment and other charges were Capita Technologies, Inc. (approximately $145) and Zentropy Partners (approximately $16), both internet services businesses. The remaining amount primarily related to several other businesses, including internet services, healthcare consulting and certain advertising offices in Europe and Asia Pacific.

OTHER INCOME (EXPENSE)

Interest Expense

Interest expense increased by $27.2 to $172.8 in 2003 primarily as a result of the issuance of $800 4.5% Notes on March 13, 2003. These proceeds were invested until early April, at which time the proceeds were used for the settlement of the tender offer for the Zero-Coupon Notes.

Interest expense decreased by $19.0 to $145.6 in 2002 due to lower debt levels, lower interest rates paid on short-term borrowings and the issuance and sale of the Zero-Coupon Notes in December 2001. The Company used the net proceeds of $563.2 from the Zero-Coupon Notes to repay indebtedness under the Company's credit facilities.

Debt Prepayment Penalty

During the third quarter of 2003, the Company repaid all of its outstanding borrowings under the Prudential Agreements. This transaction required repaying $142.5 principal amount of its outstanding debt. In connection with this transaction, a prepayment penalty of $24.8 was recorded.

Interest Income

Interest income was $38.9 in 2003, $29.8 in 2002 and $41.8 in 2001. The increase in 2003 is primarily due to higher cash balances resulting from the issuance of the 4.5% Notes in March, the proceeds from the sale of NFO in July and the proceeds from the equity offerings in December 2003. The decrease in 2002 is primarily due to lower interest rates.

Other Income

The following table sets forth the components of other income:

	2003	2002	2001
Gains (losses) on sales of businesses	$ 0.2	$ (0.2)	$ 12.3
Gain on sale of TNS shares	13.3	—	—
Gain on sale of Modem Media shares	30.4	—	—
Gains (losses) on sales of other available-for-sale securities	4.1	5.3	(2.5)
Miscellaneous investment income	2.0	2.8	3.9
	$ 50.0	$ 7.9	$ 13.7

See Investing Activities in "Liquidity and Capital Resources" below for a discussion of proceeds from sales of businesses.

Investment Impairments

During 2003, the Company recorded $84.9 in investment impairment charges related to 21 investments. The charge related principally to investments in the Middle East, Latin America, and Japan with additional amounts in Canada, Europe, and the United States. The majority of the charge related to impairments arising from deteriorating economic conditions in the countries in which the entity operates.

During 2002, the Company recorded $39.7 of investment impairment primarily related to certain investments of OWW, the Company's sports marketing business. The largest component of the write-off related to the impairment of an investment in a German soccer club.

During 2001, the Company recorded total investment impairment charges of $210.8. The charge included $160.1 related to the impairment of investments primarily in publicly traded internet-related companies, including marchFIRST, Inc. (an internet professional services firm), which had filed for relief under Chapter 11 of the Federal Bankruptcy Code in April 2001. The remaining charge included write-offs for investments in non-internet companies, certain venture funds and other investments. In addition, the Company recorded a charge of $2.5 to record the fair value of a put option. The impairment charges adjusted the carrying value of investments to the estimated market value where an other than temporary impairment had occurred.

Litigation Charges

During 2003, the Company recorded litigation charges of $127.6 for various legal matters, of which $115 relates to a tentative settlement of the shareholder suits discussed in Note 16. The settlement is subject to the execution of a definitive settlement agreement and to approval from the federal district court judge. Under the terms of the proposed settlement, the Company will pay $115, of which $20 will be paid in cash and $95 will be paid in shares of the Company's common stock at an estimated value of $14.50 per share (which translates into 6,551,725 shares). In the event that the price of the Company's common stock falls below $8.70 per share before final approval of the settlement, the Company will either, at its sole discretion, issue additional shares of common stock or pay cash so that the consideration for the stock portion of the settlement will have a total value of $57. The ultimate amount of the litigation charge related to the settlement will depend upon the Company's stock price at the time a settlement is concluded. The Company believes that, if the settlement is concluded as expected, the amounts accrued would be adequate to cover all pending shareholder suits.

OTHER ITEMS

Effective Income Tax Rate

The Company's effective income tax rate was an expense of 94.4% in 2003, an expense of 55.8% in 2002 and a benefit of 11.3% in 2001. The Company's effective income tax rate for 2003, 2002 and 2001 was negatively impacted by the restructuring charges, non-deductible long-lived asset impairment charges and non-deductible investment impairment charges relating to unconsolidated affiliates. In addition, the tax rate in 2003 was negatively impacted by the establishment of valuation allowances on certain deferred tax assets as well as losses incurred in

non-US jurisdictions with tax benefits at rates lower than the US statutory rates. 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-US operations. All of these factors contributed to the Company's recording of a tax provision of $254.0 on a pre-tax loss of $269.0 for 2003.

The increased tax rate in 2002 reflects a higher proportion of earnings derived from the US where it is taxed at higher rates, as well as losses incurred in non-US jurisdictions with tax benefits at rates lower than the US statutory rates.

The difference between the 2002 and 2001 effective tax rates is primarily attributable to the elimination of certain non-deductible accounting charges resulting from our adoption of SFAS 142 (see Note 1). The 2001 effective income tax rate reflects the impact of goodwill amortization.

Valuation Allowance

As required by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"), the Company is required to evaluate on a quarterly basis the realizability of its deferred tax assets. SFAS 109 requires 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 a valuation allowance must be considered. The Company believes that cumulative losses in the most recent three-year period represent sufficient negative evidence under the provisions of SFAS 109 and, as a result, the Company determined that certain of its 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 US capital loss carryforwards. During 2003, a valuation allowance of $53.9 was established in continuing operations on existing deferred tax assets. In addition, $26.8 of valuation allowances were established in continuing operations for current year losses incurred in jurisdictions where a benefit is not currently expected, and $3.7 of valuation allowances were established in continuing operations for certain US capital and other loss carryforwards. The total valuation allowance as of December 31, 2003 was $171.0.

The realization of the remaining deferred tax assets is primarily dependent on forecasted future taxable income. Any reduction in estimated forecasted future taxable income, including but not limited to any future restructuring activities may require that we record additional valuation allowances against our deferred tax assets on which a valuation allowance has not previously been established. The valuation allowance that has been established will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that such assets will be realized. An ongoing pattern of profitability will generally be considered as sufficient positive evidence. 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.

Minority Interest

Income applicable to minority interests was virtually unchanged at $30.9 in 2003, $30.5 in 2002 and $29.4 in 2001.

Unconsolidated Affiliates

Equity in net income (loss) of unconsolidated affiliates was income of $1.0 in 2003, income of $5.0 in 2002 and a loss of $0.4 in 2001. The decrease in 2003 was primarily due to reduced earnings in unconsolidated affiliates in Europe and Brazil. The increase in 2002 was primarily due to increased earnings of unconsolidated affiliates in the US, partially offset by the sale of unconsolidated affiliates in Europe and the US.

DERIVATIVES AND HEDGING ACTIVITIES

The Company enters into interest rate swaps, hedges of net investments in foreign operations and forward contracts.

Interest Rate Swaps

As of December 31, 2003, the Company had no outstanding interest rate swap agreements.

During 2002, the Company had outstanding interest rate swap agreements covering $400.0 of the $500.0, 7.875% notes due October 2005. The swaps had the same term as the debt and effectively converted the fixed rate on the debt to a variable rate based on 6 month LIBOR. The swaps were accounted for as hedges of the fair value of the related debt and were recorded as an asset or liability as appropriate.

As of December 31, 2002, the Company had terminated all of the interest rate swap agreements covering the $500.0, 7.875% notes due October 2005. In connection with the termination of the interest rate swap agreements transaction, the Company received $45.7 in cash which will be recorded as an offset to interest expense over the remaining life of the related debt.

Hedges of Net Investments

As of December 31, 2003, the Company had no loans designated as hedges of net investments.

The Company has significant foreign operations and conducts business in various foreign currencies. In order to hedge the value of its investments in Japan, the Company had designated the Yen borrowings under its $375.0 Revolving Credit Facility (in the amount of $36.5) as a hedge of its net investment. The amount deferred in 2002 was not material.

On August 15, 2003, the Company repaid $36.5 Yen borrowing under its $375.0 Revolving Credit Facility that had been designated as a hedge of a net investment.

Forward Contracts
The Company has entered into foreign currency transactions in which foreign currencies (principally the Euro, Pounds and the Yen) are bought or sold forward. The contracts were entered into to meet currency requirements arising from specific transactions. The changes in value of these forward contracts were reflected in the Company's Consolidated Statement of Operations. As of December 31, 2002 the Company had contracts covering approximately $37 of notional amount of currency and the fair value of the forward contracts was a gain of $5.1. As of December 31, 2003, the Company had contracts covering $2.4 of notional amount of currency and the fair value of the forward contracts was negligible.

Other
The Company has two embedded derivative instruments under the terms of the offering of Zero-Coupon Notes as discussed in Note 8. At December 31, 2002, the fair value of the two derivatives was negligible. As of April 2003, substantially all of the Zero-Coupon Notes were redeemed. In connection with the issuance and sale of the 4.5% Convertible Senior Notes in March 2003, two embedded derivatives were created. The fair value of the two derivatives on December 31, 2003 was negligible.

As discussed in "Payments for Prior Acquisitions" below, the Company has entered into various put and call options related to acquisitions. The exercise price of such options is generally based upon the achievement of projected operating performance targets and approximate fair value.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, cash and cash equivalents were $2,005.7, an increase of $1,072.7 from December 31, 2002. Total debt at December 31, 2003 was $2,474.3, a decrease of $163.7 from December 31, 2002. The Company collects funds from clients on behalf of media outlets resulting in cash receipts and disbursements at levels substantially exceeding its revenue. Therefore, the working capital amounts reported on its balance sheet and cash flows from operating activities reflect the "pass-through" of these items.

The Company's cash and debt positions were positively impacted by its 2003 debt and equity offerings, as discussed below, the sale of NFO, and cash flow from operations.

During the third quarter of 2003, the Company filed a universal shelf registration in the amount of $1,800, $721.4 of which was used in concurrent common stock and mandatorily convertible preferred stock offerings in 2003.

Operating Activities
Net cash provided by operating activities was $502.0, $855.9 and $128.1 in 2003, 2002 and 2001, respectively. The decrease in cash provided by operating activities in 2003 was primarily attributable to the lower earnings level in 2003 resulting from continued softness in client demand for advertising and marketing services and the Company's restructuring program. The Company expects to continue to generate cash from operations in 2004. Offsetting the additional cash expected to be provided in 2004 are cash uses related to the Company's restructuring program, funding of pension liabilities and amounts required to exit the Company's remaining motorsports commitments.

The increase in cash provided in 2002 was the result of improved working capital management, particularly with regard to receivables, and the timing of international media payments at year end, and includes reduced payments of incentives in 2002.

Investing Activities
Historically the Company has pursued acquisitions to complement and enhance its service offerings. In addition, the Company has also sought to acquire businesses similar to those already owned to expand its geographic scope to better serve new and existing clients. Acquisitions have historically been funded using stock, cash or a combination of both. Currently, the Company has certain restrictions by the terms of its Revolving Credit Facilities from making acquisitions or investments that are funded with cash. The Company's permitted level of annual expenditures for new acquisitions funded with cash is $100 in the aggregate. See "Financing Activities" for further discussion.

During 2003, 2002, and 2001, the Company paid $224.6, $276.8 and $308.8, respectively, in cash for new acquisitions and earn out payments for previous acquisitions. The reduction in payments in 2002 and 2003 reflects the Company's reduced level of acquisition activity.

In 2003, the Company sold certain non-core assets. The Company completed the sale of NFO for $415.6 in cash ($376.7 net of cash sold and expenses) and approximately 11.7 million of shares of TNS stock which were sold in December for net proceeds of approximately $42; sold approximately 11 million of the shares it owned as an equity investment in Modem Media, Inc. for net proceeds of approximately $57 million; and, in January 2004, sold four of the motorsport circuits for approximately $26 in cash.

The Company's capital expenditures were $159.6, $171.4, and $257.5 during 2003, 2002, and 2001, respectively. The primary purposes of these expenditures were to upgrade computer and telecommunications systems and to modernize offices. Currently, the Company is restricted in making capital expenditures by the terms of its Revolving Credit Facilities. The Company's permitted level of annual capital expenditures is $175.0. See "Financing Activities" for further discussion.

In 2004, the Company expects to continue to make certain selective new acquisitions, payments for earn outs due from previous acquisitions, and other capital expenditures. Given the restrictions on these expenditures, discussed above, the Company does not expect these payments to exceed approximately $400 spent in 2003.

Financing Activities
Total cash on hand at December 31, 2003 was $2,005.7, an increase of $1,072.7 from December 31, 2002. Total debt at December 31, 2003 was $2,474.3, a decrease of $163.7 from December 31, 2002. The Company's cash and debt positions were positively impacted by its 2003 debt and equity offerings, as discussed below, the sale of NFO, cash flow from operations and international cash and debt pooling arrangements that were put in place to optimize the net debt balances in certain markets.

Revolving Credit Agreements

On June 27, 2000, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of five years and for borrowings of up to $375.0 (the “Five-Year Revolving Credit Facility”). On May 16, 2002, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of 364 days and for borrowings of up to $500.0 (the “Old 364-Day Revolving Credit Facility”). The Company replaced the Old 364-Day Revolving Credit Facility with a new 364-day revolving credit facility, which it entered into with a syndicate of banks on May 15, 2003 (the “New 364-Day Revolving Credit Facility” and, together with the Five-Year Revolving Credit Facility, both as amended from time to time, the “Revolving Credit Facilities”). The New 364-Day Revolving Credit Facility provides for borrowings of up to $500.0, $200.0 of which are available to the Company for the issuance of letters of credit. The New 364-Day Revolving Credit Facility expires on May 13, 2004. However, the Company has the option to extend the maturity of amounts outstanding on the termination date under the New 364-Day Revolving Credit Facility for a period of one year, if EBITDA, as defined in the agreements, for the four fiscal quarters most recently ended was at least $831.0 (for purposes of this EBITDA calculation, only $125.0 of non-recurring restructuring charges may be added back to EBITDA). The Revolving Credit Facilities are used for general corporate purposes. As of December 31, 2003, $160.1 was utilized under the New 364-Day Revolving Credit Facility for the issuance of letters of credit, $0.0 was borrowed under the New 364-Day Revolving Credit Facility and $0.0 was borrowed under the Five-Year Revolving Credit Facility. As of March 12, 2004, $136.0 was obligated under the New 364-Day Revolving Credit Facility for the issuance of letters of credit, $0.0 was borrowed

under the New 364-Day Revolving Credit Facility and $0.0 of the $375.0 available was borrowed under the Five-Year Revolving Credit Facility.

The Revolving Credit Facilities bear interest at variable rates based on either LIBOR or a bank’s base rate, at the Company’s option. The interest rates on base rate loans and LIBOR loans under the Revolving Credit Facilities are affected by the facilities’ utilization levels and the Company’s credit ratings. In connection with the New 364-Day Revolving Credit Facility, the Company agreed to new pricing under the Revolving Credit Facilities that increased the interest spread payable on loans under the Revolving Credit Facilities by 25 basis points. Based on the Company’s current credit ratings, interest rates on loans under the New 364-Day Revolving Credit Facility are currently calculated by adding 175 basis points to LIBOR or 25 basis points to the applicable bank base rate, and interest rates on loans under the Five-Year Revolving Credit Facility are currently calculated by adding 170 basis points to LIBOR or 25 basis points to the applicable bank base rate.

The Company’s Revolving Credit Facilities include financial covenants that set (i) maximum levels of debt for borrowed money as a function of EBITDA, (ii) minimum levels of EBITDA as a function of interest expense and (iii) minimum levels of EBITDA (in each case, as defined in those agreements).

As of December 31, 2003, the Company was, and expects to continue to be, in compliance with all of the covenants (including the financial covenants, as amended) contained in the Revolving Credit Facilities.

On February 10, 2003, certain defined terms relating to financial covenants contained in the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility were amended effective as of December 31, 2002 to include in the definition of debt for borrowed money the Company’s 1.8% Convertible Subordinated Notes due 2004 and 1.87% Convertible Subordinated Notes due 2006. In addition, the definition of Interest Expense was also amended to include all interest with respect to these Subordinated Notes.

In connection with entering into the New 364-Day Revolving Credit Facility, the definition of EBITDA in the Revolving Credit Facilities was amended to include (i) up to $161.4 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002; (ii) up to $200.0 of non-recurring restructuring charges (up to $175.0 of which may be cash charges) taken in the fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; (iii) up to $70.0 of non-cash, non-recurring charges taken with respect to the impairment of the remaining book value of the Company’s Motorsports business; and (iv) all impairment charges taken with respect to capital expenditures made on or after January 1, 2003 with respect to the Company’s Motorsports business, and to exclude the gain realized by the Company upon the sale of NFO. The corresponding financial covenant ratio levels in the Revolving Credit Facilities were also amended.

As of September 29, 2003, these additions to the definition of EBITDA were replaced with the following items: (i) up to $161.4 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002; (ii) up to $275.0 of non-recurring restructuring charges (up to $240.0 of which may be cash charges) taken in the fiscal quarter ended March 31, 2003 and each of the fiscal periods ending June 30, 2003, September 30, 2003, December 31, 2003 and March 31, 2004; (iii) up to $70.0 of non-cash, non-recurring charges taken with respect to the impairment of the remaining book value of the Company’s Motorsports business; (iv) all impairment charges taken with respect to capital expenditures made on or after January 1, 2003 with respect to the Company’s Motorsports business; (v) up to $300.0 of non-cash, non-recurring goodwill or investment impairment charges taken in the fiscal periods ending September 30, 2003, December 31, 2003, March 31, 2004, June 30, 2004 and September 30, 2004; (vi) up to $135.0 in payments made by the Company (up to $40.0 of which may be in cash) with respect to the fiscal periods ending September 30, 2003, December 31, 2003 and March 31, 2004, relating to the settlement of certain litigation matters; (vii) $24.8 in respect of the early repayment by the Company of all amounts outstanding under the Prudential Agreements with respect to the fiscal quarter ended September 30, 2003; and (viii) non-cash charges related to the adoption by the Company of the fair value based method of accounting for stock-based employee compensation in accordance with Statement of Financial Accounting Standards No. 123 and Statement of Financial Accounting Standards No. 148. The definition of EBITDA was also separately amended to give the Company flexibility to settle its commitments under certain leasing and Motorsports event contractual arrangements. The Company paid a fee of 10 basis points of the total commitments under each of the Revolving Credit Facilities in consideration for these amendments to the definition of EBITDA.

In determining the Company’s compliance with the financial covenants as of December 31, 2003, the following charges were added back to the definition of EBITDA: (i) $176.2 of restructuring charges ($153.5 of which were

cash charges), (ii) $47.4 of non-cash charges with respect to the impairment of the remaining book value of the Company’s Motorsports business, (iii) $16.2 of impairment charges taken with respect to capital expenditures of the Company’s Motorsports businesses, (iv) $293.9 of goodwill or investment impairment charges and (v) $115.0 of charges (primarily non-cash) relating to certain litigation matters. Since these charges and payments were added back to the definition of EBITDA, they do not affect the ability of the Company to comply with its financial covenants. Any charges incurred by the Company as a result of its restructuring program after March 31, 2004 will not be added back to EBITDA in determining whether the Company is in compliance with its financial covenants.

The terms of the Revolving Credit Facilities restrict the Company's 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 the Company's domestic subsidiaries to incur additional debt in excess of $65.0. Certain of these limitations were modified upon the Company's issuance on March 13, 2003 of 4.5% Convertible Senior Notes due 2023 (the "4.5% Notes") in an aggregate principal amount of $800.0, from which the Company received net cash proceeds equal to approximately $778. In addition, pursuant to a tender offer that expired on April 4, 2003, the Company purchased $700.5 in aggregate principal amount at maturity of its Zero-Coupon Convertible Senior Notes due 2021 (the "Zero-Coupon Notes"). As a result of these transactions, the Company's permitted level of annual new cash acquisition spending has increased to $100.0 and the permitted level of annual share buybacks and dividend payments not related solely to preferred stock has increased to $25.0. All limitations on dividend payments and share buybacks expire when EBITDA (as defined in the Revolving Credit Facilities) is at least $1,300.0 for four consecutive quarters. The Company's permitted level of annual capital expenditures is $175.0.

On November 18, 2003, the Revolving Credit Facilities were further amended to permit the Company to pay up to $45.0 in annual cash dividends with respect to preferred stock that is convertible into common stock of the Company within 48 months following its issuance. This $45.0 allowance is in addition to the Company's current $25.0 permitted level of annual share buybacks and general dividend payments discussed above.

As a result of the issuance of the 4.5% Notes in the first quarter of 2003 and the settlement of the tender offer for the Zero-Coupon Notes in the second quarter of 2003, both the 4.5% Notes and the Zero-Coupon Notes were outstanding at March 31, 2003. Therefore, the Company amended the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility, as of March 13, 2003, to exclude the Zero-Coupon Notes in calculating the ratio of debt for borrowed money to consolidated EBITDA for the period ended March 31, 2003 (this exclusion is also contained in the New 364-Day Revolving Credit Facility).

On February 26, 2003, the Company obtained waivers of certain defaults under the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility relating to the restatement of the Company's historical Consolidated Financial Statements in the aggregate amount of $118.7. The waivers covered certain financial reporting requirements related to the Company's Consolidated Financial Statements for the quarter ended September 30, 2002. No financial covenants were breached as a result of this restatement.

The Company does not anticipate that any waivers will be needed under the Revolving Credit Facilities prior to, or in connection with, the refinancing of the New 364-Day Revolving Credit Facility.

Other Committed and Uncommitted Facilities

In addition to the Revolving Credit Facilities, at December 31, 2003 and 2002, respectively, the Company had $0.8 and $157.8 of committed lines of credit, all of which were provided by overseas banks that participate in the Revolving Credit Facilities. The decrease in the committed lines of credit was partially offset by the increase in the uncommitted lines of credit. At December 31, 2003 and 2002, respectively, $0.0 and $3.1 were outstanding under these lines of credit.

