INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-Q
April 23, 2014

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

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

or

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

Commission file number: 1-6686

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

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

1114 Avenue of the Americas, New York, New York 10036
(Address of principal executive offices) (Zip Code)
(212) 704-1200
(Registrant’s telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No ¨

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

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

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

The number of shares of the registrant’s common stock outstanding as of April 15, 2014 was 423,654,291.

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INFORMATION REGARDING FORWARD-LOOKING DISCLOSURE

This quarterly report on Form 10-Q contains forward-looking statements. Statements in this report that are not historical facts, including statements about management's beliefs and expectations, constitute forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or comparable terminology are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update publicly any of them in light of new information or future events.

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

- potential effects of a challenging economy, for example, on the demand for our advertising and marketing services, on our clients' financial condition and on our business or financial condition;
- our ability to attract new clients and retain existing clients;
- our ability to retain and attract key employees;
- risks associated with assumptions we make in connection with our critical accounting estimates, including changes in assumptions associated with any effects of a weakened economy;
- potential adverse effects if we are required to recognize impairment charges or other adverse accounting-related developments;
- risks associated with the effects of global, national and regional economic and political conditions, including counterparty risks and fluctuations in economic growth rates, interest rates and currency exchange rates; and
- developments from changes in the regulatory and legal environment for advertising and marketing and communications services companies around the world.

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

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Part I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)
THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	Three months ended March 31,	
	2014	2013
REVENUE	$1,637.5	$1,543.0
OPERATING EXPENSES:		
Salaries and related expenses	1,188.6	1,132.1
Office and general expenses	460.6	453.3
Total operating expenses	1,649.2	1,585.4
OPERATING LOSS	(11.7)	(42.4)
EXPENSES AND OTHER INCOME:		
Interest expense	(20.2)	(36.8)
Interest income	6.2	6.4
Other income, net	1.7	1.8
Total (expenses) and other income	(12.3)	(28.6)
Loss before income taxes	(24.0)	(71.0)
Benefit of income taxes	(1.7)	(12.4)
Loss of consolidated companies	(22.3)	(58.6)
Equity in net (loss) income of unconsolidated affiliates	(0.1)	0.1
NET LOSS	(22.4)	(58.5)
Net loss attributable to noncontrolling interests	1.5	2.2
NET LOSS ATTRIBUTABLE TO IPG	(20.9)	(56.3)
Dividends on preferred stock	0.0	(2.9)
NET LOSS AVAILABLE TO IPG COMMON STOCKHOLDERS	$(20.9)	$(59.2)
Loss per share available to IPG common stockholders - basic and diluted	$(0.05)	$(0.14)
Weighted-average number of common shares outstanding - basic and diluted	422.8	414.2
Dividends declared per common share	$0.095	$0.075

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

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THE INTERPUBLIC GROUP OF COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in Millions)
(Unaudited)

	Three months ended March 31, 2014	2013
NET LOSS	$(22.4)	$(58.5)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustments	(1.0)	(38.8)
Less: reclassification adjustments recognized in net loss	(0.9)	0.0
	(1.9)	(38.8)
Available-for-sale securities:		
Changes in market value of available-for-sale securities	0.1	0.4
Less: recognition of previously unrealized gains included in net loss	0.0	(1.0)
Income tax effect	0.0	0.1
	0.1	(0.5)
Derivative instruments:		
Changes in fair value of derivative instruments	(0.6)	0.0
Less: recognition of previously unrealized losses included in net loss	0.4	0.4
Income tax effect	0.1	(0.2)
	(0.1)	0.2
Defined benefit pension and other postretirement plans:		
Net actuarial gains for the period	(0.3)	(1.1)
Less: amortization of unrecognized losses, transition obligation and prior service cost included in net loss	2.6	2.8
Other	(0.1)	(0.5)
Income tax effect	(0.6)	(0.7)
	1.6	0.5
Other comprehensive loss, net of tax	(0.3)	(38.6)
TOTAL COMPREHENSIVE LOSS	(22.7)	(97.1)
Less: comprehensive loss attributable to noncontrolling interests	(2.1)	(3.4)
COMPREHENSIVE LOSS ATTRIBUTABLE TO IPG	$(20.6)	$(93.7)

