INTERPUBLIC GROUP OF COMPANIES, INC.
Form 10-Q
April 25, 2013

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, 2013

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, 2013 was 428,397,893.

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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,	
	2013	2012
REVENUE	$1,543.0	$1,506.8
OPERATING EXPENSES:		
Salaries and related expenses	1,132.1	1,104.9
Office and general expenses	453.3	441.3
Total operating expenses	1,585.4	1,546.2
OPERATING LOSS	(42.4)	(39.4)
EXPENSES AND OTHER INCOME:		
Interest expense	(36.8)	(32.6)
Interest income	6.4	8.0
Other income (expense), net	1.8	(1.3)
Total (expenses) and other income	(28.6)	(25.9)
Loss before income taxes	(71.0)	(65.3)
Benefit of income taxes	(12.4)	(19.2)
Loss of consolidated companies	(58.6)	(46.1)
Equity in net income of unconsolidated affiliates	0.1	0.4
NET LOSS	(58.5)	(45.7)
Net loss attributable to noncontrolling interests	2.2	2.7
NET LOSS ATTRIBUTABLE TO IPG	(56.3)	(43.0)
Dividends on preferred stock	(2.9)	(2.9)
NET LOSS AVAILABLE TO IPG COMMON STOCKHOLDERS	$(59.2)	$(45.9)
Loss per share available to IPG common stockholders - basic and diluted	$(0.14)	$(0.10)
Weighted-average number of common shares outstanding - basic and diluted	414.2	437.6
Dividends declared per common share	$0.075	$0.060

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 INCOME (LOSS)
(Amounts in Millions)
(Unaudited)

	Three months ended March 31,	
	2013	2012
NET LOSS	$(58.5)	$(45.7)
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustments	(38.8)	45.1
Available-for-sale securities:		
Changes in market value of available-for-sale securities	0.4	0.5
Less: recognition of previously unrealized (gains) losses included in net loss	(1.0)	0.6
Income tax effect	0.1	0.0
	(0.5)	1.1
Derivative instruments:		
Changes in fair value of derivative instruments	0.0	(2.8)
Less: recognition of previously unrealized losses in net loss	0.4	0.0
Income tax effect	(0.2)	0.0
	0.2	(2.8)
Defined benefit pension and other postretirement plans:		
Net actuarial gains for the period	(1.1)	(0.3)
Less: amortization of unrecognized losses, transition obligation and prior service cost included in net loss	2.8	1.9
Other	(0.5)	(0.1)
Income tax effect	(0.7)	(0.5)
	0.5	1.0
Other comprehensive (loss) income, net of tax	(38.6)	44.4
TOTAL COMPREHENSIVE LOSS	(97.1)	(1.3)
Less: comprehensive loss attributable to noncontrolling interests	(3.4)	(2.2)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO IPG	$(93.7)	$0.9

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, 2013	December 31, 2012
ASSETS:		
Cash and cash equivalents	$1,645.7	$2,574.8
Marketable securities	5.4	16.0
Accounts receivable, net of allowance of $61.0 and $59.0	3,885.7	4,496.6
Expenditures billable to clients	1,511.4	1,318.8
Other current assets	400.0	332.1
Total current assets	7,448.2	8,738.3
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $1,136.6 and $1,134.9	485.6	504.8
Deferred income taxes	182.4	160.5
Goodwill	3,588.9	3,580.6
Other non-current assets	513.2	509.7
TOTAL ASSETS	$12,218.3	$13,493.9
LIABILITIES:		
Accounts payable	$5,650.2	$6,584.8
Accrued liabilities	596.4	728.2
Short-term borrowings	159.7	172.1
Current portion of long-term debt	1.9	216.6
Total current liabilities	6,408.2	7,701.7
Long-term debt	2,071.6	2,060.8
Deferred compensation	465.7	489.0
Other non-current liabilities	555.1	558.6
TOTAL LIABILITIES	9,500.6	10,810.1
Redeemable noncontrolling interests (see Note 5)	235.3	227.2
STOCKHOLDERS' EQUITY:		
Preferred stock	221.5	221.5
Common stock	50.9	48.8
Additional paid-in capital	2,705.6	2,465.4
Retained earnings	648.7	738.3
Accumulated other comprehensive loss, net of tax	(325.4)	(288.0)
	3,301.3	3,186.0
Less: Treasury stock	(852.0)	(765.4)
Total IPG stockholders' equity	2,449.3	2,420.6
Noncontrolling interests	33.1	36.0
TOTAL STOCKHOLDERS' EQUITY	2,482.4	2,456.6
TOTAL LIABILITIES AND EQUITY	$12,218.3	$13,493.9