At December 31, 2003 and 2002, respectively, the Company also had $744.8 and $707.9 of uncommitted lines of credit, 68.0% and 66.8% of which were provided by banks that participate in the Revolving Credit Agreements. At December 31, 2003 and 2002, respectively, $38.1 and $213.2 were outstanding under these uncommitted lines of credit. The Company's uncommitted borrowings are repayable upon demand.

Prudential Agreements

On May 26, 1994, April 28, 1995, October 31, 1996, August 19, 1997 and January 21, 1999, the Company entered into five note purchase agreements, respectively, with The Prudential Insurance Company of America. The notes issued pursuant to the Prudential Agreements were repayable on May 2004, April 2005, October 2006, August 2007 and January 2009, respectively, and had interest rates of 10.01%, 9.95%, 9.41%, 9.09% and 8.05%, respectively.

Due to the high interest rates on the notes issued under the Prudential Agreements and the restrictive financial covenants contained in these agreements, the Company repaid the total principal amount and interest outstanding under the Prudential Agreements on August 8, 2003, including a prepayment penalty that resulted in a net charge of $24.8.

UBS Facility

On February 10, 2003, the Company received from UBS AG a commitment for an interim credit facility providing for $500.0 maturing no later than July 31, 2004 and available to the Company beginning May 15, 2003, subject to certain conditions. This commitment terminated in accordance with its terms when the Company received net cash proceeds in excess of $400.0 from its sale of the 4.5% Notes. The fees associated with the commitment were not material to the Company's financial position, cash flows or results of operation.

Other Debt Instruments

(i) Convertible Senior Notes - 4.5%

In March 2003 the Company completed the issuance and sale of $800.0 aggregate principal amount of the 4.5% Notes. In April 2003, the Company used approximately $581 of the net proceeds of this offering to repurchase the Zero-Coupon Notes tendered in its concurrent tender offer and is using the remaining proceeds for the repayment of other indebtedness, general corporate purposes and working capital. The 4.5% Notes are unsecured, senior securities that may be converted into common shares if the price of the Company's common stock reaches a specified threshold, at an initial conversion rate of 80.5153 shares per one thousand dollars principal amount, equal to a conversion price of $12.42 per share, subject to adjustment. This threshold will initially be 120% of the conversion price and will decline 1/2% each year until it reaches 110% at maturity in 2023.

The 4.5% Notes may also be converted, regardless of the price of the Company's common stock, if: (i) the credit ratings assigned to the 4.5% Notes by any two of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings are lower than Ba2, BB and BB, respectively, or the 4.5% Notes are no longer rated by at least two of these ratings services, (ii) the Company calls the 4.5% Notes for redemption, (iii) the Company makes specified distributions to shareholders or (iv) the Company becomes a party to a consolidation, merger or binding share exchange pursuant to which its common stock would be converted into cash or property (other than securities).

The Company, at the investor's option, may be required to redeem the 4.5% Notes for cash on March 15, 2008. The Company may also be required to redeem the 4.5% Notes at the investor's option on March 15, 2013 and March 15, 2018, for cash or common stock or a combination of both, at the Company's election. Additionally, investors may require the Company to redeem the 4.5% Notes in the event of certain change of control events that occur prior to May 15, 2008, for cash or common stock or a combination of both, at the Company's election. The Company at its option may redeem the 4.5% Notes on or after May 15, 2008 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. If at any time on or after March 13, 2003 the Company pays cash dividends on its common stock, the Company will pay contingent interest per 4.5% Note 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 a 4.5% Note.

(ii) Zero-Coupon Convertible Senior Notes

In December 2001, the Company completed the issuance and sale of approximately $702 of aggregate principal amount of Zero-Coupon Convertible Senior Notes due 2021. In April 2003, the Company used approximately $581 of the proceeds received from the issuance and sale of the 4.5% Notes to repurchase $700.5 in aggregate principal amount at maturity of its Zero-Coupon Notes. As of December 31, 2003, no Zero-Coupon Notes remained outstanding.

(iii) Senior Unsecured Notes - 7.25%

On August 22, 2001, the Company completed the issuance and sale of $500.0 principal amount of senior unsecured notes due 2011. The notes bear interest at a rate of 7.25% per annum. The Company used the net proceeds of approximately $493 from the sale of the notes to repay outstanding indebtedness under its Revolving Credit Facilities.

(iv) Senior Unsecured Notes - 7.875%

On October 20, 2000, the Company completed the issuance and sale of $500.0 principal amount of senior unsecured notes due 2005. The notes bear an interest rate of 7.875% per annum. The Company used the net proceeds of approximately $496 from the sale of the notes to repay outstanding indebtedness under its revolving credit facilities.

(v) Convertible Subordinated Notes - 1.87%

On June 1, 1999, the Company issued $361.0 face amount of Convertible Subordinated Notes due 2006 with a cash coupon rate of 1.87% and a yield to maturity of 4.75%. The 2006 notes were issued at an original price of 83% of the face amount, generating proceeds of approximately $300. The notes are convertible into 6.4 million shares of the Company's common stock at a conversion rate of 17.616 shares per one thousand dollars face amount. Since June 2002, the Company has had the option to redeem the notes for cash.

(vi) Convertible Subordinated Notes - 1.80%

On September 16, 1997, the Company issued $250.0 face amount of Convertible Subordinated Notes due 2004 ("2004 Notes") with a coupon rate of 1.80% and a yield to maturity of 5.25%. The 2004 Notes were issued at an original price of 80% of the face amount, generating proceeds of approximately $200, and were convertible into 6.7 million shares of the Company's common stock at a conversion rate of 26.772 shares per one thousand dollars face amount. On January 20, 2004, the Company exercised its right to redeem all of the 2004 Notes with an aggregate principal amount of approximately $250 at an aggregate price of approximately $246 (96.6813% of the principal amount of the notes plus original issue discount accrued to the redemption date, or $978.10 per $1,000 principal amount of the notes, plus accrued interest to the redemption date). None of the 2004 Notes remain outstanding as of March 12, 2004.

Short-Term Debt at December 31, 2003 and 2002

The Company and its subsidiaries have short-term lines of credit with various banks that permit borrowings at variable interest rates. At December 31, 2003 and 2002, all borrowings under these facilities were by the Company's subsidiaries and totaled $38.1 and $216.3, respectively. Where required, the Company has guaranteed the repayment of borrowings by its subsidiaries.

As of December 31, 2003 and 2002, respectively, 68% and 66.8% of these short-term facilities were provided by banks that participate in the Company's Revolving Credit Facilities. The weighted-average interest rates on outstanding balances under the committed and uncommitted short-term facilities at December 31, 2003 and 2002 were approximately 5% in each year.

The following table summarizes the Company's short-term debt as of December 31, 2003 and 2002.

2003	Total Facility	Amount Outstanding at December 31, 2003	Total Available
Committed			
364-Day Revolving Credit Facility	$ 500.0	$ —	$ 339.9*
Other Facilities (principally International)	0.8	—	0.8
	$ 500.8	$ —	$ 340.7
Uncommitted			
Domestic	$ —	$ —	$ —
International	744.8	38.1	706.7
	$ 744.8	$ 38.1	$ 706.7
Total	$ 1,245.6	$ 38.1	$ 1,047.4

* *Amount available is reduced by $160.1 of Letters of Credit issued under the Revolving Credit Facility.*

2002	Total	Amount Outstanding	Total

	Facility		at December 31, 2002		Available	
Committed						
364-day Revolving Credit Facility	$	500.0	$	—	$	500.0
Other Facilities (principally International)		157.8		3.1		154.7
	$	657.8	$	3.1	$	654.7
Uncommitted						
Domestic	$	27.7	$	7.7	$	20.0
International		680.2		205.5		474.7
	$	707.9	$	213.2	$	494.7
Total	$	1,365.7	$	216.3	$	1,149.4

Other

In 2003, the Company filed a universal shelf registration statement providing for the potential issuance and sale of securities in an aggregate amount of up to $1,800.0. On December 16, 2003, in a concurrent offering, the Company issued 25.8 million shares of common stock and issued 7.5 million shares of 3-year Series A Mandatory Convertible Preferred Stock (the “Preferred Stock”) under this shelf registration. The total net proceeds received from these offerings was approximately $693. The Preferred Stock carries a dividend yield of 5.375%. On maturity, each share of the Preferred Stock will convert, subject to adjustment, to between 3.0358 and 3.7037 shares of common stock, depending on the then-current market price of the Company’s common stock, representing a conversion premium of approximately 22% over the common stock offering price of $13.50 per share. Under certain circumstances, the Preferred Stock may be converted prior to maturity at the option of the holders or the Company.

In January 2004, the Company used approximately $246 of the net proceeds from the offerings to redeem the 1.80% Convertible Subordinated Notes due 2004. The remaining proceeds will be used for general corporate purposes and to further strengthen the Company’s balance sheet and financial condition.

The Company will pay annual dividends on each share of Series A Mandatory Convertible Preferred Stock in the amount of $2.6875. Dividends will be cumulative from the date of issuance and will be payable on each payment date to the extent that dividends are not restricted under the credit facilities and assets are legally available to pay dividends. The first dividend payment was declared on February 24, 2004 and will be made on March 15, 2004 (see below).

On March 7, 2003, Standard & Poor’s Ratings Services downgraded the Company’s senior unsecured credit rating to BB+ with negative outlook from BBB-. On May 14, 2003, Fitch Ratings downgraded the Company’s senior unsecured credit rating to BB+ with negative outlook from BBB-. On May 9, 2003, Moody’s Investor Services, Inc. (“Moody’s”) placed the Company’s senior unsecured and subordinated credit ratings on review for possible downgrade from Baa3 and Ba1, respectively. As of March 12, 2004, the Company’s credit ratings continued to be on review for a possible downgrade.

Since July 2001, the Company has not repurchased its common stock in the open market.

In October 2003, the Company received a federal tax refund of approximately $90 as a result of its carryback of its 2002 loss for US federal income tax purposes and certain capital losses, to earlier periods.

Through December 2002, the Company had paid cash dividends quarterly with the most recent quarterly dividend paid in December 2002 at a rate of $0.095 per share. On a quarterly basis, the Company’s Board of Directors makes determinations regarding the payment of dividends. As previously discussed, the Company’s ability to declare or pay dividends is currently restricted by the terms of its Revolving Credit Facilities. The Company did not declare or pay any dividends in 2003. However, in February 2004, the Company declared a cash dividend of $0.642 per share on the Preferred Stock, which is expressly permitted by the Revolving Credit Facilities. The dividend is payable in cash on March 15, 2004 to any stockholder of record at the close of business on March 1, 2004. This will result in total dividend payments of approximately $5.

Liquidity Outlook

The Company believes that cash on hand and cash flow from operations, together with existing lines of credit, will be sufficient to fund the Company’s working capital needs and other obligations through the next twelve months. In making this determination, the Company has taken into account uses of cash, including:

- its significant contractual obligations (see table below);
- expected cash payments for restructuring;
- possible payments in connection with a transaction to exit remaining contractual obligations related to UK Motorsports; and
- funding of certain underfunded retirement arrangements.

Further, the Company has assumed that capital expenditures in 2004 will not exceed $175.0, that no dividends (other than dividends on its Preferred Stock) will be paid and that there will be no significant amount of payments related to new acquisitions or purchases of treasury stock.

The Company’s Revolving Credit Facilities are an essential part of its liquidity profile. The New 364-day Revolving Credit Facility expires on May 13, 2004. If the lenders fail to extend their commitments by the renewal date, there could be an adverse affect on the Company’s liquidity. Further, if the Company were to lose all or a substantial portion of its uncommitted lines of credit, it would be forced to seek other sources of liquidity.

In the event that additional funds are required or in the event that the Revolving Credit Facilities or uncommitted lines of credit are not extended, the Company believes it will have sufficient resources through cash on hand and its ability to access other debt markets, and through its ability to access the equity markets to meet such requirements. However, there can be no assurance that such additional funding will be available to the Company on terms it considers favorable, if at all. In addition, unanticipated decreases in operating results and the concomitant decrease in cash flows from operations as a result of decreased demand for the Company’s services or from other developments might require the Company to seek modification of its current debt agreements and to seek other sources of liquidity (including the disposition of certain assets) and to modify its operating strategies.

A downgrade in ratings by any of the ratings agencies may trigger a right on the part of the holders of the 4.5% Notes to convert the 4.5% Notes into shares of the Company's common stock. In addition, such an event might adversely affect the Company's ability to access capital, would result in an increase in the interest rates payable under the Revolving Credit Facilities and would likely result in an increase in the interest rate payable under any future indebtedness.

The Company believes that it will be able to meet each of the financial covenants in its Revolving Credit Facilities during 2004.

Summary of Significant Contractual Obligations

The following summarizes the Company's estimated contractual obligations at December 31, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods.

	2004	2005	2006	2007 and thereafter	Total
Long-term debt	$ 244.5	$ 523.8	$ 338.5	$ 1,329.4	$ 2,436.2
Non-cancelable operating lease obligations	$ 317.0	$ 279.9	$ 244.3	$ 1,466.4	$ 2,307.6
Obligations under executory contract	$ 10.0	$ 11.3	$ 12.8	$ 251.1	$ 285.2
Obligations for deferred payments, put options and other payments	$ 154.2	$ 64.0	$ 17.4	$ 16.6	$ 252.2

As discussed in Note 11 to the Consolidated Financial Statements, the Company has a number of retirement plans. The deficit in the funded status of these plans has increased to $198.2 at December 31, 2003. As discussed in Note 11, the Company funded its retirement arrangements with contributions of $30.0 in February 2004. The Company

considers that the long-term return on its pension trust assets and the funding available to the Company will be sufficient to finance these obligations.

Payments for Prior Acquisitions

Deferred Payments

During the three-year period ended December 31, 2003, the Company made the following payments on acquisitions that had closed in prior years:

	2003	2002	2001
Cash	$ 141.1	$ 192.3	$ 188.5
Stock	49.8	72.9	23.4
Total	$ 190.9	$ 265.2	$ 211.9

Deferred payments (or "earn-outs") generally tie the aggregate price ultimately paid for an acquisition to its performance and are recorded as an increase to goodwill and other intangibles. The amount of payment is contingent upon the achievement of projected operating performance targets. The table above excludes NFO, which is classified as a discontinued operation. NFO had deferred payments of $0.1 in 2002 and $4.0 in 2001.

As of December 31, 2003, the Company's estimated liability for deferred payments is as follows:

	2004	2005	2006	2007	2008 and thereafter	Total
Cash	$ 113.7	$ 36.0	$ 15.3	$ 3.9	$ —	$ 168.9
Stock	14.1	18.3	0.8	3.9	—	37.1
Total	$ 127.8	$ 54.3	$ 16.1	$ 7.8	$ —	$ 206.0

The amounts above are contingent upon the achievement of projected operating performance targets. The amounts are estimates based on the current projections as to the amount that will be paid and are subject to revisions as the earn-out periods progress.

Purchase of Additional Interests

During the three years ended December 31, 2003, the Company made the following payments to purchase additional equity interests in certain consolidated subsidiaries:

	2003	2002	2001
Cash	$ 52.3	$ 33.2	$ 35.8
Stock	6.3	10.3	19.4
Total	$ 58.6	$ 43.5	$ 55.2

Put Options

The Company has entered into agreements that may require the Company to purchase additional equity interests in certain consolidated subsidiaries (put options). The estimated amount that would be paid under put options, in the event of exercise at the earliest exercise date, is as follows:

	2004	2005	2006	2007	2008 and thereafter	Total
Cash	$ 31.7	$ 24.8	$ 2.1	$ 1.4	$ 11.3	$ 71.3
Stock	1.2	1.6	0.1	—	—	2.9
Total	$ 32.9	$ 26.4	$ 2.2	$ 1.4	$ 11.3	$ 74.2

The actual amount to be paid is generally contingent upon the achievement of projected operating performance targets and satisfying other conditions as specified in the relevant agreement.

Call Options

The Company also has call options to acquire additional equity interests in certain consolidated subsidiaries. The estimated amount that would be paid under such call options, in the event of exercise, is as follows:

	2004	2005	2006	2007	2008 and thereafter	Total
Cash	$ 5.7	$ 6.3	$ 6.6	$ 1.2	$ 14.8	$ 34.6
Stock	0.3	—	1.0	—	—	1.3
Total	$ 6.0	$ 6.3	$ 7.6	$ 1.2	$ 14.8	$ 35.9

The actual amount to be paid is contingent upon the Company's decision to exercise its option and the upon the achievement of projected operating performance targets and satisfying other conditions as specified in the relevant agreement.

Other Payments

During three years ended December 31, 2003, the Company made the following payments principally related to loan notes and guaranteed deferred payments that had been previously recognized on the balance sheet:

	2003	2002	2001
Cash	$ 27.8	$ 14.5	$ 2.8
Stock	0.1	—	3.2
Total	$ 27.9	$ 14.5	$ 6.0

As of December 31, 2003, the Company's estimated liability for other payments are cash amounts of $8.8 and $3.2 in 2004 and 2005, respectively, and stock amounts of $0.5 in 2004.

Unconsolidated Affiliates

The Company has entered into put and call option agreements with respect to certain companies currently accounted for as unconsolidated affiliates. The estimated amount that would be paid primarily under put options, in the event of exercise at the earliest exercise date, is as follows:

	2004	2005	2006	2007	2008 and thereafter	Total
Cash	$ 5.1	$ 7.8	$ 14.5	$ 14.3	$ 1.5	$ 43.2
Stock	0.5	0.8	0.4	0.7	0.9	3.3
Total	$ 5.6	$ 8.6	$ 14.9	$ 15.0	$ 2.4	$ 46.5

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements. Of these policies, the Company believes the following accounting policies are critical because they are both important to the presentation of the Company's financial condition and results and they require management's most difficult, subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. The Company bases its estimates on historical experience and on other factors that it considers reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following accounting policies are critical to the accuracy of the more significant judgements and estimates used in the preparation of its Consolidated Financial Statements:

- revenue recognition;
- allowance for doubtful accounts;
- accounting for income taxes;
- valuation of long-lived and intangible assets and investments; and
- accounting for business combinations.

Revenue Recognition

The Company derives revenue from advertising services, including media buying, and from marketing and communication services, including market research, public relations, direct marketing, sales promotion and event marketing activities.

The Company's advertising services revenue is derived from commissions that are earned when the media is placed, from fees earned as advertising services are performed and from production services rendered. In addition, incentive amounts may be earned based on qualitative and/or quantitative criteria. In the case of commissions, revenue is recognized as the media placements appear. In the case of fee and production arrangements, the revenue is recognized as the services are performed which is generally ratably over the period of the client contract. The Company's marketing service revenues are generally earned on a fee basis, and in certain cases incentive amounts may also be earned. As with fee arrangements in advertising, such revenue is recognized as the work is performed. Incentive amounts for advertising and marketing services are recognized upon satisfaction of the qualitative and/or quantitative criteria, as set out in the relevant client contract.

In many cases, the amount the Company bills to clients significantly exceeds the amount of revenues that is earned due to the existence of various "pass-through" charges such as the cost of media. In compliance with Emerging Issues Task Force pronouncement ("EITF") 99-19, *Reporting Revenue Gross as a*

Principal versus Net as an Agent and EITF 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket Expenses Incurred"*, the Company generally records revenue net of "pass-through" charges as it is not the primary obligor with respect to the cost of "pass-through" charges and generally acts as an agent on behalf of its clients with respect to such costs.

Expenditures billable to clients include costs incurred primarily in connection with production work by the Company on behalf of clients that have not yet been billed to clients. Commissions and fees on such production work are recorded as revenue when earned. As of December 31, 2003, the amount of expenditures billable to clients was $280.6.

Allowance for Doubtful Accounts

The Company assesses the required amount of allowance for doubtful accounts based on past experience and reviews of aging and analysis of specific accounts.

The aging of accounts receivable, reviews of client credit reports, industry trends and economic indicators, as well as analysis of recent payment history for selected customers, enables the Company to estimate the expected bad debt experience related to receivables at each period end. The estimate is based largely on a formula-driven calculation but is supplemented with economic indicators and specific knowledge of potential write-offs in client accounts.

In 2003, the Company recorded a lower amount of bad debt expense than in the prior year reflecting improved experience with collections and as compared to the prior year in which there were larger specific write-offs.

Accounting for Income Taxes

As part of the process of preparing its Consolidated Financial Statements, the Company is required to estimate income taxes payable in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's Consolidated Balance Sheet.

SFAS 109 requires 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 a valuation allowance must be considered. The Company believes that cumulative losses in the most recent three year period represent sufficient negative evidence to consider a valuation allowance under the provisions of SFAS 109. As a result, the Company determined that certain of its 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 US capital loss carryforwards. During 2003, a valuation allowance of $53.9 was established in continuing operations on existing deferred tax assets. In addition, $26.8 of valuation allowances were established in continuing operations for current year losses incurred in jurisdictions where a benefit is not currently expected, and $3.7 of valuation allowances were established in continuing operations for certain US capital and other loss carryforwards.

The realization of the remaining deferred tax assets is primarily dependent on forecasted future taxable income. Any reduction in estimated forecasted future taxable income, including but not limited to any future restructuring activities may require that we record additional valuation allowances against our deferred tax assets on which a valuation allowance has not previously been established. The valuation allowance that has been established will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that such assets will be realized. An ongoing pattern of profitability will generally be considered as sufficient positive evidence. Our income tax expense recorded in the future will be reduced to the extent of offsetting decreases in our valuation allowance. The establishment and reversal of valuation allowances could have a significant negative or positive impact on our future earnings.

Valuation of Long-Lived and Intangible Assets and Investments

The Company has a significant amount of long-lived assets, including fixed assets, investments, goodwill and other intangibles. The Company periodically evaluates the realizability of all of its long-lived assets whenever events or changes in circumstances indicated that the carrying value of an asset might not be recoverable.