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

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

	March 31, 2014	December 31, 2013
ASSETS:		
Cash and cash equivalents	$771.0	$1,636.8
Marketable securities	5.6	5.3
Accounts receivable, net of allowance of $67.4 and $64.9, respectively	4,013.4	4,565.4
Expenditures billable to clients	1,692.7	1,536.4
Other current assets	399.2	340.1
Total current assets	6,881.9	8,084.0
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $1,103.9 and $1,111.7, respectively	534.3	540.0
Deferred income taxes	162.2	144.0
Goodwill	3,663.1	3,629.0
Other non-current assets	517.7	508.0
TOTAL ASSETS	$11,759.2	$12,905.0
LIABILITIES:		
Accounts payable	$6,048.5	$6,914.2
Accrued liabilities	587.4	718.4
Short-term borrowings	171.1	179.1
Current portion of long-term debt	353.2	353.6
Total current liabilities	7,160.2	8,165.3
Long-term debt	1,130.7	1,129.8
Deferred compensation	484.2	514.3
Other non-current liabilities	563.0	595.7
TOTAL LIABILITIES	9,338.1	10,405.1
Redeemable noncontrolling interests (see Note 4)	249.8	249.1
STOCKHOLDERS' EQUITY:		
Common stock	53.2	53.0
Additional paid-in capital	3,002.7	2,975.2
Retained earnings	805.0	864.5
Accumulated other comprehensive loss, net of tax	(410.9)	(411.2)
	3,450.0	3,481.5
Less: Treasury stock	(1,311.2)	(1,266.3)
Total IPG stockholders' equity	2,138.8	2,215.2
Noncontrolling interests	32.5	35.6
TOTAL STOCKHOLDERS' EQUITY	2,171.3	2,250.8
TOTAL LIABILITIES AND EQUITY	$11,759.2	$12,905.0

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

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

	Three months ended March 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(22.4)	$(58.5)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	40.5	38.2
Provision for uncollectible receivables	3.8	3.8
Amortization of restricted stock and other non-cash compensation	15.1	15.5
Net amortization of bond discounts and deferred financing costs	1.0	1.4
Deferred income tax benefit	(22.9)	(49.5)
Other	4.0	(0.4)
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	557.6	567.4
Expenditures billable to clients	(154.0)	(206.2)
Other current assets	(47.7)	(53.2)
Accounts payable	(905.6)	(898.2)
Accrued liabilities	(173.3)	(131.8)
Other non-current assets and liabilities	(21.8)	(3.6)
Net cash used in operating activities	(725.7)	(775.1)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(26.6)	(17.8)
Acquisitions, including deferred payments, net of cash acquired	(22.1)	(34.9)
Net sales and maturities of short-term marketable securities	0.0	11.1
Other investing activities	1.6	1.8
Net cash used in investing activities	(47.1)	(39.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(44.9)	(75.8)
Common stock dividends	(40.2)	(31.0)
Net decrease in short term bank borrowings	(6.7)	(11.4)
Distributions to noncontrolling interests	(5.7)	(1.2)
Acquisition-related payments	(3.3)	(0.7)
Preferred stock dividends	0.0	(2.9)
Excess tax benefit on share-based compensation	3.3	0.0
Exercise of stock options	6.2	18.1
Other financing activities	0.6	0.8
Net cash used in financing activities	(90.7)	(104.1)
Effect of foreign exchange rate changes on cash and cash equivalents	(2.3)	(10.1)
Net decrease in cash and cash equivalents	(865.8)	(929.1)
Cash and cash equivalents at beginning of period	1,636.8	2,574.8
Cash and cash equivalents at end of period	$771.0	$1,645.7

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

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
Balance at December 31, 2013	532.3	$ 53.0	$ 2,975.2	$ 864.5	$ (411.2)	$ (1,266.3)	$ 2,215.2	$ 35.6	$ 2,250.8
Net loss				(20.9)			(20.9)	(1.5)	(22.4)
Other comprehensive loss					0.3		0.3	(0.6)	(0.3)
Reclassifications related to redeemable noncontrolling interests								4.5	4.5
Distributions to noncontrolling interests								(5.7)	(5.7)
Change in redemption value of redeemable noncontrolling interests				1.9			1.9		1.9
Repurchase of common stock						(44.9)	(44.9)		(44.9)
Common stock dividends				(40.2)			(40.2)		(40.2)
Stock-based compensation	3.1	0.2	32.6				32.8		32.8
Exercise of stock options	0.5	0.1	6.2				6.3		6.3
Shares withheld for taxes	(0.8)	(0.1)	(14.5)				(14.6)		(14.6)
Excess tax benefit from stock-based compensation			3.3				3.3		3.3
Other			(0.1)	(0.3)			(0.4)	0.2	(0.2)
Balance at March 31, 2014	535.1	$ 53.2	$ 3,002.7	$ 805.0	$ (410.9)	$ (1,311.2)	$ 2,138.8	$ 32.5	$ 2,171.3

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

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total IPG Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at December 31, 2012	$221.5	492.0	$48.8	$2,465.4	$738.3	$(288.0)	$(765.4)	$2,420.6	$36.0	$2,456.6
Net loss					(56.3)			(56.3)	(2.2)	(58.5)
Other comprehensive loss						(37.4)		(37.4)	(1.2)	(38.6)
Reclassifications related to redeemable noncontrolling interests									1.7	1.7
Distributions to noncontrolling interests									(1.2)	(1.2)
Change in redemption value of redeemable noncontrolling interests					0.9			0.9		0.9
Repurchase of common stock							(75.8)	(75.8)		(75.8)
Common stock dividends					(31.0)			(31.0)		(31.0)
Preferred stock dividends					(2.9)			(2.9)		(2.9)
Conversion of convertible notes to common stock		16.9	1.7	198.3				200.0		200.0
Capped call transaction				10.8			(10.8)	0.0		0.0
Stock-based compensation		0.9	0.4	26.4				26.8		26.8
Exercise of stock options		1.7	0.2	18.1				18.3		18.3
Shares withheld for taxes		(0.1)	(0.2)	(19.2)				(19.4)		(19.4)
Other				5.8	(0.3)			5.5		5.5
	$221.5	511.4	$50.9	$2,705.6	$648.7	$(325.4)	$(852.0)	$2,449.3	$33.1	$2,482.4

Balance at March
31, 2013

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

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Notes to Consolidated Financial Statements
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements have been prepared by The Interpublic Group of Companies, Inc. and its subsidiaries (the “Company,” “IPG,” “we,” “us” or “our”) in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for reporting interim financial information on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. The preparation of financial statements in conformity with U.S. GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported and disclosed. Actual results could differ from these estimates and assumptions. The consolidated results for interim periods are not necessarily indicative of results for the full year and should be read in conjunction with our 2013 Annual Report on Form 10-K.

In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments, consisting only of normal and recurring adjustments necessary for a fair statement of the information for each period contained therein. Certain reclassifications have been made to prior-period financial statements to conform to the current-period presentation.

Note 2: Debt and Credit Arrangements

Long-Term Debt

A summary of the carrying amounts and fair values of our long-term debt is listed below.