Goodwill

In the third quarter of each year (as of September 30) the Company formally evaluates the realizability of its goodwill and other intangibles, using discounted cash flow projections. The Company has used the September 30 date since the adoption of SFAS 142. Such projections require the use of estimates and assumptions as to matters such as future revenue growth, product margins, capital expenditures, assumed tax rates and discount rates. Such projections are prepared for each reporting unit as defined in SFAS 142. Management believes that the estimates and assumptions made are reasonable. To the extent that the Company has incorrectly estimated the revenue growth and/or product margin assumptions in the calculations, the goodwill related to certain reporting units may be determined to be unrealizable and an impairment charge may have to be recorded.

The Company believes that the accounting estimates relating to potential goodwill and other intangible impairments are a "critical accounting estimate" because (i) they are susceptible to change from period to period and (ii) they require the Company to make assumptions about future forecast growth rates.

In 2003 and 2002, as a result of the impairment analyses conducted above, total charges related to goodwill impairment of $221.0 and $82.1, respectively, were recorded in the income statement. This was due to the fact that expectations for future earnings from the OWW and Motorsports reporting units would not be sufficient to recover any of the goodwill of the reporting unit. See Note 5 to the Consolidated Financial Statements for further information.

Investments

The Company regularly reviews its cost and equity investments, where market value has declined below cost, to determine whether there has been an "other than temporary" decline in market value. For investments accounted for using the cost or equity method of accounting, management evaluates information (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market price, if any, in determining whether an other than temporary decline in value exists. Factors indicative of an other than temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and management weighs all known quantitative and qualitative factors in determining if an other than temporary decline in value of an investment has occurred.

The Company recorded non-cash impairment charges of $84.9, $39.7 and $210.8 in 2003, 2002 and 2001, respectively. The Company considers that future impairment charges may be necessary based on the factors above, but anticipates that these would not be as significant as in prior years.

Fixed Assets
For fixed assets, accounting standards require that if the sum of the future cash flows expected to result from a Company's asset grouping, undiscounted and without interest charges, is less than the reported value of the asset, an asset impairment must be recognized in the financial statements. The amount of the impairment recognized is calculated by subtracting the imputed fair value, as calculated above, from the reported value of the asset.

As discussed in Note 5 to the Consolidated Financial Statements, there were significant long-lived assets held at Motorsports. The remaining assets as of December 31, 2003 were sold in a transaction that occurred in January 2004. An impairment charge of $38.0 was recorded in 2003 to reduce the Company value of these assets to their realizable value.

Future events could cause the Company to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial condition and results of operations.

Accounting for Business Combinations
The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair market values. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair market values assigned to its tangible and identifiable intangible net assets at the date of acquisition. Determining the fair market value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including, among others, assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items.

The Company has significant future deferred payments ("earn outs") that generally tie the aggregate price ultimately paid for an acquisition to its performance over a period of time. Such payments are recorded within the financial statements once the payment of such earn outs is probable and estimable, and when any contractual contingencies have been met. The Company has policies and procedures in place to determine if such payments relate to the acquisition, and should be allocated to the assets and liabilities acquired, or should be expensed as compensation payments. These policies include reviewing the acquisition agreements and employment terms of former owners of the acquired businesses. The total amount that is anticipated to be settled, in cash and stock, is estimated to be $206.0, of which $127.8 relates to payments due in 2004. The actual amounts to be paid are contingent upon the achievement of projected operating performance targets (generally over a three or four year period) and satisfying other conditions as specified in the relevant agreements.

OTHER MATTERS

SEC Investigation
The Company was informed in January 2003 by the Securities and Exchange Commission staff that the SEC has issued a formal order of investigation related to the Company's restatements of earnings for periods dating back to 1997. The matters had previously been the subject of an informal inquiry. The Company is cooperating fully with the investigation.

Other Contingencies
The Company continues to have commitments under certain leasing and motorsports event contractual arrangements at the Silverstone circuit. As of December 31, 2003, the Company is committed to remaining payments under these arrangements of approximately $460. This amount relates to undiscounted payments through 2015 principally under an executory contract and an operating lease and assumes payments over the maximum remaining term of the relevant agreements. This estimated amount has not been reduced by any future revenues to be generated from the arrangements. The Company is continuing to explore various options with respect to these commitments, at least one of which may involve a cash disbursement in the order of $200. The Company has obtained amendments of certain definitions contained in its Revolving Credit Agreements (as discussed in Note 8 to the Consolidated Financial Statements) to reduce the impact of such cash disbursement and the resulting accounting charge on its financial covenant calculations.

RECENT ACCOUNTING STANDARDS

In December 2003, Statement of Financial Accounting Standards No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits* ("SFAS 132"), was revised ("SFAS 132-R"). This Statement revises employers' disclosures about pension plans and other postretirement benefit plans but does not alter any recognition or measurement issues promulgated under other standards. This statement retains the disclosure requirements contained in SFAS 132, which it replaces, and requires additional disclosures concerning the assets, obligations, cash flows, and net periodic benefit costs of both defined benefit pension plans and defined benefit postretirement plans. SFAS 132-R requires information to be provided separately for pension plans and for other postretirement benefit plans.

With the exception of certain requirements related to foreign plans and ten-year expected payout provisions, disclosures not required for 2003, the Company adopted SFAS 132-R in 2003 (see Note 11 to the Consolidated Financial Statements).

In June 2001, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), was issued. SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated retirement costs that result from the acquisition, construction, or development and normal operation of a long-lived asset. Upon initial recognition of a liability for an asset retirement obligation, SFAS 143 requires an increase in the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over the asset's useful life. The adoption of this statement in 2003 did not have a material impact on the Company's financial position or results of operations.

In June 2002, Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"), was issued. SFAS 146 changes the measurement and timing of recognition for exit costs, including restructuring charges, and is effective for any such activities initiated after December 31, 2003. It has no effect on charges recorded for exit activities begun prior to this date. The adoption of this statement did not have a material impact on the Consolidated Financial Statements of the Company.

In December 2002, Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* ("SFAS 148"), an amendment of FASB Statement No. 123 ("SFAS 123") was issued. The Company is choosing to continue with its current practice of applying the recognition and measurement principles of APB 25, *Accounting for Stock Issued to Employees*. The Company has adopted the disclosure requirements of SFAS 148.

In April 2003, Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"), was issued. SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). This statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this statement did not have a material impact on the Company's Consolidated Financial Statements.

During 2003, Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"), was issued. SFAS 150 establishes standards for classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain cases). The provisions of SFAS 150 are effective for instruments entered into or modified after May 31, 2003 and pre-existing instruments as of July 1, 2003. On October 29, 2003, the FASB voted to indefinitely defer the effective date of SFAS 150 for mandatorily redeemable instruments as they relate to minority interests in consolidated finite-lived entities through the issuance of FASB Staff Position 150-3. The standard was adopted effective the third quarter of 2003, as modified by FSP 150-3, and did not have a material impact on its Consolidated Results of Operations or Financial Position.

In November 2002, FASB Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, was issued. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies (for guarantees issued after January 1, 2003) that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing the guarantee. Disclosures concerning guarantees are found in Note 16 to the Consolidated Financial Statements.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46"), which addresses consolidation by business enterprises of variable interest entities ("VIEs") either: (1) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) in which the equity investors lack an essential characteristic of a controlling financial interest. In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") (FIN 46-R) resulting in multiple effective dates based on the

nature as well as the creation date of the VIE. VIEs created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the Company's quarter ended March 31, 2004. VIEs created after January 1, 2004 must be accounted for under the Revised Interpretations. Special Purpose Entities ("SPEs") created prior to February 1, 2003 may be accounted for under the original or revised interpretation's provisions no later than the Company's quarter ended March 31, 2004. Non-SPEs created prior to February 1, 2003, should be accounted for under the revised interpretation's provisions no later than the Company's second quarter of fiscal 2004. The Company has not entered into any material arrangements with VIEs created after January 31, 2003 and has determined that the adoption of FIN 46-R will not have a material impact on its results of operations and financial condition.

In January 2004, FASB Staff Position ("FSP") No. 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-1"), was issued which permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the new legislation. The Company has elected to defer the accounting until further guidance is issued by the FASB. The measurements of the Company's postretirement accumulated benefit plan obligation and net periodic benefit cost disclosed in Note 11 do not reflect the effects of the new legislation. The guidance, when issued, could require the Company to change previously reported information.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows, and of stockholders' equity and comprehensive income present fairly, in all material respects, the financial position of The Interpublic Group of Companies, Inc. and its subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements 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), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 disclosed in the Summary of Significant Accounting Policies note, effective January 1, 2002, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of the accounting guidance of Statement of Financial Accounting Standards No. 142.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York

March 12, 2004, except for Note 15, which is as of October 8, 2004

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

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
REVENUE	$ 5,863.4	$ 5,737.5	$ 6,352.7
OPERATING EXPENSES:			
Salaries and related expenses	3,451.8	3,350.0	3,620.9
Office and general expenses	1,885.6	1,880.4	1,896.1
Amortization of intangible assets	11.3	8.9	164.6
Restructuring and other merger-related costs	175.6	12.1	634.5
Long-lived asset impairment and other charges	286.9	127.1	303.1
Total operating expenses	5,811.2	5,378.5	6,619.2
OPERATING INCOME (LOSS)	52.2	359.0	(266.5)
OTHER INCOME (EXPENSE):			
Interest expense	(172.8)	(145.6)	(164.6)
Debt prepayment penalty	(24.8)	—	—
Interest income	38.9	29.8	41.8
Other income	50.0	7.9	13.7
Investment impairments	(84.9)	(39.7)	(210.8)
Litigation charges	(127.6)	—	—
Total other income (expense)	(321.2)	(147.6)	(319.9)
Income (loss) before provision for (benefit of) income taxes	(269.0)	211.4	(586.4)
Provision for (benefit of) income taxes	254.0	117.9	(66.1)
Income (loss) of consolidated companies	(523.0)	93.5	(520.3)
Income applicable to minority interests	(30.9)	(30.5)	(29.4)
Equity in net income (loss) of unconsolidated affiliates	1.0	5.0	(0.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(552.9)	68.0	(550.1)
INCOME FROM DISCONTINUED OPERATIONS (NET OF TAX)	101.2	31.5	15.6
NET INCOME (LOSS)	$ (451.7)	$ 99.5	$ (534.5)

Earnings (loss) per share of common stock:			
Basic:			
Continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Discontinuing operations	0.26	0.08	0.04
Total	$ (1.17)	$ 0.26	$ (1.45)
Diluted:			
Continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Discontinuing operations	0.26	0.08	0.04
Total	$ (1.17)	$ 0.26	$ (1.45)
Weighted average shares:			
Basic	385.5	376.1	369.0
Diluted	385.5	381.3	369.0
Cash dividends per share	$ —	$ 0.38	$ 0.38

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

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Amounts in Millions, Except Per Share Amounts)

ASSETS

	DECEMBER 31, 2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,005.7	$ 933.0
Accounts receivable (net of allowance for doubtful accounts: 2003-$133.4; 2002-$139.8)	4,593.9	4,584.9
Expenditures billable to clients	280.6	340.3
Deferred income taxes	201.7	37.0
Prepaid expenses and other current assets	267.8	427.1
Total current assets	7,349.7	6,322.3
FIXED ASSETS, AT COST:		
Land and buildings	108.1	168.2
Furniture and equipment	1,024.9	1,125.1
Leasehold improvements	516.0	487.8
	1,649.0	1,781.1
Less: accumulated depreciation	(991.9)	(955.4)
Total fixed assets	657.1	825.7
OTHER ASSETS:		
Investments	248.6	357.3
Deferred income taxes	344.5	509.9
Other assets	282.0	319.8
Goodwill	3,310.6	3,377.1
Other intangible assets (net of accumulated amortization: 2003-$27.2; 2002-$40.9)	42.0	81.6
Total other assets	4,227.7	4,645.7
TOTAL ASSETS	$ 12,234.5	$ 11,793.7

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

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Amounts in Millions, Except Per Share Amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 2003	2002
CURRENT LIABILITIES:		

Accounts payable	$ 5,240.4	$ 5,125.5
Accrued expenses	1,094.6	1,110.8
Accrued income taxes	6.9	33.2
Loans payable	38.1	216.3
Convertible subordinated notes	244.1	—
Zero-coupon convertible senior notes	—	581.0
Current portion of long-term debt	0.4	23.0
Total current liabilities	6,624.5	7,089.8
NON-CURRENT LIABILITIES:		
Long-term debt	1,054.2	1,253.1
Convertible subordinated notes	337.5	564.6
Convertible senior notes	800.0	—
Deferred compensation	488.3	470.5
Accrued postretirement benefits	51.5	55.6
Other non-current liabilities	202.6	189.7
Minority interests in consolidated subsidiaries	70.0	70.4
Total non-current liabilities	3,004.1	2,603.9
Commitments and contingencies (Note 16)		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, shares authorized: 20.0, shares issued: 2003 - 7.5; 2002 - none	373.7	—
Common stock, $0.10 par value, shares authorized: 800.0, shares issued: 2003 - 418.4; 2002 - 389.3	41.8	38.9
Additional paid-in capital	2,075.1	1,797.0
Retained earnings	406.3	858.0
Accumulated other comprehensive loss, net of tax	(215.1)	(373.6)
	2,681.8	2,320.3
Less:		
Treasury stock, at cost: 2003 - 0.3 shares; 2002 - 3.1 shares	(11.3)	(119.2)
Unamortized deferred compensation	(64.6)	(101.1)
Total stockholders' equity	2,605.9	2,100.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,234.5	$ 11,793.7

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

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

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS:			
Net income (loss) from continuing operations	$ (552.9)	$ 68.0	$ (550.1)
Adjustments to reconcile net income (loss) from continuing operations to cash provided by operating activities:			
Depreciation and amortization of fixed assets	192.8	190.8	198.1
Amortization of intangible assets	11.3	8.9	164.6
Amortization of restricted stock awards and bond discounts	73.8	83.0	68.4
Provision for (benefit of) deferred income taxes	71.5	45.6	(187.4)
Undistributed equity earnings	(1.0)	(5.0)	0.4
Income applicable to minority interests	30.9	30.5	29.4
Restructuring charges - non-cash	6.2	—	103.7
Long-lived asset impairments	286.9	127.1	275.6
Investment impairments	84.9	39.7	210.8
Litigation charges	127.6	—	—
Gain on sale of Modem Media and TNS	(43.7)	—	—
Other	(6.2)	0.7	(5.4)
Change in assets and liabilities, net of acquisitions:			
Accounts receivable	264.1	343.7	810.4
Expenditures billable to clients	38.4	(11.9)	98.7
Prepaid expenses and other current assets	89.5	(46.8)	(116.8)
Accounts payable and accrued expenses	(228.8)	(11.3)	(990.2)
Other non-current assets and liabilities	56.7	(7.1)	17.9
Net cash provided by operating activities from continuing operations	502.0	855.9	128.1

CASH FLOWS FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS:			
Acquisitions, including deferred payments, net of cash acquired	(224.6)	(276.8)	(308.8)
Capital expenditures	(159.6)	(171.4)	(257.5)
Proceeds from the sale of discontinued operations, net of cash sold	376.7	—	—
Proceeds from sales of businesses and fixed assets	26.8	14.0	20.2
Proceeds from sales of investments	128.8	51.3	36.8
Purchases of investments	(65.8)	(112.6)	(108.5)
Maturities of short-term marketable securities	51.9	50.5	85.3
Purchases of short-term marketable securities	(49.7)	(21.9)	(109.1)
Net cash provided by (used in) investing activities from continuing operations	84.5	(466.9)	(641.6)
CASH FLOWS FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS:			
Decrease in short-term bank borrowings	(226.8)	(212.5)	(669.5)
Repurchase of zero-coupon convertible notes	(581.0)	—	—
Proceeds from long-term debt	1.2	4.3	1,804.1
Proceeds from termination of interest rate swaps	—	50.0	—
Proceeds from 4.5% convertible senior notes	800.0	—	—
Payments of long-term debt	(164.6)	(175.4)	(281.1)
Debt issuance costs	(27.0)	(1.3)	(26.3)
Issuance of preferred stock	373.7	—	—
Preferred stock issuance costs	(12.1)	—	—
Treasury stock acquired	—	—	(87.2)
Treasury stock transactions	—	(7.9)	(30.8)
Issuance of common stock	351.8	58.6	85.6
Common stock issuance costs	(16.5)	—	—
Distributions to minority interests	(26.4)	(32.7)	(24.3)
Dividends from unconsolidated affiliates	8.8	3.1	6.9
Cash dividends - Interpublic	—	(145.6)	(129.2)
Cash dividends - pooled companies	—	—	(15.2)
Net cash provided by (used in) financing activities from continuing operations	481.1	(459.4)	633.0
Effect of exchange rates on cash and cash equivalents	18.5	59.1	(36.3)
Net cash (used in) provided by discontinued operations	(13.4)	9.1	7.4
Increase (decrease) in cash and cash equivalents	1,072.7	(2.2)	90.6
Cash and cash equivalents at beginning of year	933.0	935.2	844.6
Cash and cash equivalents at end of year	$ 2,005.7	$ 933.0	$ 935.2
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 155.6	$ 116.0	$ 122.5
Cash paid for income taxes, net of $132.5 of refunds in 2003	$ 122.7	$ 51.3	$ 217.3

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

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE THREE YEARS ENDED DECEMBER 31, 2003
(Amounts in Millions)

		Common Stock							
	Preferred Stock	Number of Shares	Amount (par value $.10)	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unamortized Expense of Restricted Stock Grants	Total
BALANCES AT DECEMBER 31, 2000	—	**377.3**	**$ 37.7**	**$ 1,514.7**	**$ 1,554.0**	**$ (410.2)**	**$ (194.8)**	**$ (131.1)**	**$ 2,370.3**
Comprehensive income:									
Net loss					$ (534.5)				$ (534.5)
Adjustment for minimum pension liability						(5.4)			(5.4)
Change in market value of securities available-for-sale (net of reclassifications)						55.1			55.1
Foreign currency translation adjustment						(87.3)			(87.3)
Total comprehensive loss									(572.1)
Dividends					(151.0)				(151.0)
Awards of stock under Company plans:									
Restricted stock, net of forfeitures and amortization		0.8	0.1	37.4			(0.9)	17.1	53.7
Employee stock purchases		1.0	0.1	19.6					19.7
Exercise of stock options, including tax benefit		3.8	0.4	129.4					129.8
Purchase of Company's own stock							(123.7)		(123.7)
Issuance of shares for acquisitions		2.9	0.3	56.8			29.2		86.3
Equity adjustments - pooled companies				26.0					26.0
Other				1.3	(0.2)				1.1
BALANCES AT DECEMBER 31, 2001	—	**385.8**	**$ 38.6**	**$ 1,785.2**	**$ 868.3**	**$ (447.8)**	**$ (290.2)**	**$ (114.0)**	**$ 1,840.1**

Comprehensive income:									
Net income					$ 99.5				$ 99.5
Adjustment for minimum pension liability						(45.1)			(45.1)
Change in market value of securities available-for-sale (net of reclassifications)						(4.4)			(4.4)
Foreign currency translation adjustment						123.7			123.7
Total comprehensive income									173.7
Dividends					(109.8)				(109.8)
Awards of stock under Company plans:									
Achievement stock and incentive awards				0.1					0.1
Restricted stock, net of forfeitures and amortization		1.1	0.1	30.6			(5.5)	12.9	38.1
Employee stock purchases		0.9	0.1	15.9					16.0
Exercise of stock options, including tax benefit		1.5	0.1	17.7			48.3		66.1
Issuance of shares for acquisitions				(53.7)			128.2		74.5
Other				1.2					1.2
BALANCES AT DECEMBER 31, 2002	**—**	**389.3**	**$ 38.9**	**$ 1,797.0**	**$ 858.0**	**$ (373.6)**	**$ (119.2)**	**$ (101.1)**	**$ 2,100.0**
Comprehensive income:									
Net loss					$ (451.7)				$ (451.7)
Adjustment for minimum pension liability						10.9			10.9
Change in market value of securities available-for-sale (net of reclassifications)						6.0			6.0
Foreign currency translation adjustment						141.6			141.6
Total comprehensive loss									(293.2)
Awards of stock under Company plans:									
Achievement stock and incentive awards				0.5					0.5
Restricted stock, net of forfeitures and amortization				(3.9)				36.5	32.6
Employee stock purchases		0.9	0.1	9.6					9.7
Exercise of stock options, including tax benefit				1.6					1.6
Issuance of shares for acquisitions		2.4	0.2	(45.6)			107.9		62.5
Issuance of preferred stock	373.7			(12.1)					361.6
Issuance of common stock, net of fees		25.8	2.6	326.9					329.5
Other				1.1					1.1
BALANCES AT DECEMBER 31, 2003	**$ 373.7**	**418.4**	**$ 41.8**	**$ 2,075.1**	**$ 406.3**	**$ (215.1)**	**$ (11.3)**	**$ (64.6)**	**$ 2,605.9**

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

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

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Company is a worldwide global marketing services company, providing clients with communications expertise in three broad areas: a) advertising and media management, b) marketing communications, which includes client relationship management (direct marketing), public relations, sales promotion, on-line marketing, corporate and brand identity and healthcare marketing, and c) specialized marketing services, which includes sports and entertainment marketing, corporate meetings and events, retail marketing and other marketing and business services.

Prior to the second quarter of 2003, the Company had maintained a global operating group, Advanced Marketing Services ("AMS"). In connection with the disposal of the NFO WorldGroup ("NFO") (see below), AMS was disbanded and its remaining components (principally Weber Shandwick) became stand-alone agencies.

At September 30, 2004, the Company is organized into four global operating groups together with several stand-alone agencies. The four global operating groups are: a) McCann; b) FCB; c) The Partnership; and d) CMG. The stand-alone agencies include Initiative Media, Campbell-Ewald, Hill Holliday, Deutsch and Octagon Worldwide ("OWW") which provide advertising and/or marketing communication services. Each of the four groups and the stand-alone agencies has its own management structure and reports to senior management of the Company on the basis of this structure.