	Effective Interest Rate	March 31, 2014 Book Value	March 31, 2014 Fair Value [1]	December 31, 2013 Book Value	December 31, 2013 Fair Value [1]
6.25% Senior Unsecured Notes due 2014 (less unamortized discount of $0.1)	6.29%	$350.9	$361.6	$351.3	$365.6
2.25% Senior Notes due 2017 (less unamortized discount of $0.5)	2.30%	299.5	302.3	299.4	293.0
4.00% Senior Notes due 2022 (less unamortized discount of $2.5)	4.13%	247.5	249.0	247.4	241.6
3.75% Senior Notes due 2023 (less unamortized discount of $1.3)	4.32%	498.7	485.7	498.6	467.3
Other notes payable and capitalized leases		87.3	89.5	86.7	87.8
Total long-term debt		1,483.9		1,483.4	
Less: current portion [2]		353.2		353.6	
Long-term debt, excluding current portion		$1,130.7		$1,129.8	

[1] See Note 12 for information on the fair value measurement of our long-term debt.

[2] We included our 6.25% Senior Unsecured Notes due 2014 (the "6.25% Notes") in the current portion of long-term debt on our March 31, 2014 unaudited Consolidated Balance Sheet and December 31, 2013 Consolidated Balance Sheet because the 6.25% Notes were scheduled to mature on November 15, 2014. See Note 15 for information regarding subsequent events.

Credit Agreement

We maintain a committed corporate credit facility to increase our financial flexibility (the "Credit Agreement"). The Credit Agreement is a revolving facility, expiring in December 2018, under which amounts borrowed by us or any of our subsidiaries designated under the Credit Agreement may be repaid and reborrowed, subject to an aggregate lending limit of $1,000.0 or the equivalent in other currencies. The Company has the ability to increase the commitments under the Credit Agreement from time to time by an additional amount of up to $250.0, provided the Company receives commitments for such increases and satisfies certain other conditions. The aggregate available amount of letters of credit outstanding may decrease or increase, subject to a sublimit on letters of credit of $200.0 or the equivalent in other currencies. Our obligations under the Credit Agreement are unsecured.

We were in compliance with all of our covenants in the Credit Agreement as of March 31, 2014.

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Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Note 3: Loss Per Share

The following sets forth basic and diluted loss per common share available to IPG common stockholders.

	Three months ended March 31,	
	2014	2013
Net loss available to IPG common stockholders	$(20.9)	$(59.2)
Weighted-average number of common shares outstanding - basic and diluted	422.8	414.2
Loss per share available to IPG common stockholders - basic and diluted	$(0.05)	$(0.14)

Basic and diluted shares outstanding and loss per share are equal for the three months ended March 31, 2014 and 2013 because our potentially dilutive securities are antidilutive as a result of the net loss available to IPG common stockholders in each period presented.

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

	Three months ended March 31,	
	2014	2013
Restricted stock, stock options and other equity awards	6.8	5.7
4.75% Notes [1]	0.0	13.4
Preferred stock [2]	0.0	17.1
Total	6.8	36.2
Securities excluded from the diluted loss per share calculation because the exercise price was greater than the average market price:		
Stock options [3]	0.0	3.2

[1] We retired all of our outstanding 4.75% Convertible Senior Notes due 2023 (the "4.75% Notes") in March 2013. For purposes of calculating diluted loss per share, the potentially dilutive shares are pro-rated based on the period they were outstanding but were antidilutive.

[2] We converted all of our Series B Preferred Stock into common stock in October 2013.

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

Note 4: Acquisitions

We continue to evaluate strategic opportunities to expand our industry expertise, strengthen our position in high-growth and key strategic geographical markets and industry sectors, advance technological capabilities and improve operational efficiency through both acquisitions and increased ownership interests in current investments. Our acquisitions typically provide for an initial payment at the time of closing and additional contingent purchase price payments based on the future performance of the acquired entity. We have entered into agreements that may require us to purchase additional equity interests in certain consolidated and unconsolidated subsidiaries. The amounts at which we record these transactions in our financial statements are based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors.