As of December 31, 2003, the Company had an additional global operating group, Interpublic Sports and Entertainment Group ("SEG"). SEG included OWW and certain other businesses. During the second quarter of 2004, SEG was disbanded and its component parts were either reallocated to one of the four global operating groups or became stand-alone agencies.

As discussed in Note 3, on July 10, 2003, the Company completed the sale of NFO research unit to Taylor Nelson Sofres PLC ("TNS"). The results of NFO are classified as a discontinued operation in accordance with SFAS 144, *Accounting for the Impairment on Disposal of Long-Lived Assets*, and, accordingly the results of operations and cash flows of NFO have been removed from the Company's results of continuing operations and cash flow for all periods presented in the document.

Principles of Consolidation

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

Certain prior year amounts have been reclassified to conform to current year presentation.

Cash Equivalents and Investments

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.

The Company classifies all of its existing marketable equity securities as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"). These securities are carried at fair value with the corresponding unrealized gains and losses reported as a separate component of comprehensive income. The cost of securities sold is determined based upon the average cost of the securities sold.

Investments in the accompanying Consolidated Balance Sheet include investments accounted for on the equity method and cost investments, including investments to fund certain retirement obligations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 allowances for doubtful accounts, depreciation and amortization, taxes, restructuring reserves and contingencies.

Translation of Foreign Currencies

The financial statements of the Company's foreign operations, when the local currency is the functional currency, are translated into US 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 income.

The financial statements of foreign subsidiaries located in highly inflationary economies are remeasured as if the functional currency were the US Dollar. The related remeasurement adjustments are included as a component of operating expenses.

Revenue Recognition

The Company derives revenue from advertising services, including media buying, and from marketing and communication services, including public relations, direct marketing, sales promotion and event marketing activities.

The Company's advertising services revenue is derived from commissions that are earned when the media is placed, from fees earned as advertising services are performed and from production services rendered. In addition, incentive amounts may be earned based on qualitative and/or quantitative criteria. In the case of commissions, revenue is recognized as the media placements appear. In the case of fee and production arrangements, the revenue is recognized as the services are performed which is generally ratably over the period of the client contract. The Company's marketing service revenue is generally earned on a fee basis, and in certain cases incentive amounts may also be earned. As with fee arrangements in advertising, such revenue is recognized as the work is performed. Incentive amounts for advertising and marketing services are recognized upon satisfaction of the qualitative and/or quantitative criteria, as set out in the relevant client contract.

In many cases, the amount the Company bills to clients significantly exceeds the amount of revenues that is earned due to the existence of various "pass-through" charges such as the cost of media. In compliance with Emerging Issues Task Force pronouncement ("EITF") 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* and EITF 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket Expenses Incurred*", the Company generally records revenue net of "pass-through" charges as it is not the primary obligor with respect to the cost of "pass-through" charges and generally acts as an agent on behalf of its clients with respect to such costs.

Expenditures Billable to Clients

Expenditures billable to clients include costs incurred primarily in connection with production work by the Company on behalf of clients that have not yet been billed to clients. Commissions and fees on such production work are recorded as revenue when earned.

Property and Depreciation

The cost of property and equipment is depreciated generally using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 20 years for furniture and equipment and from 10 to 45 years for property. Leasehold improvements are capitalized and amortized over the shorter of the life of the asset or the lease term.

Long-lived Assets

Long-lived assets consist primarily of property and equipment and intangible assets.

Property and Equipment
Property and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if an impairment exists pursuant to the requirements of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of its carrying value or net realizable value. Effective January 1, 2002, the Company adopted SFAS 144. The adoption of this statement did not have a material impact on the Company's financial position or results of operations. See Note 5 for a description of impairment charges recognized during 2003 and 2002.

Intangible Assets

Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Effective January 1, 2002, with the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), goodwill is no longer amortized. Prior to January 1, 2002, goodwill was amortized on a straight-line basis, over periods not exceeding 40 years. Beginning January 1, 2002, goodwill is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but can be combined when reporting units within the same segment have similar economic characteristics. The vast majority of goodwill relates to and is assigned directly to a specific reporting unit. An impairment loss would generally be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The estimated fair value of a reporting unit is determined using a discounted cash flow analysis.

The following analysis shows the impact on the Company's statement of operations of discontinuing goodwill amortization had SFAS 142 been effective for 2001:

	Year Ended December 31,		
	2003	2002	2001
Reported income (loss) from continuing operations	$ (552.9)	$ 68.0	$ (550.1)
Add back:			
Goodwill amortization	—	—	164.4
Tax benefit on goodwill amortization	—	—	(23.6)
Adjusted income (loss) from continuing operations	$ (552.9)	$ 68.0	$ (409.3)
Basic earnings (loss) per share:			
Reported earnings (loss) from continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Add back: goodwill amortization, net of tax	—	—	0.38
Adjusted earnings (loss) from continuing operations	$ (1.43)	$ 0.18	$ (1.11)
Diluted earnings (loss) per share:			
Reported earnings (loss) from continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Add back: goodwill amortization, net of tax	—	—	0.38
Adjusted earnings (loss) from continuing operations	$ (1.43)	$ 0.18	$ (1.11)

Other intangible assets include, principally, customer lists, trade names, customer relationships and other intangible assets acquired from an independent party. Effective January 1, 2002, with the adoption of SFAS 142, intangible assets with an indefinite life, namely certain trade names, are not amortized. Intangible assets with a definite life are amortized on a straight-line basis with estimated useful lives generally ranging from 7 to 40 years. Indefinite-lived intangible assets will be tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that a carrying amount of an asset (asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows used in determining the fair value of the

asset. The amount of the impairment loss to be recorded is calculated by the excess of the assets carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis. See Note 5 for a description of impairment charges recognized in 2002 and 2003.

As of December 31, 2003, the Company's remaining unamortized goodwill balance and intangible assets were $3,310.6 and $42.0, respectively. The Company estimates that, based on its current intangible assets, amortization expense will be approximately $11 in each of the next five years.

Income Taxes

Income taxes are accounted for under the asset and 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.

As required by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, ("SFAS 109") the Company is required to evaluate on a quarterly basis the realizability of its deferred tax assets. SFAS 109 requires 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, a valuation allowance must be considered. See Note 7 for details of valuation allowances established in 2003.

Income taxes are generally not provided on undistributed earnings of foreign subsidiaries because these earnings are considered to be permanently invested.

Earnings Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year but also include the dilutive effect of stock-based incentives and option plans (including stock options and awards to restricted stock), the assumed conversion, as applicable, of the convertible notes as described in Note 8, and the assumed conversion, as applicable, of the Series A Mandatory Convertible Preferred Stock as discussed in Note 9.

Treasury Stock

In July 1999, the Board of Directors authorized the repurchase of up to 60 million shares of the Company's common stock and, specifically, authorized a maximum of 6 million shares be purchased annually. The purchase of treasury shares is accounted for at cost. The reissuance of treasury shares is accounted for on a first-in, first-out basis and any gains or losses are accounted for as additional paid-in capital. Since July 2001, the Company has not made any material purchases of treasury shares.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable, expenditures billable to clients, interest rate instruments and foreign exchange contracts. The Company invests its excess cash in investment-grade, short-term securities with financial institutions and limits the amount of credit exposure to any one counterparty. Concentrations of credit risk with accounts receivable are limited due to the large number of clients and the dispersion across different industries and geographical areas. The Company performs ongoing credit evaluations of its clients and maintains an allowance for doubtful accounts based upon the expected collectibility of all accounts receivable. The Company is exposed to credit loss in the event of nonperformance by the counterparties of the interest rate swaps and foreign currency contracts. The Company limits its exposure to any one financial institution and does not anticipate nonperformance by these counterparties.

Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, ("SFAS 133") as amended by SFAS No. 138, *Accounting for*

Certain Derivative Instruments and Certain Hedging Activities. The new accounting pronouncements established accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the derivative's fair value are to be recognized currently in earnings unless specific hedge accounting criteria are met.

See Note 13 for a discussion of derivative instruments.

Stock Option Plans

The Company has various stock-based compensation plans as discussed in Note 10. The stock-based compensation plans are accounted for under the intrinsic value recognition and measurement principles of APB Opinion 25, *Accounting for Stock Issued to Employees* and related interpretations. Generally, all employee stock options are issued with the exercise price equal to the market price of the underlying shares at the grant date and therefore, no compensation expense is recorded. The intrinsic value of restricted stock grants and certain other stock-based compensation issued to employees as of the date of grant is amortized to compensation expense over the vesting period.

If compensation cost for the Company's stock option plans and its Employee Stock Purchase Plan ("ESPP") had been determined based on the fair value at the grant dates as defined by Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation*, the Company's pro forma income (loss) from continuing operations and earnings (loss) per share from continuing operations would have been as follows:

	Year Ended December 31,		
	2003	**2002**	**2001**
Income (loss) from continuing operations			
As reported, income (loss) from continuing operations	$ (552.9)	$ 68.0	$ (550.1)
Add back:			
Stock-based employee compensation expense included in net income (loss) from continuing operations, net of tax	22.7	28.9	28.1
Deduct:			
Total fair value of stock based employee compensation expense, net of tax	(57.4)	(65.4)	(96.0)
Pro forma income (loss) from continuing operations	$ (587.6)	$ 31.5	$ (618.0)
Earnings (loss) per share from continuing operations			
Basic earnings (loss) per share			
As reported	$ (1.43)	$ 0.18	$ (1.49)
Pro forma	$ (1.52)	$ 0.08	$ (1.67)
Diluted earnings (loss) per share			
As reported	$ (1.43)	$ 0.18	$ (1.49)
Pro forma	$ (1.52)	$ 0.08	$ (1.67)

For purposes of this pro forma information, the fair value of shares issued under the ESPP was based on the 15% discount received by employees. The weighted-average fair value (discount) on the date of purchase for stock purchased under this plan was $1.88, $3.21 and $4.50 in 2003, 2002 and 2001, respectively.

The weighted-average fair value of options granted during 2003, 2002 and 2001 was $4.96, $9.76 and $12.55, respectively. 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:

	2003	**2002**	**2001**
Expected option lives	6 years	6 years	6 years
Risk free interest rate	3.31%	4.66%	4.89%
Expected volatility	43.86%	35.79%	30.35%
Dividend yield	0%	1.58%	1.19%

Recent Accounting Standards

In December 2003, Statement of Financial Accounting Standards No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits* ("SFAS 132"), was revised ("SFAS 132-R"). This Statement revises employers' disclosures about pension plans and other postretirement benefit plans but does not alter any recognition or measurement issues promulgated under other standards. This statement retains the disclosure requirements contained in SFAS 132, which it replaces, and requires additional disclosures concerning the assets, obligations, cash flows, and net periodic benefit costs of both defined benefit pension plans and defined benefit postretirement plans. SFAS 132-R requires information to be provided separately for pension plans and for other postretirement benefit plans. With the exception of certain requirements related to foreign plans and ten-year expected payout provisions, disclosures not required for 2003, the Company adopted SFAS 132-R in 2003 (see Note 11 to the Consolidated Financial Statements).

In June 2001, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), was issued. SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated retirement costs that result from the acquisition, construction, or development and normal operation of a long-lived asset. Upon initial recognition of a liability for an asset retirement obligation, SFAS 143 requires an increase in the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over the asset's useful life. The adoption of this statement in 2003 did not have a material impact on the Company's financial position or results of operations.

In June 2002, Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"), was issued. SFAS 146 changes the measurement and timing of recognition for exit costs, including restructuring charges, and is effective for any such activities initiated after December 31, 2003. It has no effect on charges recorded for exit activities begun prior to this date. The adoption of this statement did not have a material impact on the Consolidated Financial Statements of the Company.

In December 2002, Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* ("SFAS 148"), an amendment of FASB Statement No. 123 ("SFAS 123") was issued. The Company is choosing to continue with its current practice of applying the recognition and measurement principles of APB 25, *Accounting for Stock Issued to Employees*. The Company has adopted the disclosure requirements of SFAS 148.

In April 2003, Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"), was issued. SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). This statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this statement did not have a material impact on the Company's Consolidated Financial Statements.

During 2003, Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"), was issued. SFAS 150 establishes standards for classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain cases). The provisions of SFAS 150 are effective for instruments entered into or modified after May 31, 2003 and pre-existing instruments as of July 1, 2003. On October 29, 2003, the FASB voted to indefinitely defer the effective date of SFAS 150 for mandatorily redeemable instruments as they relate to minority interests in consolidated finite-lived entities through the issuance of FASB Staff Position 150-3. The standard was adopted effective the third quarter of 2003, as modified by FSP 150-3, and did not have a material impact on its Consolidated Results of Operations or Financial Position.

In November 2002, FASB Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, was issued. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies (for guarantees issued after January 1, 2003) that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in

issuing the guarantee. Disclosures concerning guarantees are found in Note 16 to the Consolidated Financial Statements.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46"), which addresses consolidation by business enterprises of variable interest entities ("VIEs") either: (1) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) in which the equity investors lack an essential characteristic of a controlling financial interest. In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") (FIN 46-R) resulting in multiple effective dates based on the nature as well as the creation date of the VIE. VIEs created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the Company's quarter ended March 31, 2004. VIEs created after January 1, 2004 must be accounted for under the Revised Interpretations. Special Purpose Entities ("SPEs") created prior to February 1, 2003 may be accounted for under the original or revised interpretation's provisions no later than the Company's quarter ended March 31, 2004. Non-SPEs created prior to February 1, 2003, should be accounted for under the revised interpretation's provisions no later than the Company's second quarter of fiscal 2004. The Company has not entered into any material arrangements with VIEs created after January 31, 2003 and has determined that the adoption of FIN 46-R will not have a material impact on its results of operations and financial condition.

In January 2004, FASB Staff Position ("FSP") No. 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-1"), was issued which permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the new legislation. The Company has elected to defer the accounting until further guidance is issued by the FASB. The measurements of the Company's postretirement accumulated benefit plan obligation and net periodic benefit cost disclosed in Note 11 do not reflect the effects of the new legislation. The guidance, when issued, could require the Company to change previously reported information.

Note 2: Earnings Per Share

The following sets forth the computation of earnings per share for income available to common stockholders for the years ended December 31:

(number of shares in millions)	2003	2002	2001
Basic			
Income (loss) from continuing operations	$ (552.9)	$ 68.0	$ (550.1)
Income from discontinued operations	101.2	31.5	15.6
Net Income (loss) - basic	$ (451.7)	$ 99.5	$ (534.5)
Weighted average number of common shares outstanding	385.5	376.1	369.0
Earnings (loss) per share from continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Earnings per share from discontinued operations	0.26	0.08	0.04
Earnings (loss) per share - basic	$ (1.17)	$ 0.26	$ (1.45)
Diluted (a)			
Income (loss) from continuing operations - diluted	$ (552.9)	$ 68.0	$ (550.1)
Income from discontinued operations	101.2	31.5	15.6
Net Income (loss) - diluted	$ (451.7)	$ 99.5	$ (534.5)
Weighted average number of common shares outstanding	385.5	376.1	369.0
Weighted average number of incremental shares in connection with restricted stock and assumed exercise of stock options	—	5.2	—
Weighted average number of common shares outstanding - diluted	385.5	381.3	369.0
Earnings (loss) per share from continuing operations	$ (1.43)	$ 0.18	$ (1.49)
Earnings per share from discontinued operations	0.26	0.08	0.04
Earnings (loss) per share - diluted	$ (1.17)	$ 0.26	$ (1.45)

(a) The computation of diluted earnings per share excludes the weighted average number of incremental shares in connection with stock options and restricted stock, the assumed conversion of the 4.5%, 1.87% and 1.80% Convertible Notes (see Note 8) and the assumed conversion of the Series A Mandatory Convertible Preferred Stock, when they are antidilutive.

The computation of diluted earnings per share for 2003, 2002 and 2001 excludes the assumed conversion of the Zero-Coupon Convertible Senior Notes due 2021 (see Note 8) as they are contingently convertible and assume cash settlement of the related put option. In April 2003, the Company repurchased these Notes.

The assumed exercise of stock options and the assumed conversion of restricted stock, Convertible Subordinated Notes and the Series A Mandatory Convertible Preferred Stock would have added the following diluted shares outstanding had they been dilutive:

	Year Ended December 31, 2003	2002	2001
Stock Options and Restricted Stock	4.2	—	7.6
Convertible Notes	16.7	13.1	13.1
Series A Mandatory Convertible Preferred Stock	0.8	N/A	N/A
Total	21.7	13.1	20.7

Note 3: Acquisitions, Deferred Payments and Dispositions

Consolidated Subsidiaries

Acquisitions

The Company acquired numerous advertising and specialized marketing and communications services companies during the three-year period ended December 31, 2003. The aggregate purchase price, including cash and stock payments, was as follows:

(Number of Shares in Millions)	Number of Acquisitions	Consideration Cash	Consideration Stock	Consideration Total	Number of Shares Issued
2003 - Purchases	2	$ 4.0	$ —	$ 4.0	—
2002 - Purchases	9	$ 48.2	$ 1.1	$ 49.3	—
2001 - Purchases	19	$ 84.7	$ 14.0	$ 98.7	0.5
- Pooling	1	—	1,631.0	1,631.0	58.2
Total	20	$ 84.7	$ 1,645.0	$ 1,729.7	58.7

The table above excludes amounts paid related to NFO which is classified as a discontinued operation in the accompanying statement of cash flows.

The value of the stock issued for acquisitions is based on the market price of the Company's stock at the time of the transaction. For those entities accounted for as purchase transactions, the purchase price of the acquisitions has been allocated to identifiable assets acquired and liabilities assumed based on estimated fair values with any excess being recorded as goodwill.

Details of businesses acquired in transactions accounted for as purchases were as follows:

	2003	2002	2001
Consideration for new acquisitions	$ 4.0	$ 49.3	$ 98.7
Less: fair value of net assets of new acquisitions	(0.5)	(13.9)	(17.1)
Goodwill recorded for new acquisitions	$ 3.5	$ 35.4	$ 81.6
Cash paid for new acquisitions	$ 4.0	$ 48.2	$ 84.7
Cash paid for prior acquisitions	221.2	240.0	227.1
Less: cash acquired	(0.6)	(11.4)	(3.0)
Net cash paid for acquisitions	$ 224.6	$ 276.8	$ 308.8

The table above excludes amounts related to NFO.

2003 Acquisitions

Purchases
The results of operations of the acquired companies were included in the consolidated results of the Company from their respective acquisition dates, both of which were in the first half of the year. Neither of the acquisitions made in 2003 was significant.

2002 Acquisitions

Purchases
The results of operations of the acquired companies, which included the Target Group, were included in the consolidated results of the Company from their respective acquisition dates, which were throughout the year. None of the acquisitions made in 2002 was significant on an individual basis.

2001 Acquisitions

Purchases
The results of operations of the acquired companies, which included Transworld Marketing Corporation and DeVries Public Relations, were included in the consolidated results of the Company from their respective acquisition dates, which were generally in the middle of the year. None of the acquisitions made in 2001 was significant on an individual basis.

Acquisition of True North
On June 22, 2001, the Company acquired True North Communications Inc. ("True North"), a global provider of advertising and communication services, in a transaction accounted for as a pooling of interests. Approximately 58.2 million shares were issued in connection with the acquisition, which, based on the market price of the Company's stock at the date of closing, yielded a value of approximately $1,631. No significant adjustments were necessary to conform accounting policies of the entities. The Company's Consolidated Financial Statements, including the related notes, have been restated as of the earliest period presented to include the results of operations, financial position and cash flows of True North.

The following table shows the historical results of the Company and True North for the three-month period prior to the consummation of the merger:

	Three Months Ended March 31, 2001 (Unaudited)
Revenue:	
IPG	$ 1,214.7
True North	356.0
Revenue	$ 1,570.7
Income (loss) from continuing operations:	
IPG	$ (44.2)
True North	9.5
Income (loss) from continuing operations	$ (34.7)

Payments for Prior Acquisitions

Deferred Payments

During the three-year period ended December 31, 2003, the Company made the following payments on acquisitions that had closed in prior years:

	2003	2002	2001
Cash	$ 141.1	$ 192.3	$ 188.5
Stock	49.8	72.9	23.4

Total	$ 190.9	$ 265.2	$ 211.9

Deferred payments (or "earn-outs") generally tie the aggregate price ultimately paid for an acquisition to its performance and are recorded as an increase to goodwill and other intangibles. The amount of payment is contingent upon the achievement of projected operating performance targets. The table above excludes NFO, which is classified as a discontinued operation. NFO had deferred payments of $0.1 in 2002 and $4.0 in 2001.

Purchase of Additional Interests

During the three years ended December 31, 2003, the Company made the following payments to purchase additional equity interests in certain consolidated subsidiaries:

	2003	2002	2001
Cash	$ 52.3	$ 33.2	$ 35.8
Stock	6.3	10.3	19.4
Total	$ 58.6	$ 43.5	$ 55.2

Other Payments

During three years ended December 31, 2003, the Company made the following payments principally related to loan notes and guaranteed deferred payments that had been previously recognized on the balance sheet:

	2003	2002	2001
Cash	$ 27.8	$ 14.5	$ 2.8
Stock	0.1	—	3.2
Total	$ 27.9	$ 14.5	$ 6.0

Dispositions

On July 10, 2003, the Company completed the sale of its NFO research unit to TNS. The consideration for the sale was $415.6 ($376.7, net of cash sold and expenses) in cash and approximately 11.7 million ordinary shares of TNS. TNS will pay the Company an additional $10 in cash approximately one year following the closing of this divestiture contingent on the market price per TNS ordinary share continuing to exceed 146 pence (equivalent to approximately $2.50 at current exchange rates) during a specified averaging period one year from closing. As a result of this sale, the Company 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 received in connection with the transaction were sold in December 2003 resulting in net proceeds of $42.2. A gain of $13.3 was recorded in "other income" in the accompanying Consolidated Statement of Operations.

The results of NFO are classified as a discontinued operations in accordance with SFAS 144 and, accordingly the results of operations and cash flows have been removed from the Company's results of continuing operations and cash flows for all periods presented in this document.