During the first quarter of 2014, we completed two acquisitions, a global full-service digital agency and a healthcare agency based in the United Kingdom. Both acquisitions were included in the Integrated Agency Networks (“IAN”) operating segment. During the first quarter of 2014, we recorded approximately $45.0 of goodwill and intangible assets related to these acquisitions.

During the first quarter of 2013, we completed six acquisitions, including a full-service digital agency in India and a mobile marketing agency in Australia. All six acquisitions were included in the IAN operating segment. During the first quarter of 2013, we recorded approximately $53.0 of goodwill and intangible assets related to these acquisitions.

(Amounts in Millions, Except Per Share Amounts)

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The results of operations of our acquired companies were included in our consolidated results from the closing date of each acquisition. Details of cash paid for current and prior years' acquisitions are listed below.

	Three months ended March 31,	
	2014	2013
Cost of investment: current-year acquisitions	$32.3	$39.0
Cost of investment: prior-year acquisitions	3.3	0.7
Less: net cash acquired	(10.2)	(4.1)
Total cash paid for acquisitions [1]	$25.4	$35.6

[1] Of the total cash paid, $3.3 and $0.7 for the three months ended March 31, 2014, and 2013, respectively, are classified under the financing section of the unaudited Consolidated Statements of Cash Flows within other financing activities. These amounts relate to increases in our ownership interests in our consolidated subsidiaries, as well as deferred payments for acquisitions that closed on or after January 1, 2009. Of the total cash paid, $22.1 and $34.9 for the three months ended March 31, 2014, and 2013, respectively, are classified under the investing section of the unaudited Consolidated Statements of Cash Flows within acquisitions, including deferred payments, net of cash acquired. These amounts relate to initial payments for new transactions and deferred payments for acquisitions that closed prior to January 1, 2009.

Many of our acquisitions also include provisions under which the noncontrolling equity owners may require us to purchase additional interests in a subsidiary at their discretion. The following table presents changes in our redeemable noncontrolling interests.

	Three months ended March 31,	
	2014	2013
Balance at beginning of period	$249.1	$227.2
Change in related noncontrolling interests balance	(4.5)	(1.7)
Changes in redemption value of redeemable noncontrolling interests:		
Additions	7.9	12.5
Redemptions and other	(1.9)	(1.3)
Redemption value adjustments [1]	(0.8)	(1.4)
Balance at end of period	$249.8	$235.3

[1] Redeemable noncontrolling interests are reported at their estimated redemption value in each reporting period, but not less than their initial fair value. Any adjustment to the redemption value impacts retained earnings or additional paid-in capital, except adjustments as a result of currency translation.

Note 5: Supplementary Data

Accrued Liabilities

The following table presents the components of accrued liabilities.

	March 31, 2014	December 31, 2013
Salaries, benefits and related expenses	$333.2	$467.2
Office and related expenses	54.8	56.9
Acquisition obligations	56.6	12.8
Interest	16.1	16.0
Restructuring and other reorganization-related	17.1	46.7

Other	109.6	118.8
Total accrued liabilities	$587.4	$718.4

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Notes to Consolidated Financial Statements – (continued)
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

Other Income, Net

Results of operations for the three months ended March 31, 2014 and 2013 include certain items that are not directly associated with our revenue-producing operations.

	Three months ended March 31,	
	2014	2013
Gains on sales of businesses and investments	$0.8	$2.2
Vendor discounts and credit adjustments	1.5	0.2
Other expense, net	(0.6)	(0.6)
Total other income, net	$1.7	$1.8

Sales of Businesses and Investments – During the three months ended March 31, 2014, the gains on sales of businesses and investments primarily related to a gain recognized from the sale of a business within our IAN segment. During the three months ended March 31, 2013, the gains on sales of businesses and investments primarily related to a gain recognized from the sale of marketable securities in the Asia Pacific region within our IAN segment.

Vendor Discounts and Credit Adjustments – In connection with the liabilities related to vendor discounts and credits established as part of the restatement we presented in our 2004 Annual Report on Form 10-K, these adjustments reflect the reversal of certain of these liabilities primarily where the statute of limitations has lapsed, or as a result of differences resulting from settlements with clients or vendors.

Share Repurchase Program

In February 2013, our Board of Directors (the "Board") authorized a share repurchase program to repurchase from time to time up to $300.0, excluding fees, of our common stock (the "2013 share repurchase program"). In March 2013, the Board authorized an increase in the amount available under our 2013 share repurchase program up to $500.0, excluding fees, of our common stock to be used towards the repurchase of shares resulting from the conversion to common stock of the 4.75% Notes. In February 2014, our Board authorized a new share repurchase program to repurchase from time to time up to $300.0, excluding fees, of our common stock.

We may effect such repurchases through open market purchases, trading plans established in accordance with SEC rules, derivative transactions or other means. We expect to continue to repurchase our common stock in future periods, although the timing and amount of the repurchases will depend on market conditions and other funding requirements.

The following table presents our share repurchase activity under our share repurchase programs.

	Three months ended March 31,	
	2014	2013
Number of shares repurchased	2.6	6.2
Aggregate cost, including fees	$44.9	$75.8
Average price per share, including fees	$17.17	$12.17

As of March 31, 2014, $373.7 remains available for repurchase under the share repurchase programs. The share repurchase programs have no expiration date.

Note 6: Income Taxes

For the three months ended March 31, 2014, our effective income tax rate of 7.1% was negatively impacted primarily by losses in certain foreign jurisdictions where we receive no tax benefit due to 100% valuation allowances.

We have various tax years under examination by tax authorities in various countries, and in various states, such as New York, in which we have significant business operations. It is not yet known whether these examinations will, in the aggregate, result in our paying additional taxes. We believe our tax reserves are adequate in relation to the potential for additional assessments in each of the jurisdictions in which we are subject to taxation. We regularly assess the likelihood of additional tax assessments in those jurisdictions and, if necessary, adjust our reserves as additional information or events require.

With respect to all tax years open to examination by U.S. federal, various state and local, and non-U.S. tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between $30.0 and $40.0 in the next twelve

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months, a portion of which will affect our effective income tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statutes of limitations.

We are effectively settled with respect to U.S. income tax audits for years prior to 2009. With limited exceptions, we are no longer subject to state and local income tax audits for years prior to 2004, or non-U.S. income tax audits for years prior to 2006.

Note 7: Incentive Compensation Plans

We issue stock-based compensation and cash awards to our employees under a plan established by the Compensation and Leadership Talent Committee of the Board of Directors (the "Compensation Committee") and approved by our shareholders.

We issued the following stock-based awards under the 2009 Performance Incentive Plan (the "2009 PIP") during the three months ended March 31, 2014.

	Awards	Weighted-average grant-date fair value (per award)
Stock-settled awards	1.0	$17.59
Performance-based awards	3.4	$16.54
Total stock-based compensation awards	4.4	

During the three months ended March 31, 2014, the Compensation Committee granted performance cash awards under the 2009 PIP with a total target value of $31.0. Additionally, during the three months ended March 31, 2014, the Compensation Committee granted cash awards under the Interpublic Restricted Cash Plan with a total target value of $3.5. Cash awards are amortized over the vesting period, typically three years.

Note 8: Restructuring and Other Reorganization-Related Reversals, net

In the fourth quarter of 2013, the Company implemented a cost savings initiative (the "2013 Plan") to better align our cost structure with our revenue, primarily in Continental Europe. During the three months ended March 31, 2014, we recorded $0.4 of net reversals for the 2013 Plan related to changes in estimate of severance costs, which is included in office and general expenses within our unaudited Consolidated Statements of Operations. All restructuring actions were substantially completed by the end of the first quarter of 2014, with remaining payments expected to be made through 2017.

A summary of the 2013 Plan restructuring liability activity is listed below.