During 2003 (through July 10th), 2002 and 2001 revenue of NFO was as follows:

	2003	2002	2001
Revenue	$ 250.1	$ 466.1	$ 438.5

Income from discontinued operations consists of the following:

	2003	2002	2001
Pre-tax income from discontinued operations	$ 20.4	$ 53.9	$ 26.3
Tax expense	8.3	22.4	10.7
Net income	12.1	31.5	15.6
Gain on sale, net of taxes	89.1	—	—
Income from discontinued operations	$ 101.2	$ 31.5	$ 15.6

Note 4: Restructuring and Other Merger-related Costs

During 2003, the Company recorded restructuring charges of $175.6 in connection with the 2003 and 2001 restructuring programs as discussed below.

2003 Program

During the second quarter of 2003, the Company announced that it would undertake restructuring initiatives in response to softness in demand for advertising and marketing services. The restructuring initiatives include severance and lease terminations.

During 2003, the Company recorded pre-tax restructuring charges of $175.6, of which $163.2 related to the 2003 program. The pre-tax restructuring charge for the 2003 program was composed of severance costs of $126.2 and lease terminations costs of $37.0. Included in the $37.0 of lease termination costs was $4.8 related to the write-off of leasehold improvements on vacated properties. The charges related to leases terminated as part of the 2003 program are recorded at net present value and are net of estimated sublease income amounts. The discount relating to lease terminations will be amortized over future periods. In addition, a charge of $16.5 has been incurred in 2003 related to acceleration of amortization of leasehold improvements on premises included in the 2003 program. The charge related to such amortization is included in office and general expenses in the accompanying Consolidated Statement of Operations.

A summary of the liability for restructuring charges related to the 2003 restructuring plan is as follows:

	2003 Charges	Non-cash Charges	2003 Cash Payments	Foreign Currency Adjustment	Liability at December 31, 2003

TOTAL BY TYPE					
Severance and termination costs	$ 126.2	$ 1.4	$ 88.3	$ 1.2	$ 37.7
Lease terminations and other exit costs	37.0	4.8	8.5	0.4	24.1
Total	$ 163.2	$ 6.2	$ 96.8	$ 1.6	$ 61.8

The severance and termination costs recorded to date relate to a reduction in workforce of approximately 2,900 employees worldwide. The employee groups affected include all levels and functions across the Company: executive, regional and account management and administrative, creative and media production personnel. Approximately 30% of the charge relates to severance in the US, 15% to severance in the UK, 10% to severance in France with the remainder largely relating to the rest of Europe, Asia and Latin America.

Lease termination costs, net of estimated sublease income, relate to the offices that have been or will be vacated as part of the restructuring. Fifty-five locations have already been vacated and an additional 25 are to be vacated, with substantially all actions to be completed by June 30, 2004; however, given the remaining lease terms involved, the cash portion of the charge will be paid out over a period of several years. The majority of the offices to be vacated are located in the US, with approximately one third in overseas markets, principally in Europe.

2001 Program

Following the completion of the True North acquisition in June 2001, the Company executed a wide-ranging restructuring plan that included severance, lease terminations and other actions. The total amount of the charges incurred in 2001 in connection with the plan was $634.5.

In the third quarter of 2002, the Company recorded an additional $12.1 in charges related to the 2001 restructuring plan. The additional charge was necessitated largely by increases in estimates of lease losses due to lower than anticipated sublease income in key markets, including San Francisco, Chicago, Paris and London.

During 2003, the Company recorded restructuring charges of $175.6, of which $12.4 related to additional losses on properties vacated as part of the 2001 program.

A summary of the remaining liability for restructuring charges related to the 2001 restructuring plan is as follows:

	Liability at December 31, 2002	2003 Charge	2003 Cash Payments	Liability at December 31, 2003
TOTAL BY TYPE				
Severance and termination costs	$ 15.9	$ —	$ 10.9	$ 5.0
Lease terminations and other exit costs	94.6	12.4	33.1	73.9
Total	$ 110.5	$ 12.4	$ 44.0	$ 78.9

The Company terminated approximately 7,000 employees in connection with the 2001 restructuring program. The Company downsized or vacated approximately 180 locations. Given the remaining lease terms involved, the remaining liabilities will be paid out over a period of several years. Lease termination and related costs included write-offs related to the abandonment of leasehold improvements as part of the office vacancies.

Other exit costs related principally to the impairment loss on sale or closing of certain business units in the US and Europe. In the aggregate, the businesses sold or closed represented an immaterial portion of the revenue and operating profit of the Company. The write-off amount was computed based upon the difference between the estimated sales proceeds (if any) and the carrying value of the related assets. The sales and closures had been completed by September 30, 2002.

Note 5: Long-Lived Asset Impairment and Other Charges

Long-Lived Asset Impairment and Other Charges

The following table summarizes the long-lived asset impairment and other charges for 2003, 2002, and 2001:

	2003	2002	2001
Goodwill impairment	$ 221.0	$ 82.1	$ 303.1
Fixed asset impairment	49.7	24.7	—
Current capital expenditure impairment	16.2	8.3	—
Record fair value of put option	—	12.0	—
Total	$ 286.9	$ 127.1	$ 303.1

2003 Impairments

During 2003, the Company recorded total charges of $286.9 related to the impairment of long-lived assets. This amount includes $221.0 related to goodwill at OWW and $63.8 related to the Company's Motorsports businesses.

OWW

During the third quarter of 2003, the Company performed its annual impairment review for goodwill and other intangible assets and recorded a non-cash charge of $221.0. The charge was required to reduce the carrying value of goodwill at the Company's OWW reporting unit. OWW is separate from Motorsports and offers a variety of sports marketing services including athlete representation, TV rights distribution and other marketing and consulting services.

The OWW charges reflect the reporting unit's lower than expected performance in 2003 and revised future projections indicating that the factors behind the poor 2003 performance are likely to persist. Specifically, during 2003 it became apparent that there was significant pricing pressure in both overseas and domestic TV rights distribution. Further, declining athlete pay scales are expected to result in significantly lower fees from athlete representation, and proceeds from events (including ticket revenue and sponsorship) to which the Company is committed will be lower than amounts that had been anticipated when the event rights were acquired. Various factors, including the operating loss incurred at OWW in 2003, have indicated that lower revised growth projections are required, reflecting lower projected gross margins than OWW has earned historically.

Motorsports
The Company's Motorsports unit owned and leased certain racing circuit facilities that were used for automobile, motorcycle and go-cart racing, primarily in the UK. On January 12, 2004, the Company 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 its Brands Hatch subsidiaries, to MotorSport Vision Limited. The consideration for the sale was approximately 15 million Pounds, (approximately $26) before expenses. An additional contingent amount of up to 2 million Pounds, (approximately $4) may be paid to the Company depending upon the future financial results of the operations being sold. The Company and its Brands Hatch subsidiaries retain their interests and contractual commitments relating to the Silverstone circuit. The Company recognized an impairment loss related to the four owned circuits of $38.0 in the fourth quarter of 2003 and has classified the relevant assets and liabilities as held for sale in the Consolidated Balance Sheet of the Company as of December 31, 2003. See Note 16 below for a discussion of the Company's remaining contingent obligations related to motorsports.

In addition to the Brands Hatch impairment charge, $25.8 in charges was incurred related to the impairment of other assets, including $16.2 of current capital expenditure outlays that the Company is contractually required to spend to upgrade and maintain certain of its remaining Motorsports racing facilities, as well as an impairment of assets at other Motorsports entities. At December 31, 2003, there were additional capital expenditure commitments of approximately $25, which are expected to be impaired as incurred based on the cash flow analysis for the relevant asset groupings.

2002 Impairments
Beginning in the second quarter of 2002 and continuing in subsequent quarters, certain of the Motorsports businesses experienced significant operational difficulties, including significantly lower than anticipated attendance at the marquee British Grand Prix race in July 2002. These events and a change in management at Motorsports in the third quarter of 2002 led the Company to begin assessing its long-term strategy for Motorsports.

In accordance with the provisions of SFAS 142, the Company prepared a discounted cash flow analysis which indicated that the book value of Motorsports significantly exceeded its estimated fair value and that a goodwill impairment had occurred. In addition, as a result of the goodwill analysis, the Company assessed whether there had been an impairment of the Company's long-lived assets in accordance with SFAS 144. The Company concluded that the book value of certain asset groupings at Motorsports was significantly higher than their expected future cash flows and that an impairment had occurred. Accordingly, the Company recognized a non-cash impairment loss and related charge of $127.1 in 2002. The charges included $82.1 of goodwill impairment, $33.0 of fixed assets and capital expenditure write-offs, and $12.0 to record the fair value of an associated put option.

2001 Impairments
Following the completion of the True North acquisition in 2001 and the realignment of certain of the Company's businesses, the Company evaluated the realizability of various assets. In connection with this review undiscounted cash flow projections were prepared for certain investments, and the Company determined that the goodwill attributable to certain business units was stated at an amount in excess of the future estimated cash flows. As a result, an impairment charge of $303.1 was recorded in 2001. Of the total write-off, $221.4 was recorded in the second quarter, with the remainder recorded in the third quarter. The largest components of the goodwill impairment and other charges were Capita Technologies, Inc. (approximately $145) and Zentropy Partners (approximately $16), both internet services businesses. The remaining amount primarily related to several other businesses, including internet services, healthcare consulting and certain advertising offices in Europe and Asia Pacific.

Note 6: Other Income (Expense)

Investment Impairment
The Company continually monitors its investments to assess their realizability. Where an "other than temporary" impairment is deemed to have occurred an impairment charge is recorded in the relevant period to adjust the carrying value of the investment to estimated fair value.

During 2003, the Company recorded $84.9 in investment impairment charges related to 21 investments. The charge related principally to investments in the Middle East, Latin America, and Japan with additional amounts in Canada, Europe, and the United States. The majority of the charge related to impairments arising from deteriorating economic conditions in the countries in which the entity operates.

During 2002, the Company recorded $39.7 of investment impairment primarily related to certain investments of OWW, the Company's sports marketing business. The largest component of the write-off related to the impairment of an investment in a German soccer club.

During 2001, the Company recorded total investment impairment charges of $210.8. The charge included $160.1 related to the impairment of investments primarily in publicly traded internet-related companies, including marchFIRST, Inc. (an internet professional services firm), which had filed for relief under Chapter 11 of the Federal Bankruptcy Code in April 2001. The remaining charge included write-offs for investments in non-internet companies, certain venture funds and other investments. In addition, the Company recorded a charge of $2.5 to record the fair value of a put option. The impairment charges adjusted the carrying value of investments to the estimated market value where an other than temporary impairment had occurred.

Other Income
The following table sets forth the components of other income:

	2003	2002	2001
Gains (losses) on sales of businesses	$ 0.2	$ (0.2)	$ 12.3
Gain on sale of TNS shares	13.3	—	—
Gain on sale of Modem Media shares	30.4	—	—
Gains (losses) on sales of other available-for-sale securities	4.1	5.3	(2.5)
Miscellaneous investment income	2.0	2.8	3.9
	$ 50.0	$ 7.9	$ 13.7

The Company sold approximately 11 million of the shares it owned as an equity investment in Modem Media in exchange for net proceeds of approximately $57. A pre-tax gain of approximately $30 was recorded.

Also in December 2003, the Company sold all of the approximately 11.7 million shares of TNS it had acquired through the sale of NFO (see Note 3) for approximately $42 of net proceeds.

During 2002, the Company sold an unconsolidated affiliate in the United States for proceeds of $5.2 and a marketing services affiliate for proceeds of $3.8.

During 2001, the Company sold a marketing services affiliate in Europe for proceeds of approximately $5 and various non-core marketing services affiliates in the United States for proceeds of $6.9.

Note 7: Provision for Income Taxes

The Company accounts for income taxes under SFAS 109. SFAS 109 applies an asset and liability approach that requires the recognition of deferred tax assets and liabilities with respect to the expected future tax consequences of events that have been recognized in the Consolidated Financial Statements and tax returns.

Continuing Operations

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

	Year Ended December 31, 2003	2002	2001
Domestic	$ 11.8	$ 335.9	$ (481.0)
Foreign	(280.8)	(124.5)	(105.4)
Total	$ (269.0)	$ 211.4	$ (586.4)

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

	Year Ended December 31, 2003	2002	2001
Federal Income Taxes (Including Foreign Withholding Taxes):			
Current	$ 15.8	$ 1.8	$ 44.4
Deferred	41.9	118.2	(142.7)
	57.7	120.0	(98.3)
State and Local Income Taxes:			
Current	27.0	25.9	2.9
Deferred	(8.7)	2.7	(36.5)
	18.3	28.6	(33.6)
Foreign Income Taxes:			
Current	139.7	44.6	74.0
Deferred	38.3	(75.3)	(8.2)
	178.0	(30.7)	65.8
Total	$ 254.0	$ 117.9	$ (66.1)

Total Operations

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

	Year Ended December 31, 2003	2002	2001
Domestic	$ 116.8	$ 353.6	$ (474.3)
Foreign	(266.9)	(88.2)	(89.2)
Total	$ (150.1)	$ 265.4	$ (563.5)

The provision for (benefit of) income taxes consists of:

	2003	2002	2001
Federal Income Taxes (Including Foreign Withholding Taxes):			
Current	$ 27.5	$ 6.2	$ 48.2
Deferred	41.8	120.1	(144.4)
	69.3	126.3	(96.2)
State and Local Income Taxes:			
Current	27.8	26.6	3.7
Deferred	(8.7)	3.3	(36.9)
	19.1	29.9	(33.2)
Foreign Income Taxes:			
Current	145.7	52.5	83.9

Deferred	38.2	(68.4)	(9.9)
	183.9	(15.9)	74.0
Total	$ 272.3	$ 140.3	$ (55.4)

At December 31, 2003 and 2002 the deferred tax assets consisted of the following items:

	December 31,	
	2003	2002
Postretirement/postemployment benefits	$ 20.9	$ 22.4
Deferred compensation	180.9	141.1
Pension costs	59.0	47.1
Basis differences in fixed assets	21.9	0.7
Rent	0.8	(6.3)
Interest	(8.5)	(7.2)
Accrued reserves	59.1	24.6
Allowance for doubtful accounts	26.9	33.5
Basis differences in intangible assets	18.9	50.7
Investments in equity securities	19.0	5.8
Tax loss/tax credit carryforwards	227.6	155.0
Restructuring and other merger-related costs	51.4	130.1
Other	39.3	18.7
Total deferred tax assets, net	717.2	616.2
Valuation allowance	(171.0)	(69.3)
Net deferred tax assets	$ 546.2	$ 546.9

The valuation allowance of $171.0 and $69.3 at December 31, 2003 and 2002, respectively, applies to certain deferred tax assets, including US tax credits, US capital loss carryforwards and net operating loss carryforwards in certain jurisdictions that, in the opinion of management, are more likely than not, not to be utilized. The change during 2003 in the deferred tax valuation allowance primarily relates to uncertainties regarding the utilization of tax credits, capital loss carryforwards and net operating loss carryforwards. At December 31, 2003, there are $51.8 of tax credit carryforwards with expiration periods beginning in 2004 and ending in 2008. There are also $175.8 of loss carryforwards, of which $33.8 are US capital and net operating loss carryforwards that expire in the years 2008 through 2022. The remaining $142.0 are non-US net operating loss carryforwards of $114.6 with unlimited carryforward periods and $27.4 with expiration periods from 2004 through 2019. The Company has 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 shown in the Consolidated Statement of Operations to the federal statutory rate is as follows:

Continuing Operations

	Year Ended December 31,		
	2003	2002	2001
US Federal statutory income tax rate	35.0%	35.0%	35.0%
Federal Income tax provision (benefit) at statutory rate	$ (94.2)	$ 74.0	$ (205.2)
State and local income taxes, net of federal income tax benefit	11.1	18.4	15.8
Impact of foreign operations, including withholding taxes	106.4	(3.2)	25.5
Goodwill and intangible asset amortization	—	—	33.4
Change in valuation allowance	84.4	27.5	(11.4)
Goodwill and other long-lived asset impairment	98.6	7.2	65.9
Restructuring and other merger-related costs	15.2	(0.1)	26.5
Investment impairments	15.0	—	—
Other	17.5	(5.9)	(16.6)
Provision (benefit) for income taxes	$ 254.0	$ 117.9	$ (66.1)
Effective tax rate on continuing operations	94.4%	55.8%	(11.3)%

Effective Tax Rate Reconciliation on Total Operations

A reconciliation of the effective income tax rate on total operations before equity earnings and minority interest expense to the federal statutory rate is as follows:

Total Operations

	Year Ended December 31,		
	2003	2002	2001
US Federal statutory income tax rate	35.0%	35.0%	35.0%

Federal Income tax provision (benefit) at statutory rate	$ (52.5)	$ 92.9	$ (197.2)
State and local income taxes, net of federal income tax benefit	11.6	19.4	16.3
Impact of foreign operations, including withholding taxes	107.4	(1.2)	26.6
Goodwill and intangible asset amortization	—	—	34.4
Change in valuation allowance	101.7	27.5	(11.4)
Goodwill and other long-lived asset impairment	98.6	7.2	65.9
Restructuring and other merger-related costs	15.2	(0.5)	26.5
Investment impairments	15.0	—	—
Basis difference on disposals	(42.7)	—	—
Other	18.0	(5.0)	(16.5)
Provision (benefit) for income taxes	$ 272.3	$ 140.3	$ (55.4)
Effective tax rate on total operations	181.4%	52.9%	(9.8)%

The Company's effective income tax rate for 2003 was negatively impacted by the restructuring charges, non-deductible long-lived asset impairment charges and non-deductible investment impairment charges relating to unconsolidated affiliates. In addition, the tax rate in 2003 was negatively impacted by the establishment of valuation allowances on certain deferred tax assets as well as losses incurred in non-US jurisdictions with tax benefits at rates lower than the US statutory rates. All of these factors contributed to the Company's recording a tax provision of $254.0 on a pre-tax loss of $269.0 for 2003.

As required by SFAS 109, the Company is required to evaluate on a quarterly basis the realizability of its deferred tax assets. SFAS 109 requires 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 a valuation allowance must be considered. The Company believes that cumulative losses in the most recent three-year period represent sufficient negative evidence under the provisions of SFAS 109 and, as a result, the Company determined that certain of its 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 US capital loss carryforwards. During 2003, a valuation allowance of $53.9 was established in continuing operations on existing deferred tax assets. In addition, $26.8 of valuation allowances were established in continuing operations for current year losses incurred in jurisdictions where a benefit is not currently expected, and $3.7 of valuation allowances were established in continuing operations for certain US capital and other loss carryforwards. The total valuation allowance as of December 31, 2003 was $171.0.

The total amount of undistributed earnings of foreign subsidiaries for income tax purposes was approximately $750 and $795 at December 31, 2003 and 2002, respectively. It is the Company's intention to reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or United States income taxes which may become payable if undistributed earnings of foreign subsidiaries were paid as dividends to the Company. The additional taxes on that portion of undistributed earnings which is available for dividends are not practicably determinable.

On April 21, 2003, the Company received a notice from the Internal Revenue Service ("IRS") proposing adjustments to the Company's taxable income that would result in additional taxes, including conforming adjustments to state and local tax returns of $41.5 (plus interest) for the taxable years 1994 to 1996. The Company believes that the tax positions that the IRS has challenged comply with applicable law and intends to defend those positions vigorously. The Company filed a Protest with the IRS Appeals Office on July 21, 2003. Although the ultimate resolution of these matters will likely require the Company to pay additional taxes, any such payments will not have a material effect on the Company's financial position, cash flows or results of operations.

The IRS commenced its examination of the Company's 1997 to 2002 income tax returns in February 2004. In an attempt to become more current, the IRS is examining these multiple years in the normal course.

In addition, the Company and certain of its subsidiaries are party to various other tax examinations, some of which have resulted in assessments. The Company intends to vigorously defend any and all assessments and believes that additional taxes (if any) that may ultimately result from the settlement of such assessments or open examinations would not have a material adverse effect on the Company's financial position, cash flows or results of operations.

Note 8: Debt

Revolving Credit Agreements

On June 27, 2000, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of five years and for borrowings of up to $375.0 (the "Five-Year Revolving Credit Facility"). On May 16, 2002, the Company entered into a revolving credit facility with a syndicate of banks providing for a term of 364 days and for borrowings of up to $500.0 (the "Old 364-Day Revolving Credit Facility"). The Company replaced the Old 364-Day Revolving Credit Facility with a new 364-day revolving credit facility, which it entered into with a syndicate of banks on May 15, 2003 (the "New 364-Day Revolving Credit Facility" and, together with the Five-Year Revolving Credit Facility, both as amended from time to time, the "Revolving Credit Facilities"). The New 364-Day Revolving Credit Facility provides for borrowings of up to $500.0, $200.0 of which are available to the Company for the issuance of letters of credit. The New 364-Day Revolving Credit Facility expires on May 13, 2004. However, the Company has the option to extend the maturity of amounts outstanding on the termination date under the New 364-Day Revolving Credit Facility for a period of one year, if EBITDA, as defined in the agreements, for the four fiscal quarters most recently ended was at least $831.0 (for purposes of this EBITDA calculation, only $125.0 of non-recurring restructuring charges may be added back to EBITDA). The Revolving Credit Facilities are used for general corporate purposes. As of December 31, 2003, $160.1 was utilized under the New 364-Day Revolving Credit Facility for the issuance of letters of credit, $0.0 was borrowed under the New 364-Day Revolving Credit Facility and $0.0 was borrowed under the Five-Year Revolving Credit Facility. As of March 12, 2004, $136.0 was obligated under the New 364-Day Revolving Credit Facility for the issuance of letters of credit, $0.0 was borrowed under the New 364-Day Revolving Credit Facility and $0.0 of the $375.0 available was borrowed under the Five-Year Revolving Credit Facility.