	Liability at December 31, 2013	Net Restructuring Reversals	Cash Payments	Liability at March 31, 2014
Severance and termination costs	$46.5	$(0.4)	$(29.1)	$17.0
Lease termination costs	3.9	0.0	(0.5)	3.4
Other exit costs	0.5	0.0	(0.4)	0.1
Total	$50.9	$(0.4)	$(30.0)	$20.5

Net restructuring reversals related to the 2013 Plan for three months ended March 31, 2014 were comprised of net reversals of approximately $0.2 at IAN and $0.2 at Consistency Management Group ("CMG").

Prior Restructuring Plans

The 2007, 2003 and 2001 restructuring plans (the "Prior Restructuring Plans") with current quarter activity included net reversals that are adjustments primarily resulting from changes in management's estimates relating to sublease rental income assumptions. For the three months ended March 31, 2014 and 2013, the Prior Restructuring Plans incurred net restructuring and other reorganization-related reversals of $0.1 and $0.1, respectively. As of March 31, 2014, the remaining liability for the Prior Restructuring Plans was $0.8.

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Note 9: Accumulated Other Comprehensive Loss, Net of Tax
The following tables present the changes in accumulated other comprehensive loss, net of tax by component.

	Foreign Currency Translation Adjustments	Available-for-Sale Securities	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2013	$(243.7)	$ 0.4	$(11.7)	$(156.2)	$(411.2)
Other comprehensive (loss) income before reclassifications	(0.4)	0.1	(0.6)	(0.4)	(1.3)
Amount reclassified from accumulated other comprehensive loss, net of tax	(0.9)	0.0	0.5	2.0	1.6
Balance as of March 31, 2014	$(245.0)	$ 0.5	$(11.8)	$(154.6)	$(410.9)

	Foreign Currency Translation Adjustments	Available-for-Sale Securities	Derivative Instruments	Defined Benefit Pension and Other Postretirement Plans	Total
Balance as of December 31, 2012	$(130.1)	$ 0.8	$(12.7)	$(146.0)	$(288.0)
Other comprehensive (loss) income before reclassifications	(37.6)	0.4	0.0	(1.6)	(38.8)
Amount reclassified from accumulated other comprehensive loss, net of tax	0.0	(0.9)	0.2	2.1	1.4
Balance as of March 31, 2013	$(167.7)	$ 0.3	$(12.5)	$(145.5)	$(325.4)

Amounts reclassified from accumulated other comprehensive loss, net of tax for the three months ended March 31, 2014 and 2013 are as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013	Affected Line Item in the Consolidated Statement of Operations
Foreign currency translation adjustments	$(0.9)	$0.0	Other income, net
Gains on available-for-sale securities	0.0	(1.0)	Other income, net
Losses on derivative instruments	0.4	0.4	Interest expense
Amortization of defined benefit pension and postretirement plans items [1]	2.6	2.8	
Tax effect	(0.5)	(0.8)	Benefit of income taxes
Total amount reclassified from accumulated other comprehensive loss, net of tax	$1.6	$1.4	

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These accumulated other comprehensive loss components are included in the computation of net periodic cost. See Note 10 for further information.

Note 10: Employee Benefits

We have a defined benefit pension plan (the “Domestic Pension Plan”) that covers certain U.S. employees. We also have numerous funded and unfunded plans outside the U.S. The Interpublic Limited Pension Plan in the U.K. is a defined benefit plan and is our most material foreign pension plan in terms of the benefit obligation and plan assets. Some of our domestic and foreign subsidiaries provide postretirement health benefits and life insurance to eligible employees and, in certain cases, their dependents. The domestic postretirement benefit plan is our most material postretirement benefit plan in terms of the benefit obligation. Certain immaterial foreign pension and postretirement benefit plans have been excluded from the table below.

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The components of net periodic cost for the Domestic Pension Plan, the significant foreign pension plans and the domestic postretirement benefit plan are listed below.