The Revolving Credit Facilities bear interest at variable rates based on either LIBOR or a bank's base rate, at the Company's option. The interest rates on base rate loans and LIBOR loans under the Revolving Credit Facilities are affected by the facilities' utilization levels and the Company's credit ratings. In connection with the New 364-Day Revolving Credit Facility, the Company agreed to new pricing under the Revolving Credit Facilities that increased the interest spread payable on loans under the Revolving Credit Facilities by 25 basis points. Based on the Company's current credit ratings, interest rates on loans under the New 364-Day Revolving Credit Facility are currently calculated by adding 175 basis points to LIBOR or 25 basis points to the applicable bank base rate, and interest rates on loans under the Five-Year Revolving Credit Facility are currently calculated by adding 170 basis points to LIBOR or 25 basis points to the applicable bank base rate.

The Company's Revolving Credit Facilities include financial covenants that set (i) maximum levels of debt for borrowed money as a function of EBITDA, (ii) minimum levels of EBITDA as a function of interest expense and (iii) minimum levels of EBITDA (in each case, as defined in those agreements).

As of December 31, 2003, the Company was, and expects to continue to be, in compliance with all of the covenants (including the financial covenants, as amended) contained in the Revolving Credit Facilities.

On February 10, 2003, certain defined terms relating to financial covenants contained in the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility were amended effective as of December 31, 2002 to include in the definition of debt for borrowed money the Company's 1.8% Convertible Subordinated Notes due 2004 and 1.87% Convertible Subordinated Notes due 2006. In addition, the definition of Interest Expense was also amended to include all interest with respect to these Subordinated Notes.

In connection with entering into the New 364-Day Revolving Credit Facility, the definition of EBITDA in the Revolving Credit Facilities was amended to include (i) up to $161.4 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002; (ii) up to $200.0 of non-recurring restructuring charges (up to $175.0 of which

may be cash charges) taken in the fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; (iii) up to $70.0 of non-cash, non-recurring charges taken with respect to the impairment of the remaining book value of the Company's Motorsports business; and (iv) all impairment charges taken with respect to capital expenditures made on or after January 1, 2003 with respect to the Company's Motorsports business, and to exclude the gain realized by the Company upon the sale of NFO. The corresponding financial covenant ratio levels in the Revolving Credit Facilities were also amended.

As of September 29, 2003, these additions to the definition of EBITDA were replaced with the following items: (i) up to $161.4 of non-cash, non-recurring charges taken in the fiscal year ended December 31, 2002; (ii) up to $275.0 of non-recurring restructuring charges (up to $240.0 of which may be cash charges) taken in the fiscal quarter ended March 31, 2003 and each of the fiscal periods ending June 30, 2003, September 30, 2003, December 31, 2003 and March 31, 2004; (iii) up to $70.0 of non-cash, non-recurring charges taken with respect to the impairment of the remaining book value of the Company's Motorsports business; (iv) all impairment charges taken with respect to capital expenditures made on or after January 1, 2003 with respect to the Company's Motorsports business; (v) up to $300.0 of non-cash, non-recurring goodwill or investment impairment charges taken in the fiscal periods ending September 30, 2003, December 31, 2003, March 31, 2004, June 30, 2004 and September 30, 2004; (vi) up to $135.0 in payments made by the Company (up to $40.0 of which may be in cash) with respect to the fiscal periods ending September 30, 2003, December 31, 2003 and March 31, 2004, relating to the settlement of certain litigation matters; (vii) $24.8 in respect of the early repayment by the Company of all amounts outstanding under the Prudential Agreements with respect to the fiscal quarter ended September 30, 2003; and (viii) non-cash charges related to the adoption by the Company of the fair value based method of accounting for stock-based employee compensation in accordance with Statement of Financial Accounting Standards No. 123 and Statement of Financial Accounting Standards No. 148. The definition of EBITDA was also separately amended to give the Company flexibility to settle its commitments under certain leasing and Motorsports event contractual arrangements. The Company paid a fee of 10 basis points of the total commitments under each of the Revolving Credit Facilities in consideration for these amendments to the definition of EBITDA.

In determining the Company's compliance with the financial covenants as of December 31, 2003, the following charges were added back to the definition of EBITDA: (i) $176.2 of restructuring charges ($153.5 of which were cash charges), (ii) $47.4 of non-cash charges with respect to the impairment of the remaining book value of the Company's Motorsports business, (iii) $16.2 of impairment charges taken with respect to capital expenditures of the Company's Motorsports businesses, (iv) $293.9 of goodwill or investment impairment charges and (v) $115.0 of charges (primarily non-cash) relating to certain litigation matters. Since these charges and payments were added back to the definition of EBITDA, they do not affect the ability of the Company to comply with its financial covenants. Any charges incurred by the Company as a result of its restructuring program after March 31, 2004 will not be added back to EBITDA in determining whether the Company is in compliance with its financial covenants.

The terms of the Revolving Credit Facilities restrict the Company's 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 the Company's domestic subsidiaries to incur additional debt in excess of $65.0. Certain of these limitations were modified upon the Company's issuance on March 13, 2003 of 4.5% Convertible Senior Notes due 2023 (the "4.5% Notes") in an aggregate principal amount of $800.0, from which the Company received net cash proceeds equal to approximately $778. In addition, pursuant to a tender offer that expired on April 4, 2003, the Company purchased $700.5 in aggregate principal amount at maturity of its Zero-Coupon Convertible Senior Notes due 2021 (the "Zero-Coupon Notes"). As a result of these transactions, the Company's permitted level of annual new cash acquisition spending has increased to $100.0 and the permitted level of annual share buybacks and dividend payments not related solely to preferred stock has increased to $25.0. All limitations on dividend payments and share buybacks expire when EBITDA (as defined in the Revolving Credit Facilities) is at least $1,300.0 for four consecutive quarters. The Company's permitted level of annual capital expenditures is $175.0.

On November 18, 2003, the Revolving Credit Facilities were further amended to permit the Company to pay up to $45.0 in annual cash dividends with respect to preferred stock that is convertible into common stock of the Company within 48 months following its issuance. This $45.0 allowance is in addition to the Company's current $25.0 permitted level of annual share buybacks and general dividend payments discussed above.

As a result of the issuance of the 4.5% Notes in the first quarter of 2003 and the settlement of the tender offer for the Zero-Coupon Notes in the second quarter of 2003, both the 4.5% Notes and the Zero-Coupon Notes were outstanding at March 31, 2003. Therefore, the Company amended the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility, as of March 13, 2003, to exclude the Zero-Coupon Notes in calculating the ratio of debt for borrowed money to consolidated EBITDA for the period ended March 31, 2003 (this exclusion is also contained in the New 364-Day Revolving Credit Facility).

On February 26, 2003, the Company obtained waivers of certain defaults under the Five-Year Revolving Credit Facility and the Old 364-Day Revolving Credit Facility relating to the restatement of the Company's historical Consolidated Financial Statements in the aggregate amount of $118.7. The waivers covered certain financial reporting requirements related to the Company's Consolidated Financial Statements for the quarter ended September 30, 2002. No financial covenants were breached as a result of this restatement.

The Company does not anticipate that any waivers will be needed under the Revolving Credit Facilities prior to, or in connection with, the refinancing of the New 364-Day Revolving Credit Facility.

Other Committed and Uncommitted Facilities
In addition to the Revolving Credit Facilities, at December 31, 2003 and 2002, respectively, the Company had $0.8 and $157.8 of committed lines of credit, all of which were provided by overseas banks that participate in the Revolving Credit Facilities. The decrease in the committed lines of credit was partially offset by the increase in the uncommitted lines of credit. At December 31, 2003 and 2002, respectively, $0.0 and $3.1 were outstanding under these lines of credit.

At December 31, 2003 and 2002, respectively, the Company also had $744.8 and $707.9 of uncommitted lines of credit, 68.0% and 66.8% of which were provided by banks that participate in the Revolving Credit Agreements. At December 31, 2003 and 2002, respectively, $38.1 and $213.2 were outstanding under these uncommitted lines of credit. The Company's uncommitted borrowings are repayable upon demand.

Prudential Agreements
On May 26, 1994, April 28, 1995, October 31, 1996, August 19, 1997 and January 21, 1999, the Company entered into five note purchase agreements, respectively, with The Prudential Insurance Company of America. The notes issued pursuant to the Prudential Agreements were repayable on May 2004, April 2005, October 2006, August 2007 and January 2009, respectively, and had interest rates of 10.01%, 9.95%, 9.41%, 9.09% and 8.05%, respectively.

Due to the high interest rates on the notes issued under the Prudential Agreements and the restrictive financial covenants contained in these agreements, the Company repaid the total principal amount and interest outstanding under the Prudential Agreements on August 8, 2003, including a prepayment penalty that resulted in a net charge of $24.8.

UBS Facility
On February 10, 2003, the Company received from UBS AG a commitment for an interim credit facility providing for $500.0 maturing no later than July 31, 2004 and available to the Company beginning May 15, 2003, subject to certain conditions. This commitment terminated in accordance with its terms when the Company received net cash proceeds in excess of $400.0 from its sale of the 4.5% Notes. The fees associated with the commitment were not material to the Company's financial position, cash flows or results of operation.

Other Debt Instruments

(i) Convertible Senior Notes - 4.5%

In March 2003 the Company completed the issuance and sale of $800.0 aggregate principal amount of the 4.5% Notes. In April 2003, the Company used approximately $581 of the net proceeds of this offering to repurchase the Zero-Coupon Notes tendered in its concurrent tender offer and is using the remaining proceeds for the repayment of other indebtedness, general corporate purposes and working capital. The 4.5% Notes are unsecured, senior securities that may be converted into common shares if the price of the Company's common stock reaches a specified threshold, at an initial conversion rate of 80.5153 shares per one thousand dollars principal amount, equal to a conversion price of $12.42 per share, subject to adjustment. This threshold will initially be 120% of the conversion price and will decline 1/2% each year until it reaches 110% at maturity in 2023.

The 4.5% Notes may also be converted, regardless of the price of the Company's common stock, if: (i) the credit ratings assigned to the 4.5% Notes by any two of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings are lower than Ba2, BB and BB, respectively, or the 4.5% Notes are no longer rated by at least two of these ratings services, (ii) the Company calls the 4.5% Notes for redemption, (iii) the Company makes specified distributions to shareholders or (iv) the Company becomes a party to a consolidation, merger or binding share exchange pursuant to which its common stock would be converted into cash or property (other than securities).

The Company, at the investor's option, may be required to redeem the 4.5% Notes for cash on March 15, 2008. The Company may also be required to redeem the 4.5% Notes at the investor's option on March 15, 2013 and March 15, 2018, for cash or common stock or a combination of both, at the Company's election. Additionally, investors may require the Company to redeem the 4.5% Notes in the event of certain change of control events that occur prior to May 15, 2008, for cash or common stock or a combination of both, at the Company's election. The Company at its option may redeem the 4.5% Notes on or after May 15, 2008 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. If at any time on or after March 13, 2003 the Company pays cash dividends on its common stock, the Company will pay contingent interest per 4.5% Note 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 a 4.5% Note.

(ii) Zero-Coupon Convertible Senior Notes

In December 2001, the Company completed the issuance and sale of approximately $702 of aggregate principal amount of Zero-Coupon Convertible Senior Notes due 2021. In April 2003, the Company used approximately $581 of the proceeds received from the issuance and sale of the 4.5% Notes to repurchase $700.5 in aggregate principal amount at maturity of its Zero-Coupon Notes. As of December 31, 2003, no Zero-Coupon Notes remained outstanding.

(iii) Senior Unsecured Notes - 7.25%

On August 22, 2001, the Company completed the issuance and sale of $500.0 principal amount of senior unsecured notes due 2011. The notes bear interest at a rate of 7.25% per annum. The Company used the net proceeds of approximately $493 from the sale of the notes to repay outstanding indebtedness under its Revolving Credit Facilities.

(iv) Senior Unsecured Notes - 7.875%

On October 20, 2000, the Company completed the issuance and sale of $500.0 principal amount of senior unsecured notes due 2005. The notes bear an interest rate of 7.875% per annum. The Company used the net proceeds of approximately $496 from the sale of the notes to repay outstanding indebtedness under its revolving credit facilities.

(v) Convertible Subordinated Notes - 1.87%

On June 1, 1999, the Company issued $361.0 face amount of Convertible Subordinated Notes due 2006 with a cash coupon rate of 1.87% and a yield to maturity of 4.75%. The 2006 notes were issued at an original price of 83% of the face amount, generating proceeds of approximately $300. The notes are convertible into 6.4 million shares of the Company's common stock at a conversion rate of 17.616 shares per one thousand dollars face amount. Since June 2002, the Company has had the option to redeem the notes for cash.

(vi) Convertible Subordinated Notes - 1.80%

On September 16, 1997, the Company issued $250.0 face amount of Convertible Subordinated Notes due 2004 ("2004 Notes") with a coupon rate of 1.80% and a yield to maturity of 5.25%. The 2004 Notes were issued at an original price of 80% of the face amount, generating proceeds of approximately $200, and were convertible into 6.7 million shares of the Company's common stock at a conversion rate of 26.772 shares per one thousand dollars face amount. On January 20, 2004, the Company exercised its right to redeem all of the 2004 Notes with an aggregate principal amount of approximately $250 at an aggregate price of approximately $246 (96.6813% of the principal amount of the notes plus original issue discount accrued to the redemption date, or $978.10 per $1,000 principal amount of the notes, plus accrued interest to the redemption date). None of the 2004 Notes remain outstanding as of March 12, 2004.

Short-Term Debt at December 31, 2003 and 2002

The Company and its subsidiaries have short-term lines of credit with various banks that permit borrowings at variable interest rates. At December 31, 2003 and 2002, all borrowings under these facilities were by the Company's subsidiaries and totaled $38.1 and $216.3, respectively. Where required, the Company has guaranteed the repayment of borrowings by its subsidiaries.

As of December 31, 2003 and 2002, respectively, 68% and 66.8% of these short-term facilities were provided by banks that participate in the Company's Revolving Credit Facilities. The weighted-average interest rates on outstanding balances under the committed and uncommitted short-term facilities at December 31, 2003 and 2002 were approximately 5% in each year.

The following table summarizes the Company's short-term debt as of December 31, 2003 and 2002.

2003	Total Facility	Amount Outstanding at December 31, 2003	Total Available
Committed			
364-day Revolving Credit Facility	$ 500.0	$ —	$ 339.9*
Other Facilities (principally International)	0.8	—	0.8
	$ 500.8	$ —	$ 340.7
Uncommitted			
Domestic	$ —	$ —	$ —
International	744.8	38.1	706.7
	$ 744.8	$ 38.1	$ 706.7
Total	$ 1,245.6	$ 38.1	$ 1,047.4

* *Amount available is reduced by $160.1 of Letters of Credit issued under the Revolving Credit Facility.*

2002	Total Facility	Amount Outstanding at December 31, 2002	Total Available
Committed			
364-day Revolving Credit Facility	$ 500.0	$ —	$ 500.0
Other Facilities (principally International)	157.8	3.1	154.7
	$ 657.8	$ 3.1	$ 654.7
Uncommitted			
Domestic	$ 27.7	$ 7.7	$ 20.0
International	680.2	205.5	474.7
	$ 707.9	$ 213.2	$ 494.7
Total	$ 1,365.7	$ 216.3	$ 1,149.4

Long-term debt at December 31 consisted of the following:

	2003	2002
Convertible Subordinated Notes - 1.80%	$ 244.1	$ 236.1
Convertible Subordinated Notes - 1.87%	337.5	328.5
Zero-Coupon Convertible Notes	—	581.0
Senior Unsecured Notes - 7.875%	522.1	533.7
Senior Unsecured Notes - 7.25%	500.0	500.0
Convertible Senior Notes - 4.5%	800.0	—
Five-Year Revolving Credit Facility - (.0525% in 2002)	—	50.3
Term Loans - 9.95% (8.05% to 10.01% in 2002)	—	157.1
Other Notes Payable and Capitalized Leases - 2.25% to 25.67%	32.5	35.0
	2,436.2	2,421.7
Less: Current Portion	244.5	604.0

Long-Term Debt	$ 2,191.7	$ 1,817.7

Long-term debt maturing over the next five years and thereafter is as follows:

2004	$	244.5
2005	$	523.8
2006	$	338.5
2007	$	0.9
2008	$	0.9
2009 and thereafter	$	1,327.6

Other

On March 7, 2003, Standard & Poor's Ratings Services downgraded the Company's senior secured credit rating to BB+ with negative outlook from BBB-. On May 14, 2003, Fitch Ratings downgraded the Company's senior unsecured credit rating to BB+ with negative outlook from BBB-. On May 9, 2003, Moody's Investor Services, Inc. ("Moody's") placed the Company's senior unsecured and subordinated credit ratings on review for possible downgrade from Baa3 and Ba1, respectively. As of March 12, 2004, the Company's credit ratings continued to be on review for a possible downgrade.

Since July 2001, the Company has not repurchased its common stock in the open market.

In October 2003, the Company received a federal tax refund of approximately $90 as a result of its carryback of its 2002 loss for US federal income tax purposes and certain capital losses, to earlier periods.

Through December 2002, the Company had paid cash dividends quarterly with the most recent quarterly dividend paid in December 2002 at a rate of $0.095 per share. On a quarterly basis, the Company's Board of Directors makes determinations regarding the payment of dividends. As previously discussed, the Company's ability to declare or pay dividends is currently restricted by the terms of its Revolving Credit Facilities. The Company did not declare or pay any dividends in 2003. However, in 2004, the Company expects to pay any dividends accruing on the Series A Mandatory Convertible Preferred Stock in cash, which is expressly permitted by the Revolving Credit Facilities.

See Note 14 for discussion of fair market value of the Company's long-term debt.

<u>Note 9: Equity Offering</u>

On December 16, 2003, the Company sold 25.8 million shares of common stock and issued 7.5 million shares of 3-year Series A Mandatory Convertible Preferred Stock (the "Preferred Stock"). The total net proceeds received from the concurrent offerings was approximately $693. The Preferred Stock carries a dividend yield of 5.375%. On maturity, each share of the Preferred Stock will convert, subject to adjustment, to between 3.0358 and 3.7037 shares of common stock, depending on the then-current market price of the Company's common stock, representing a conversion premium of approximately 22% over the stock offering price of $13.50 per share. Under certain circumstances, the Preferred Stock may be converted prior to maturity at the option of the holders or the Company. The common and preferred stock were issued under the Company's existing shelf registration statement.

In January 2004, the Company used approximately $246 of the net proceeds from the offerings to redeem the 1.80% Convertible Subordinated Notes due 2004. The remaining proceeds will be used for general corporate purposes and to further strengthen the Company's balance sheet and financial condition.

The Company will pay annual dividends on each share of the Series A Mandatory Convertible Preferred Stock in the amount of $2.6875. Dividends will be cumulative from the date of issuance and will be payable on each payment date to the extent that dividends are not restricted under the Company's credit facilities and assets are legally available to pay dividends. The first dividend payment, which was declared on February 24, 2004, will be made on March 15, 2004.

<u>Note 10: Incentive Plans</u>

The 2002 Performance Incentive Plan ("2002 PIP Plan") was approved by the Company's stockholders in May 2002 and includes both stock and cash based incentive awards. The maximum number of shares of the Company's common stock that may be granted under the 2002 PIP Plan is 12,500,000 shares, supplemented with additional shares as defined in the 2002 PIP Plan document (excluding management incentive compensation performance awards). The 2002 PIP Plan also limits the number of shares available with respect to awards made to any one participant as well as limiting the number of shares available under certain awards. Awards made prior to the 2002 PIP Plan remain subject to the respective terms and conditions of the predecessor plans. Except as otherwise noted, awards under the 2002 PIP Plan have terms similar to awards made under the respective predecessor plans.

Stock Options

Stock options are generally granted at the fair market value of the Company's common stock on the date of grant and are exercisable as determined by the Compensation Committee of the Board of Directors (the "Committee"). Generally, options become 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:

(Number of Shares in Millions)

	2003		2002		2001	
	Shares	Weighted Average	Shares	Weighted Average	Shares	Weighted Average

			Exercise Price			Exercise Price			Exercise Price
Shares under option, beginning of year	42.3	$	29.35	38.3	$	28.82	34.9	$	24.95
Options granted	6.4	$	10.60	7.8	$	26.43	10.0	$	36.40
Options exercised	(0.1)	$	10.49	(2.8)	$	14.24	(5.2)	$	15.00
Options cancelled	(6.7)	$	29.23	(1.0)	$	28.78	(1.4)	$	33.26
Shares under option, end of year	41.9	$	26.60	42.3	$	29.35	38.3	$	28.82
Options exercisable at year-end	20.8	$	27.49	19.8	$	25.16	20.2	$	21.56

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

(Number of Shares in Millions)

Range of Exercise Prices	Number of Shares Outstanding at 12/31/03	Weighted-Average Remaining Contractual Life		Weighted-Average Exercise Price	Number of Shares Exercisable at 12/31/03		Weighted-Average Exercise Price
$9.12 to $14.99	8.8	7.68	$	11.09	1.7	$	11.12
$15.00 to $24.99	8.4	3.79	$	18.94	7.7	$	18.90
$25.00 to $34.99	15.6	6.68	$	31.26	7.7	$	32.93
$35.00 to $56.28	9.1	6.52	$	40.93	3.7	$	41.57

See Note 1 for pro forma disclosure of net income (loss) and earnings (loss) per share under SFAS 123.

Employee Stock Purchase Plan
Under the Employee Stock Purchase Plan ("ESPP"), employees may purchase common stock of the Company through payroll deductions not exceeding 10% of their compensation. The price an employee pays for a share of stock is 85% of the market price on the last business day of the month. The Company issued 900,000 shares, 900,000 shares and 800,000 shares in 2003, 2002 and 2001, respectively. An additional 12.4 million shares were reserved for issuance at December 31, 2003.

Restricted Stock
Restricted stock issuances are subject to certain restrictions and vesting requirements as determined by the Committee. The vesting period is generally five to seven years. No monetary consideration is paid by a recipient for a restricted stock award and the grant date fair value of these shares is amortized over the restriction periods. At December 31, 2003, there was a total of 5.5 million shares of restricted stock outstanding. During 2003, 2002 and 2001, the Company awarded 0.5 million shares, 1.5 million shares and 1.5 million shares of restricted stock with a weighted-average grant date fair value of $11.51, $29.11 and $32.09, respectively. The cost recorded for restricted stock awards in 2003, 2002 and 2001 was $38.8, $50.0 and $48.5, respectively.

Performance Units
Performance units have been awarded to certain key employees of the Company and its subsidiaries. The ultimate value of these performance units is contingent upon the annual growth in profits (as defined) of the Company, its operating components or both, over the performance periods. The awards are generally paid in cash. The projected value of these units is accrued by the Company and charged to expense over the performance period. The Company expensed approximately $20, $15 and $45 in 2003, 2002 and 2001, respectively.

Note 11: Retirement Plans

Defined Benefit Pension Plans
Through March 31, 1998 the Company and certain of its domestic subsidiaries had a defined benefit plan ("Domestic Plan") which covered substantially all regular domestic employees. Effective April 1, 1998, this Plan was curtailed and participants with five or less years of service became fully vested in the Domestic Plan. Participants with five or more years of service as of March 31, 1998 retain their vested balances and participate in a new benefit plan.

Under the amended plan, each participant's account is credited with an annual allocation, which approximates the projected discounted pension benefit accrual (normally made under the Domestic Plan) plus interest, while they continue to work for the Company. Participants in active service are eligible to receive up to ten years of allocations coinciding with the number of years of plan participation with the Company after March 31, 1998.

Until the sale of NFO (see Note 3), the Company also maintained a defined benefit plan covering approximately one half of NFO's US employees (the "NFO Plan").

The Company also has several foreign pension plans in which benefits are based primarily on years of service and employee compensation. It is the Company's policy to fund these plans in accordance with local laws and income tax regulations.

Excluding the net pension costs associated with NFO, which were $1.0 and $0.6 for 2002 and 2001, respectively, net periodic pension costs for these plans included the following components:

	Domestic Pension Plan						Foreign Pension Plans					
	2003		2002		2001		2003		2002		2001	
Service cost	$	—	$	—	$	—	$	12.9	$	9.9	$	10.4

Interest cost	9.1	9.5	9.7	14.5	12.0	11.7
Expected return on plan assets	(6.8)	(9.1)	(10.6)	(9.2)	(10.3)	(10.7)
Amortization of unrecognized transition obligation	—	—	—	0.8	0.6	1.3
Amortization of prior service cost	—	—	—	0.1	0.7	0.6
Recognized actuarial loss (gain)	5.6	3.0	2.5	4.0	0.3	(0.6)
Net periodic pension cost	$ 7.9	$ 3.4	$ 1.6	$ 23.1	$ 13.2	$ 12.7

The weighted-average assumptions used to determine net cost were as follows:

	Domestic Pension Plan			Foreign Pension Plans		
	2003	2002	2001	2003	2002	2001
Discount rate	6.75%	7.25%	7.50%	1.5%-10.0%	2.3%-10.0%	3.0%-10.0%
Rate of compensation increase	N/A	N/A	N/A	2.0%-10.0%	1.0%-10.0%	1.0%-10.0%
Expected return on plan assets	8.75%	9.00%	9.00%	0.3%-10.0%	0.3%-10.0%	2.0%-10.0%

The following table sets forth the change in the benefit obligation, the change in plan assets, the funded status and amounts recognized for all pension plans in the Company's Consolidated Balance Sheet at December 31, 2003 and 2002:

	Domestic Pension Plan		Foreign Pension Plans	
	2003	2002	2003	2002
Change in Benefit Obligations				
Benefit obligation at January 1	$ 150.8	$ 147.5	$ 244.4	$ 208.9
Service cost	—	0.7	12.9	9.9
Interest cost	9.1	10.3	14.5	12.0
Benefits paid	(13.9)	(14.6)	(15.6)	(10.4)
Plan participant contributions	—	—	2.6	2.6
Plan amendments	0.4	—	—	—
Actuarial (gains) losses	8.3	6.9	23.1	20.4
Foreign currency effect	—	—	21.1	1.0
Discontinued operations - NFO	(13.5)	—	—	—
Other	—	—	3.9	—
Benefit obligation at December 31	141.2	150.8	306.9	244.4
Change in Plan Assets				
Fair value of plan assets at January 1	90.3	112.8	122.3	148.7
Actual return on plan assets	14.5	(12.0)	25.0	(22.4)
Employer contributions	—	4.1	16.5	7.0
Plan participant contributions	—	—	2.6	2.6
Benefits paid	(13.9)	(14.6)	(15.6)	(10.4)
Foreign currency effect	—	—	14.6	(4.5)
Discontinued operations - NFO	(6.6)	—	—	—
Other	—	—	0.2	1.3
Fair value of plan assets at December 31	84.3	90.3	165.6	122.3
Reconciliation of Funded Status to Total Amount Recognized				
Funded status of the plans	(56.9)	(60.5)	(141.3)	(122.1)
Unrecognized net actuarial loss	58.6	70.5	79.6	67.5
Unrecognized prior service cost	0.4	0.1	0.5	0.8
Unrecognized transition cost	—	—	0.7	0.8
Net asset (liability) recognized	$ 2.1	$ 10.1	$ (60.5)	$ (53.0)
Amounts Recognized in Consolidated Balance Sheet				
Accrued Benefit Liability	$ (56.9)	$ (53.5)	$ (99.8)	$ (98.7)
Intangible Asset	0.4	—	0.4	0.5
Currency Translation Adjustment	—	—	5.1	—
Accumulated Other Comprehensive Income Comprehensive Income	58.6	63.6	33.8	45.2
Net asset (liability) recognized	$ 2.1	$ 10.1	$ (60.5)	$ (53.0)

Refer to Note 12 for current period adjustment to comprehensive income.

The weighted average assumptions were used in determining the Company's actuarial present value of the benefit obligations were as follows:

	Domestic	Foreign

	Pension Plan		Pension Plans	
	2003	2002	2003	2002
Discount rate	6.25%	6.75%	1.5% - 10.0%	2.3% - 10.0%
Rate of compensation increase	N/A	N/A	2.0% - 10.0%	1.0% - 10.0%

The accumulated benefit obligation for the domestic plan was $141 and $149 at December 31, 2003 and 2002, respectively. The accumulated benefit obligation for the foreign plans was $357 and $234 at December 31, 2003 and 2002, respectively.

As of December 31, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for all plans with accumulated benefit obligations in excess of plan assets were:

	Domestic Pension Plan		Foreign Pension Plans	
	2003	2002	2003	2002
Projected benefit obligation	$ 141	$ 151	$ 306	$ 240
Accumulated benefit obligation	$ 141	$ 149	$ 357	$ 232
Fair value of plan assets	$ 84	$ 90	$ 165	$ 116

The Company uses a measurement date of December 31. For the domestic plan, the primary investment goal is to maximize total asset returns while ensuring the plan's assets are available to fund the plan's liabilities as they come due. The plan's asset allocation is structured to meet a long-term targeted total return of 8.75% which, combined with the Company's contributions, is intended to be sufficient to meet the ongoing nature of the plan's liabilities. The plan's assets in aggregate and at the individual portfolio level are invested so that total portfolio risk exposure and risk-adjusted returns best meet the plan's investment objectives.

The Company's domestic pension plan weighted-average target asset allocation for 2004 as well as the asset allocations at December 31, 2003 and 2002, by asset category are as follows:

	Target Allocation	Plan Assets at December 31	
	2004	2003	2002
Asset Category			
Equity securities	50%	61%	55%
Fixed income	25%	14%	25%
Real estate	10%	10%	9%
Discontinued operations - NFO	—%	—%	7%
Other	15%	15%	4%
Total	100%	100%	100%

For the domestic plans, the Company works with a consultant to develop the long-term rate of return assumptions used to model and determine the overall asset allocation. The consultant's asset allocation committee makes recommendations regarding asset class assumptions. Forecast returns are based on a combination of historical returns, current market conditions and their forecast for the capital markets over the next 5-7 years. The consultant analyzes the historic trends of asset class index returns since inception of the asset class over various market cycles and economic conditions. Approximately 75% of the return assumption is based on historical information and 25% is based on current or forward-looking information. All asset class assumptions are within certain bands around the long-term historical averages. Certain asset classes, like core bonds, rely more on current market conditions to determine their outlook. Current market conditions include the current yield on bonds and short-term instruments. Correlations and standard deviations are based primarily on historical return patterns.

Other Benefit Arrangements
The Company sponsors other defined contribution plans ("Savings Plans") and certain domestic subsidiaries maintain a profit sharing plan ("Profit Sharing Plan") that cover substantially all domestic employees of the Company and participating subsidiaries. The Savings Plans permit participants to make contributions on a pre-tax and/or after-tax basis. The Savings Plans allow participants to choose among several investment alternatives. The Company matches a portion of participants' contributions based upon the number of years of service. The Company match is made in cash and ranges between 2-4% of salary. The Company contributed $26.1, $27.1 and $34.9 to the Savings Plans and Profit Sharing Plan in 2003, 2002 and 2001, respectively.

The Company has deferred compensation arrangements which permit certain of its key officers and employees to defer a portion of their salary and incentive compensation and receive corresponding company matching and discretionary profit sharing contributions. The Company has purchased life insurance policies on participants' lives to assist in the funding of the deferred compensation liability. As of December 31, 2003 and 2002, the cash surrender value of these policies was approximately $137 and $121, respectively. Additionally, certain investments are maintained in a separate trust for the purpose of paying the deferred compensation liability. The assets are held on the balance sheet of the Company but are restricted to the purpose of paying the deferred compensation liability. As of December 31, 2003 and 2002, the value of such restricted assets was approximately $88 and $82, respectively.

Postretirement Benefit Plans
The Company and its subsidiaries provide certain postretirement health care benefits for employees who were in the employ of the Company as of January 1, 1988 and life insurance benefits for employees who were in the employ of the Company as of December 1, 1961. The plans cover certain domestic employees and certain key employees in foreign countries. The Company's plan covering postretirement medical benefits is self-insured with no maximum limit of coverage.

The Company accrues the expected cost of postretirement benefits other than pensions over the period in which the active employees become eligible for such postretirement benefits. Excluding the net periodic expense associated with NFO, which was $0.5 and $0.4 for 2002 and 2001, respectively, the net periodic expense for these postretirement benefits for 2003, 2002 and 2001 is as follows:

	Other Postretirement Benefits		
	2003	2002	2001
Service cost	$ 0.6	$ 0.7	$ 0.7
Interest cost	3.1	3.5	3.5
Amortization of:			
Transition obligation	0.2	0.1	0.2
Prior service cost	—	—	(0.9)
Actuarial (gain) loss	(0.1)	—	(0.2)
Total net periodic benefit cost	$ 3.8	$ 4.3	$ 3.3

The following table sets forth the change in benefit obligation, change in plan assets, funded status and amounts recognized for the Company's postretirement benefit plans in the Consolidated Balance Sheet at December 31, 2003 and 2002:

	2003	2002
Change in benefit obligation		
Beginning obligation at January 1	$ 52.0	$ 52.6
Service cost	0.6	0.9
Interest cost	3.1	3.8
Participant contributions	1.1	0.1
Benefits paid	(6.1)	(4.9)
Plan amendments	—	—
Discontinued operations - NFO	(3.6)	—
Actuarial (gain) loss	15.0	(0.5)
Ending obligation at December 31	62.1	52.0

	2003	2002
Change in plan assets		
Fair value of plan assets at January 1	—	—
Actual return on plan assets	—	—
Employer contributions	5.0	4.8
Participant contributions	1.1	0.1
Benefits paid	(6.1)	(4.9)
Fair value of plan assets at December 31	—	—
Reconciliation of Funded Status to Total Amount Recognized		
Funded status of the plans	(62.1)	(52.0)
Unrecognized net actuarial gain/(loss)	10.1	(3.5)
Unrecognized prior service cost	—	(0.3)
Unrecognized net transition obligation	1.4	1.5
Net liability recognized	$ (50.6)	$ (54.3)
Amounts Recognized in the Consolidated Balance Sheet		
Accrued Benefit Liability	$ (50.6)	$ (54.3)
Net liability recognized	$ (50.6)	$ (54.3)

In determining the accumulated postretirement benefit obligation, the Company uses the following assumption rates:

	2003	2002
Weighted-average assumption as of December 31		
Discount rate	6.25%	6.75%
Healthcare cost trend rate assumed for next year		
Initial rate (weighted average)	10.0%	10.0%
Year ultimate rate is reached	2012	2012
Ultimate rate	5.50%	5.50%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

Effect of a one percentage point increase in assumed health care cost trend	
• on total service and interest cost components	$ 0.2
• on postretirement benefit obligation	$ 3.9
Effect of a one percentage point decrease in assumed health care cost trend	
• on total service and interest cost components	$ (0.2)
• on postretirement benefit obligation	$ (3.5)

Cash Flows

Contributions

The Company contributed $30.0 to its domestic pension plan in February 2004. The Company expects to contribute $5.3 to its other postretirement benefit plan in 2004. Other than these amounts, the Company does not expect to make any other contributions to its postretirement benefits plans or its domestic pension plan in 2004.

Note 12: Comprehensive Income

Accumulated other comprehensive income (loss) amounts are reflected in the Consolidated Financial Statements as follows:

	2003	2002	2001
Net income (loss)	$ (451.7)	$ 99.5	$ (534.5)
Foreign currency translation adjustment	141.6	123.7	(87.3)
Adjustment for minimum pension liability:			
Adjustment for minimum pension liability	16.4	(67.4)	(9.3)
Tax benefit (expense)	(5.5)	22.3	3.9
Adjustment for minimum pension liability	10.9	(45.1)	(5.4)
Unrealized holding gain (loss) on securities:			
Unrealized holding gains	19.9	7.8	0.5
Tax expense	(8.2)	(3.2)	(0.2)
Unrealized holding losses	(9.8)	(15.2)	—
Tax benefit	4.1	6.2	—
Reclassification of unrealized loss to net earnings	—	—	94.8
Tax benefit	—	—	(39.8)
Reclassification of unrealized gains to net earnings	—	—	(0.3)
Tax expense	—	—	0.1
Unrealized holding gain (loss) on securities	6.0	(4.4)	55.1
Comprehensive income (loss)	$ (293.2)	$ 173.7	$ (572.1)

As of December 31, accumulated other comprehensive loss as reflected in the Consolidated Balance Sheet is as follows:

	2003	2002	2001
Foreign currency translation adjustment	$ (159.1)	$ (300.7)	$ (424.4)
Adjustment for minimum pension liability	(58.2)	(69.1)	(24.0)
Unrealized holding gain (loss) on securities	2.2	(3.8)	0.6
Accumulated other comprehensive loss	$ (215.1)	$ (373.6)	$ (447.8)

Note 13: Derivative and Hedging Instruments

The Company enters into interest rate swaps, hedges of net investments in foreign operations and forward contracts.

Interest Rate Swaps
As of December 31, 2003, the Company had no outstanding interest rate swap agreements.

During 2002, the Company had outstanding interest rate swap agreements covering $400.0 of the $500.0, 7.875% notes due October 2005. The swaps had the same term as the debt and effectively converted the fixed rate on the debt to a variable rate based on 6 month LIBOR. The swaps were accounted for as hedges of the fair value of the related debt and were recorded as an asset or liability as appropriate.

As of December 31, 2002, the Company had terminated all of the interest rate swap agreements covering the $500.0, 7.875% notes due October 2005. In connection with the termination of the interest rate swap agreements transaction, the Company received $45.7 in cash which will be recorded as an offset to interest expense over the remaining life of the related debt.

Hedges of Net Investments
As of December 31, 2003, the Company had no loans designated as hedges of net investments.

The Company has significant foreign operations and conducts business in various foreign currencies. In order to hedge the value of its investments in Japan, the Company had designated the Yen borrowings under its $375.0 Revolving Credit Facility (in the amount of $36.5) as a hedge of its net investment. The amount deferred in 2002 was not material.

On August 15, 2003, the Company repaid $36.5 Yen borrowing under its $375.0 Revolving Credit Facility that had been designated as a hedge of a net investment.

Forward Contracts

The Company has entered into foreign currency transactions in which foreign currencies (principally the Euro, Pounds and the Yen) are bought or sold forward. The contracts were entered into to meet currency requirements arising from specific transactions. The changes in value of these forward contracts were reflected in the Company's Consolidated Statement of Operations. As of December 31, 2002 the Company had contracts covering approximately $37 of notional amount of currency and the fair value of the forward contracts was a gain of $5.1. As of December 31, 2003, the Company had contracts covering $2.4 of notional amount of currency and the fair value of the forward contracts was negligible.

Other
The Company has two embedded derivative instruments under the terms of the offering of Zero-Coupon Notes as discussed in Note 8. At December 31, 2002, the fair value of the two derivatives was negligible. As of April 2003, substantially all of the Zero-Coupon Notes were redeemed. In connection with the issuance and sale of the 4.5% Convertible Senior Notes in March 2003, two embedded derivatives were created. The fair value of the two derivatives on December 31, 2003 was negligible.

As discussed in Note 3, the Company has entered into various put and call options related to acquisitions. The exercise price of such options is generally based upon the achievement of projected operating performance targets and approximate fair value.

Note 14: Financial Instruments

Financial assets, which include cash and cash equivalents, investments and receivables, have carrying values which approximate fair value. Marketable securities are mainly available-for-sale as defined by SFAS 115, and accordingly are reported at fair value with net unrealized gains and losses reported as a component of other comprehensive income. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies.

The Company's off-balance sheet financial instruments consisted of interest-rate swap agreements and foreign currency forward contracts as discussed in Note 13. The fair value of interest rate swap agreements was estimated based on quotes from the market makers of these instruments and represents the estimated amounts that the Company would expect to receive or pay to terminate the agreements at the reporting date. The fair values associated with the foreign currency contracts were estimated by valuing the net position of the contracts using the applicable spot rates and forward rates as of the reporting date.

The following table summarizes net unrealized holding gains and losses before taxes of the Company's investments carried on the cost method, at December 31:

	2003	2002	2001
Cost	$ 147.0	$ 169.0	$ 176.3
Unrealized:			
• Gains	4.1	—	1.4
• Losses	—	(6.0)	—
Net unrealized gains (losses)	4.1	(6.0)	1.4
Fair market value	$ 151.1	$ 163.0	$ 177.7

Unrealized holding gains (losses), net of tax, were $2.2, $(3.8) and $0.6 at December 31, 2003, 2002 and 2001, respectively.

Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, as well as short-term bank borrowings.

As of December 31, the fair value of the Company's significant borrowings was as follows:

	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
Convertible Subordinated Notes - 1.87%	$ 337.5	$ 336.6	$ 328.5	$ 278.0
Convertible Subordinated Notes - 1.80%	$ 244.1	$ 244.5	$ 236.1	$ 219.4
Senior Unsecured Note - 7.875%	$ 522.1	$ 535.0	$ 533.7	$ 485.0
Senior Unsecured Note - 7.25%	$ 500.0	$ 542.5	$ 500.0	$ 475.0
Convertible Senior Notes - 4.5%	$ 800.0	$ 1,224.0	$ —	$ —
Zero-Coupon Convertible Notes	$ —	$ —	$ 581.0	$ 551.9

The fair value of long-term debt instruments is based on market prices for debt instruments with similar terms and maturities.

Note 15: Segment Information

At September 30, 2004, the Company is organized into four global operating groups together with several stand-alone agencies. The four global operating groups are: a) McCann; b) FCB; c) The Partnership; and d) CMG. The stand-alone agencies include Initiative Media, Campbell-Ewald, Hill Holliday and Deutsch which provide advertising and/or marketing communication services, and Octagon Worldwide ("OWW") which provides marketing services. Additionally, the Company currently owns an entity, Motorsports, that owns and/or operates venue-based motorsports businesses. (The Company is currently in the process of exiting all of its activities related to Motorsports.) Each of the four groups and the stand-alone agencies and Motorsports has its own management structure and reports to senior management of the Company on the basis of this structure.

As of December 31, 2003, the Company had an additional global operating group, Interpublic Sports and Entertainment Group ("SEG"). SEG included OWW and certain other businesses. During the second quarter of 2004, SEG was disbanded and its component parts were either reallocated to one of the four global operating groups or became stand-alone agencies.

McCann, FCB, The Partnership, CMG and the stand-alone agencies (except OWW) 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 groups and the stand-alone agencies may vary due to global economic conditions, client spending and specific circumstances such as the Company's restructuring activities. However, based on the respective future prospects of McCann, FCB, The Partnership, CMG and the stand-alone agencies (except OWW), the

Company believes that the long-term average gross margin of each of these entities will converge over time and, given the similarity of the operations, McCann, FCB, The Partnership, CMG and the stand-alone agencies (except OWW) have been aggregated into a reportable segment.

Motorsports owns and/or operates venue-based motorsports businesses and derives revenue from ticket sales and rentals of its various owned and leased tracks. Generally the cost structure of Motorsports is based on direct operating costs, as opposed to "pass through" costs that characterize the rest of the businesses. Accordingly, Motorsports has different economic characteristics and is reflected as its own reportable segment.

OWW is a sports marketing agency which provides athlete representation, TV production and rights distribution and event planning, consulting and other marketing services and sponsorship services. OWW shares some similarities to other service lines offered by IPG, however, on a stand-alone basis, its economic characteristics are sufficiently different to require disaggregation from the rest of the Company.

The revenues of OWW and Motorsports are not material to the Company as a whole. However, due to the recording of long-lived asset impairment charges, operating difficulties and resulting higher costs, OWW and Motorsports have incurred operating losses. Based on certain substantial contractual obligations at Motorsports and revised

projections for OWW, the Company does not expect that margins for these businesses will converge with those of the rest of the Company. Given the expected margin performance and other factors indicating that OWW and Motorsports have different economic characteristics than IPG (excluding OWW and Motorsports), OWW and Motorsports are maintained as separate reportable segments.

Accordingly, in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, the Company has three reportable segments. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Management evaluates performance based on operating earnings before interest and income taxes.

The amounts set forth below reflect the changes in the reporting structure discussed above.