	Domestic Pension Plan		Foreign Pension Plans		Domestic Postretirement Benefit Plan	
Three months ended March 31,	2014	2013	2014	2013	2014	2013
Service cost	$0.0	$0.0	$2.5	$2.5	$0.0	$0.0
Interest cost	1.6	1.4	5.9	5.4	0.4	0.5
Expected return on plan assets	(1.9)	(2.0)	(6.2)	(4.8)	0.0	0.0
Amortization of:						
Unrecognized actuarial losses	1.7	2.1	0.9	0.7	0.0	0.0
Net periodic cost	$1.4	$1.5	$3.1	$3.8	$0.4	$0.5

During the three months ended March 31, 2014, we contributed $0.2 and $7.0 of cash to our domestic and foreign pension plans, respectively. For the remainder of 2014, we expect to contribute approximately $3.0 and $18.0 of cash to our domestic and foreign pension plans, respectively.

Note 11: Segment Information

We have two reportable segments, IAN and CMG. IAN is comprised of McCann Worldgroup, Foote, Cone & Belding, Lowe & Partners, IPG Mediabrands, our digital specialist agencies and our domestic integrated agencies. CMG is comprised of a number of our specialist marketing services offerings. We also report results for the “Corporate and other” group. The profitability measure employed by our chief operating decision maker for allocating resources to operating divisions and assessing operating division performance is segment operating income (loss). The segment information is presented consistently with the basis described in our 2013 Annual Report on Form 10-K, except that segment operating income (loss) for the three months ended March 31, 2014 and 2013 includes the impact of net restructuring and other reorganization-related reversals. See Note 8 for further information on net restructuring reversals.

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Summarized financial information concerning our reportable segments is shown in the following table.

	Three months ended March 31,	
	2014	2013
Revenue:		
IAN	$1,315.7	$1,241.1
CMG	321.8	301.9
Total	$1,637.5	$1,543.0
Segment operating income (loss):		
IAN	$11.5	$(22.6)
CMG	17.5	14.0
Corporate and other	(40.7)	(33.8)
Total	(11.7)	(42.4)
Interest expense	(20.2)	(36.8)
Interest income	6.2	6.4
Other income, net	1.7	1.8
Loss before income taxes	$(24.0)	$(71.0)
Depreciation and amortization of fixed assets and intangible assets:		
IAN	$31.5	$30.9
CMG	4.2	3.8
Corporate and other	4.8	3.5
Total	$40.5	$38.2
Capital expenditures:		
IAN	$13.9	$10.0
CMG	2.5	1.0
Corporate and other	10.2	6.8
Total	$26.6	$17.8

	March 31, 2014	December 31, 2013
Total assets:		
IAN	$10,773.6	$11,425.1
CMG	1,259.4	1,203.8
Corporate and other	(273.8)	276.1
Total	$11,759.2	$12,905.0

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Note 12: Fair Value Measurements
Authoritative guidance for fair value measurements establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Instruments that are Measured at Fair Value on a Recurring Basis
We primarily apply the market approach to determine the fair value of financial instruments that are measured at fair value on a recurring basis. There were no changes to our valuation techniques used to determine the fair value of financial instruments during the three months ended March 31, 2014. The following tables present information about our financial instruments measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2013, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	March 31, 2014				
	Level 1	Level 2	Level 3	Total	Balance Sheet Classification
Assets					
Cash equivalents	$317.7	$0.0	$0.0	$317.7	Cash and cash equivalents
Short-term marketable securities	5.6	0.0	0.0	5.6	Marketable securities
Long-term investments	1.7	0.0	0.0	1.7	Other assets
Total	$325.0	$0.0	$0.0	$325.0	
As a percentage of total assets	2.8 %	0.0 %	0.0 %	2.8 %	
Liabilities					
Mandatorily redeemable noncontrolling interests [1]	$0.0	$0.0			