Summarized financial information concerning the Company's reportable segments is shown in the following table:

	IPG Excl. OWW & Motorsports	OWW	Motorsports	Consolidated Total
2003				
Revenue	$ 5,610.1	$ 173.6	$ 79.7	$ 5,863.4
Operating income (loss)	393.6	(234.6)*(1)*	(106.8)*(2)*	52.2
Total assets	11,999.3	174.1	61.1	12,234.5
Goodwill	3,310.6	—	—	3,310.6
Depreciation and amortization of fixed assets	186.0	3.2	3.6	192.8
Capital expenditures	$ 140.1	$ 1.2	$ 25.7	$ 167.0
2002				
Revenue	$ 5,494.0	$ 150.5	$ 93.0	$ 5,737.5
Operating income (loss)	555.3	13.6	(209.9)*(3)*	359.0
Total assets	11,169.3	448.4	176.0	11,793.7
Goodwill	3,180.7	196.4	—	3,377.1
Depreciation and amortization of fixed assets	180.5	4.0	6.3	190.8
Capital expenditures	$ 133.6	$ 1.4	$ 36.4	$ 171.4
2001				
Revenue	$ 6,102.8	$ 135.6	$ 114.3	$ 6,352.7
Operating income (loss)	(295.3)*(4)*	18.6	10.2	(266.5)
Total assets	10,763.6	403.6	208.1	11,375.3
Goodwill	2,756.9	162.5	74.6	2,994.3
Depreciation and amortization of fixed assets	189.6	2.5	6.0	198.1
Capital expenditures	$ 244.7	$ 7.7	$ 5.1	$ 257.5

A reconciliation of information between reportable segments and the Company's consolidated pre-tax earnings is shown in the following table:

	2003	2002	2001
Total operating income (loss) for reportable segments	$ 52.2	$ 359.0	$ (266.5)
Interest expense	(172.8)	(145.6)	(164.6)
Debt repayment penalty	(24.8)	—	—
Interest income	38.9	29.8	41.8
Other income	50.0	7.9	13.7
Investment impairments	(84.9)	(39.7)	(210.8)
Litigation charges	(127.6)	—	—
Income (loss) before income taxes	$ (269.0)	$ 211.4	$ (586.4)

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(1) *The operating loss in 2003 includes the impact of impairment charges of $221.0 related to OWW.*

(2) *The operating loss in 2003 includes the impact of $63.8 in impairment charges related to Motorsports.*

(3) *The operating loss in 2002 includes the impact of impairment charges of $118.7 related to Motorsports.*

(4) *The operating loss in 2001 includes the impact of restructuring and other merger-related costs ($634.5) and long-lived asset impairment and other changes ($303.1).*

Long-lived assets and revenue are presented below by major geographic area:

	2003	2002	2001
Long-Lived Assets:			
United States	$ 2,411.1	$ 2,652.2	$ 2,405.7
International			
United Kingdom	395.8	535.7	667.9
All Other Europe	1,126.5	1,238.4	943.0
Asia Pacific	179.0	163.5	172.4
Latin America	148.3	179.2	189.4
Other	279.6	192.5	150.4
Total International	2,129.2	2,309.3	2,123.1
Deferred Income Taxes	344.5	509.9	495.0
Total Consolidated	$ 4,884.8	$ 5,471.4	$ 5,023.8
Revenue:			
United States	$ 3,284.2	$ 3,313.6	$ 3,708.0
International			
United Kingdom	599.1	584.5	615.8
All Other Europe	1,094.0	986.8	1,024.6
Asia Pacific	420.1	384.7	439.0
Latin America	233.9	266.4	345.6
Other	232.1	201.5	219.7
Total International	2,579.2	2,423.9	2,644.7
Total Consolidated	$ 5,863.4	$ 5,737.5	$ 6,352.7

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 operation.

The largest client of the Company contributed approximately 8% in 2003, 8% in 2002 and 7% in 2001 to revenue. The Company's second largest client contributed approximately 3% in 2003, 3% in 2002 and 2% in 2001 to revenue.

Note 16: Commitments and Contingencies

Leases

The Company and its subsidiaries lease certain facilities and equipment. Gross rental expense amounted to $447.4 for 2003, $433.7 for 2002 and $450.2 for 2001, which was reduced by sublease income of $30.9 in 2003, $24.5 in 2002 and $29.9 in 2001. Where leases contain escalation clauses or other concessions, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period.

Minimum rental commitments for the rental of office premises and equipment under noncancellable leases, some of which provide for rental adjustments due to increased property taxes and operating costs for 2004 and thereafter, are as follows:

Period	Amount
2004	$ 317.0
2005	$ 279.9
2006	$ 244.3
2007	$ 214.3
2008	$ 196.5
2009 and thereafter	$ 1,055.6

Acquisitions-Related Commitments

Certain of the Company's acquisition agreements provide for deferred payments by the Company, contingent upon future revenues or profits of the companies acquired. Additionally, the Company has entered into put option agreements which are also contingent upon future revenues or profits. Contingent amounts under acquisition deferred payments, put options, in the event of exercise at the earliest exercise date, and other payments are $293 (including cash and stock) assuming the full amount due under these acquisition agreements is paid.

Tax Matters

On April 21, 2003, the Company received a notice from the Internal Revenue Service ("IRS") proposing adjustments to the Company's taxable income that would result in additional taxes, including conforming adjustments to state and local returns, of $41.5 (plus interest) for the taxable years 1994 to 1996. The Company believes that the tax positions that the IRS has challenged comply with applicable law, and it intends to defend those positions vigorously. The Company filed a Protest with the IRS Appeals Office on July 21, 2003. Although the ultimate resolution of these matters will likely require the Company to pay additional taxes, any such payments will not have a material effect on the Company's financial position, cash flows or results of operations.

The IRS commenced its examination of the Company's 1997 to 2002 income tax returns in February 2004. In an attempt to become more current, the IRS is examining these multiple years in the normal course.

The Company and certain of its subsidiaries are party to various other tax examinations, some of which have resulted in assessments. The Company intends to vigorously defend any and all assessments and believes that additional taxes (if any) that may ultimately result from the settlement of such assessments or open examinations would not have a material adverse effect on the Company's financial position, cash flows or results of operations.

Legal Matters

Federal Securities Class Actions

Thirteen federal securities purported class actions were filed against the Company and certain of its present and former directors and officers by a purported class of purchasers of the Interpublic stock shortly after the Company's August 13, 2002 announcement regarding the restatement of its previously reported earnings for the periods January 1, 1997 through March 31, 2002. These actions, which were all filed in the United States District Court for the Southern District of New York, were consolidated by the court and lead counsel was appointed for all plaintiffs on November 8, 2002. A consolidated amended complaint was filed on January 10, 2003. The purported class consists of Interpublic shareholders who purchased Interpublic stock in the period from October 1997 to October 2002. Specifically, the consolidated amended complaint alleges that the Company and certain of its present and former directors and officers allegedly made misleading statements to its shareholders between October 1997 and October 2002, including the alleged failure to disclose the existence of additional charges that would need to be expensed and the lack of adequate internal financial controls, which allegedly resulted in an overstatement of the Company's financial results during those periods. The consolidated amended complaint alleges that such false and misleading statements constitute violations of Sections 10(b) and 20(a) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The consolidated amended complaint also alleges violations of Sections 11 and 15 of the Securities Act of 1933, as amended (the "Securities Act") in connection with the Company's acquisition of True North on behalf of a purported class of True North shareholders who acquired Interpublic stock. No amount of damages is specified in the consolidated amended complaint. On February 6, 2003, defendants filed a motion to dismiss the consolidated amended complaint in its entirety. On February 28, 2003, plaintiffs filed their opposition to defendants' motion and, on March 14, 2003, defendants filed their reply to plaintiff's opposition to defendants' motion. On May 29, 2003, the United States District Court for the Southern District of New York denied the motion to dismiss as to the Company and granted the motion, in part, as to the present and former directors and officers named in the consolidated amended complaint. On June 30, 2003, defendants filed an answer to the consolidated amended complaint. On November 6, 2003, the Court granted plaintiffs' motion to certify a class consisting of persons who purchased Interpublic stock between October 28, 1997 and October 16, 2002 and a class consisting of persons who acquired shares of Interpublic stock in exchange for shares of True North.

On December 2, 2003, the Company reached an agreement in principal to settle the consolidated class action shareholder suits currently pending in federal district court in New York. The settlement is subject to the execution of a final settlement agreement and to approval by the court. Under the terms of the proposed settlement, the Company will pay $115 million, of which $20 million will be paid in cash and $95 million will be paid in shares of its common stock at a value of $14.50 per share. The Company also agreed that, should the price of its common stock fall below $8.70 per share before final approval of the settlement, the Company will either, at its sole discretion, issue additional shares of common stock or pay cash so that the consideration for the stock portion of the settlement will have a total value of $57.

State Securities Class Actions

Two state securities purported class actions were filed against the Company and certain of its present and former directors and officers by a purported class of purchasers of the Company stock shortly after the Company's November 13, 2002 announcement regarding the restatement of its previously reported earnings for the periods January 1, 1997 through March 31, 2002. The purported classes consist of Interpublic shareholders who acquired Interpublic stock on or about June 25, 2001 in connection with the Company's acquisition of True North. These lawsuits allege that the Company and certain of its present and former directors and officers allegedly made misleading statements in connection with the filing of a registration statement on May 9, 2001 in which the Company issued 67,644,272 shares of its common stock for the purpose of acquiring True North, including the alleged failure to disclose the existence of additional charges that would need to be expensed and the lack of adequate internal financial controls, which allegedly resulted in an overstatement of the Company's financial results at that time. The suits allege that such misleading statements constitute violations of Sections 11 and 15 of the Securities Act of 1933. No amount of damages is specified in the complaints. These actions were filed in the Circuit Court of Cook County, Illinois. On December 18, 2002, defendants removed these actions from Illinois state court to the United States District Court for the Northern District of Illinois. Thereafter, on January 10, 2003, defendants moved to transfer these two actions to the Southern District of New York. Plaintiffs moved to remand these actions. On April 15, 2003, the United States District Court for the Northern District of Illinois granted plaintiffs' motions to remand these actions to Illinois state court and denied defendants' motion to transfer. On June 18, 2003, the Company moved to dismiss and/or stay these actions. In June 2003, plaintiffs withdrew the complaint for one of these actions. On September 10, 2003, the Illinois state court stayed the remaining actions and on September 24, 2003, plaintiffs filed a notice that they will appeal the stay. On February 10, 2004, plaintiffs voluntarily dismissed their appeal.

Derivative Actions

On September 4, 2002, a shareholder derivative suit was filed in New York Supreme Court, New York County, by a single shareholder acting on behalf of the Company against the Board of Directors and against the Company's auditors. This suit alleged a breach of fiduciary duties to Interpublic's shareholders. On November 26, 2002, another shareholder derivative suit, alleging the same breaches of fiduciary duties, was filed in New York Supreme Court, New York County. The plaintiffs from these two shareholder derivative suits filed an Amended Derivative Complaint on January 31, 2003. On March 18, 2003, plaintiffs filed a motion to dismiss the Amended Derivative Complaint without prejudice. On April 16, 2003, the Amended Derivative Complaint was dismissed without prejudice. On February 24, 2003, plaintiffs also filed a Shareholders' Derivative Complaint in the United States District Court for the Southern District of New York. On May 2, 2003, plaintiffs filed an Amended Derivative Complaint. This action alleges the same breach of fiduciary duties claim as the state court actions, and adds a claim for contribution and forfeiture against two of the individual defendants pursuant to Section 21D of the Exchange Act and Section 304 of the Sarbanes-Oxley Act. On July 11, 2003, plaintiffs filed a Second Amended Derivative Complaint, asserting the same claims. The complaint does not state a specific amount of damages. On August 12, 2003, defendants moved to dismiss this action.

On January 26, 2004, the Company reached an agreement in principal to settle this derivative action pending completion of the settlement of the class action shareholder suits currently pending in federal district court in New York. The settlement is subject to the execution of a definitive settlement agreement and to approval from the federal district court judge.

The settlement of the actions discussed above are still pending and is expected to take several months. To effect this settlement, confirmatory discovery will need to be taken, and the terms of the settlements will have to be approved by the court. The Company cannot give any assurances that the proposed settlement will receive the approval of the court or as to the amount or type of consideration that the Company might agree to pay in connection with any settlement but has accrued an amount reflecting its estimate of amounts expected to be paid.

<u>Other Legal Matters</u>

The Company is involved in other legal and administrative proceedings of various types. While any litigation contains an element of uncertainty, the Company has no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on the Company's financial position, cash flows or results of operations.

Litigation Charges

During 2003, the Company recorded litigation charges of $127.6 for various legal matters, of which $115 relates to a tentative settlement of the shareholder suits discussed above. The settlement is subject to the execution of a definitive settlement agreement and to approval from the federal district court judge. Under the terms of the proposed settlement, the Company will pay $115, of which $20 will be paid in cash and $95 will be paid in shares of the Company's common stock at an estimated value of $14.50 per share (which translates into 6,551,725 shares). In the event that the price of the Company's common stock falls below $8.70 per share before final approval of the settlement, the Company will either, at its sole discretion, issue additional shares of common stock or pay cash so that the consideration for the stock portion of the settlement will have a total value of $57. The ultimate amount of the litigation charge related to the settlement will depend upon the Company's stock price at the time a settlement is concluded. The Company believes that, if the settlement is concluded as expected, the amounts accrued would be adequate to cover all pending shareholder suits.

SEC Investigation

The Company was informed in January 2003 by the Securities and Exchange Commission staff that the SEC has issued a formal order of investigation related to the Company's restatements of earnings for periods dating back to 1997. The matters had previously been the subject of an informal inquiry. The Company is cooperating fully with the investigation.

Other Contingencies

The Company continues to have commitments under certain leasing and motorsports event contractual arrangements at the Silverstone circuit. As of December 31, 2003, the Company is committed to remaining payments under these arrangements of approximately $460. This amount relates to undiscounted payments through 2015 principally under an executory contract and an operating lease and assumes payments over the maximum remaining term of the relevant agreements. This estimated amount has not been reduced by any future revenues to be generated from the arrangements. The Company is continuing to explore various options with respect to these commitments, at least one of which may involve a cash disbursement in the order of $200. The Company has obtained amendments of certain definitions contained in its Revolving Credit Agreements (as discussed in Note 8) to reduce the impact of such cash disbursement and the resulting accounting charge on its financial covenant calculations.

At December 31, 2003, the Company had contingent obligations under guarantees of certain obligations of its subsidiaries ("parent company guarantees"). The amount of such parent company guarantees was approximately $658 and relates principally to lines of credit, guarantees of certain media payables and operating leases of certain subsidiaries. In the event of non-payment by the subsidiary of the obligations covered by the guarantee, the Company would be obliged to pay the amounts. As of December 31, 2003, there are no assets pledged as security for amounts owed or guaranteed.

<u>Note 17: Subsequent Events</u>

Sale of Motorsports Circuits

As discussed in Note 5, on January 12, 2004, the Company completed the sale of a business comprising the four owned motorsports circuits in the UK.

Declaration of Dividend on Preferred Stock

On February 24, 2004, the Company's Board of Directors declared a dividend of $0.642 per share on its outstanding Preferred Stock. The dividend is payable in cash on March 15, 2004 to any stockholder of record at the close of business on March 1, 2004. This will result in total dividend payments of approximately $5.

Redemption of 1.80% Convertible Notes Due 2004

In January 2004, the Company redeemed the 1.80% Convertible Subordinated Notes due 2004 at an aggregate amount of $246.

RESULTS BY QUARTER (UNAUDITED)
(Amounts in Millions, Except Per Share Amounts)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2003	2002	2003	2002	2003(1)	2002(2)	2003	2002
Revenue	$ 1,315.7	$ 1,319.0	$ 1,499.4	$ 1,490.4	$ 1,418.9	$ 1,386.8	$ 1,629.4	$ 1,541.3
Salaries and related expenses	854.7	821.7	878.4	839.2	810.9	813.2	907.8	875.9
Office and general expenses	425.9	373.5	459.6	435.9	506.6	519.0	493.5	552.0
Amortization of intangible assets	3.2	1.8	4.1	2.6	1.8	2.1	2.2	2.4
Restructuring and other merger-related costs	—	—	94.4	—	48.0	12.1	33.2	—

Long-lived asset impairment and other charges	11.1	—	11.0	—	222.7	118.7	42.1	8.4
Income (loss) from operations	20.8	122.0	51.9	212.7	(171.1)	(78.3)	150.6	102.6
Interest expense	(38.8)	(35.3)	(46.1)	(36.9)	(43.5)	(36.7)	(44.4)	(36.7)
Debt prepayment penalty	—	—	—	—	(24.8)	—	—	—
Interest income	7.9	6.9	10.2	8.1	9.5	5.9	11.3	8.9
Other income, net	(0.2)	0.3	0.3	6.6	1.2	2.7	48.7	(1.7)
Investment impairment	(2.7)	—	(9.8)	(16.2)	(29.7)	(4.9)	(42.7)	(18.6)
Litigation charges	—	—	—	—	(127.6)	—	—	—
Income (loss) before provision for income taxes	(13.0)	93.9	6.5	174.3	(386.0)	(111.3)	123.5	54.5
Provision for (benefit of) income taxes	(5.6)	35.3	22.4	67.3	19.5	(23.0)	217.7	38.3
Income applicable to minority interests	(0.6)	(3.3)	(8.4)	(10.9)	(10.4)	(7.9)	(11.5)	(8.4)
Equity in net income (loss) of unconsolidated affiliates	(3.2)	0.8	1.3	2.5	(0.3)	(0.2)	3.2	1.9
Net equity interests	(3.8)	(2.5)	(7.1)	(8.4)	(10.7)	(8.1)	(8.3)	(6.5)
Income of consolidated companies from continuing operations	(11.2)	56.1	(23.0)	98.6	(416.2)	(96.4)	(102.5)	9.7
Discontinued operations, net of tax	2.6	3.7	9.5	10.4	89.1	6.8	—	10.6
Net income (loss)	$ (8.6)	$ 59.8	$ (13.5)	$ 109.0	$ (327.1)	$ (89.6)	$ (102.5)	$ 20.3
Per share data:								
Basic EPS from continuing operations	$ (0.03)	$ 0.15	$ (0.06)	$ 0.26	$ (1.08)	$ (0.26)	$ (0.26)	$ 0.03
Diluted EPS from continuing operations	$ (0.03)	$ 0.15	$ (0.06)	$ 0.26	$ (1.08)	$ (0.26)	$ (0.26)	$ 0.03
Basic EPS from discontinued operations	$ 0.01	$ 0.01	$ 0.02	$ 0.03	$ 0.23	$ 0.02	$ —	$ 0.03
Diluted EPS from discontinued operations	$ 0.01	$ 0.01	$ 0.02	$ 0.03	$ 0.23	$ 0.02	$ —	$ 0.03
Basic EPS	$ (0.02)	$ 0.16	$ (0.04)	$ 0.29	$ (0.85)	$ (0.24)	$ (0.26)	$ 0.05*
Diluted EPS	$ (0.02)	$ 0.16	$ (0.04)	$ 0.29	$ (0.85)	$ (0.24)	$ (0.26)	$ 0.05*
Cash dividends per share - Interpublic	$ —	$ 0.095	$ —	$ 0.095	$ —	$ 0.095	$ —	$ 0.095
Weighted-average shares:								
Basic	381.8	373.0	384.3	375.7	385.8	377.3	390.3	378.3
Diluted	381.8	379.8	384.3	382.4	385.8	377.3	390.3	381.8
Stock price:								
High	$ 15.38	$ 34.56	$ 14.55	$ 34.89	$ 15.44	$ 24.67	$ 16.41	$ 17.05
Low	$ 8.01	$ 27.20	$ 9.30	$ 23.51	$ 12.94	$ 13.40	$ 13.55	$ 11.25

* *Does not foot due to rounding.*

(1) The third quarter of 2003 reflects impairment charges of $222.7 related, principally, to OWW, litigation charges of $127.6, together with a $48.7 tax charge to increase valuation allowances. Additionally, a gain on sale of discontinued operations was recorded of $89.1.

(2) The third quarter of 2002 reflects impairment charges of $118.7 related to Motorsports.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

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

Our audits of the consolidated financial statements referred to in our report dated March 12, 2004, except for Note 15, which is as of October 8, 2004 appearing in this Current Report on Form 8-K also included an audit of the Financial Statement Schedule II Valuation and Qualifying Accounts in this Form 8-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

March 12, 2004

SCHEDULE II - - 1 of 2

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2003, 2002 and 2001
(Dollars in Millions)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
		Additions/(Deductions)			
Description	Balance at Beginning of Period	Charged to Costs & Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
Allowance for Doubtful Accounts - deducted from Receivables in the Consolidated Balance Sheet:					
2003	$ 139.8	$ 28.5	$ 8.5(1)	$ (2.3)(4)	$ 133.4
			(1.9)(2)	(32.3)(5)	
				(6.9)(6)	
2002	$ 90.7	$ 76.6	$ 0.1(1)	$ (45.0)(5)	$ 139.8
			(0.7)(2)	0.9(6)	
			17.2(3)		
2001	$ 85.7	$ 62.8	$ 1.1(1)	$ (58.3)(5)	$ 90.7
			0.7(2)	(1.3)(6)	

(1) Allowance for doubtful accounts of acquired and newly consolidated companies.
(2) Miscellaneous.
(3) Reclassifications.
(4) Sale of NFO.
(5) Principally amounts written off.
(6) Foreign currency translation adjustment.

SCHEDULE II - - 2 of 2

THE INTERPUBLIC GROUP OF COMPANIES, INC. AND ITS SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2003, 2002 and 2001
(Dollars in Millions)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
		Additions/(Deductions)			
Description	Balance at Beginning of Period	Charged to Costs & Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
Valuation Allowance - deducted from Deferred Income Taxes on the Consolidated Balance Sheet:					
2003	$ 69.3	$ 84.4	$ 17.3(1)	—	$ 171.0
2002	$ 41.8	$ 27.5	—	—	$ 69.3
2001	$ 23.2	$ 18.6	—	—	$ 41.8

(1) Included in discontinued operations related to NFO.