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, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(58.5)	$(45.7)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of fixed assets and intangible assets	38.2	34.6
Provision for uncollectible receivables	3.8	6.7
Amortization of restricted stock and other non-cash compensation	15.5	16.7
Net amortization of bond discounts (premiums) and deferred financing costs	1.4	(1.7)
Deferred income tax benefit	(49.5)	(51.5)
Other	(0.4)	10.4
Changes in assets and liabilities, net of acquisitions and dispositions, providing (using) cash:		
Accounts receivable	567.4	742.3
Expenditures billable to clients	(206.2)	(193.7)
Other current assets	(53.2)	(34.1)
Accounts payable	(898.2)	(808.4)
Accrued liabilities	(131.8)	(150.9)
Other non-current assets and liabilities	(3.6)	(23.2)
Net cash used in operating activities	(775.1)	(498.5)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, including deferred payments, net of cash acquired	(34.9)	(2.1)
Capital expenditures	(17.8)	(22.4)
Net sales (purchases) and maturities of short-term marketable securities	11.1	(0.3)
Other investing activities	1.8	3.5
Net cash used in investing activities	(39.8)	(21.3)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of long-term debt	(0.2)	(400.1)
Proceeds from issuance of long-term debt	0.0	246.8
Repurchase of common stock	(75.8)	(52.5)
Common stock dividends	(31.0)	(26.2)
Net (decrease) increase in short-term bank borrowings	(11.4)	3.8
Distributions to noncontrolling interests	(1.2)	(1.8)
Preferred stock dividends	(2.9)	(2.9)
Exercise of stock options	18.1	4.9
Other financing activities	0.3	(1.0)
Net cash used in financing activities	(104.1)	(229.0)
Effect of foreign exchange rate changes on cash and cash equivalents	(10.1)	19.2
Net decrease in cash and cash equivalents	(929.1)	(729.6)
Cash and cash equivalents at beginning of period	2,574.8	2,302.7
Cash and cash equivalents at end of period	$1,645.7	$1,573.1

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)

	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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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, 2011	$221.5	491.4	$48.2	$2,427.5	$405.1	$(225.7)	$(414.9)	$2,461.7	$35.6	$2,497.3
Net loss					(43.0)			(43.0)	(2.7)	(45.7)
Other comprehensive income						43.9		43.9	0.5	44.4
Reclassifications related to redeemable noncontrolling interests				13.0				13.0	3.9	16.9
Noncontrolling interest transactions									(0.8)	(0.8)
Distributions to noncontrolling interests									(1.8)	(1.8)
Change in redemption value of redeemable noncontrolling interests					3.3			3.3		3.3
Repurchase of common stock							(52.5)	(52.5)		(52.5)
Common stock dividends					(26.2)			(26.2)		(26.2)
Preferred stock dividends					(2.9)			(2.9)		(2.9)
Stock-based compensation		(0.1)	0.6	13.4				14.0		14.0
Exercise of stock options		0.4	0.1	4.9				5.0		5.0
Shares withheld for taxes		(0.1)	(0.2)	(22.5)				(22.7)		(22.7)
Other				0.9	(0.6)			0.3	(0.5)	(0.2)
Balance at March 31, 2012	$221.5	491.6	$48.7	$2,437.2	$335.7	$(181.8)	$(467.4)	$2,393.9	$34.2	$2,428.1

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 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 2012 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, 2013 Book Value	March 31, 2013 Fair Value [1]	December 31, 2012 Book Value	December 31, 2012 Fair Value [1]
6.25% Senior Unsecured Notes due 2014 (less unamortized discount of $0.2)	6.29%	$352.4	$376.8	$352.8	$372.6
10.00% Senior Unsecured Notes due 2017 (less unamortized discount of $7.7)	10.38%	592.3	642.8	591.9	660.8
2.25% Senior Notes due 2017 (less unamortized discount of $0.7)	2.30%	299.3	299.0	299.3	297.8
4.00% Senior Notes due 2022 (less unamortized discount of $2.8)	4.13%	247.2	252.4	247.1	258.7
3.75% Senior Notes due 2023 (less unamortized discount of $1.5)	4.32%	498.5	482.9	498.5	499.7
4.75% Convertible Senior Notes due 2023		0.0	0.0	200.5	202.8
Other notes payable and capitalized leases		83.8	83.9	87.3	90.8
Total long-term debt		2,073.5		2,277.4	
Less: current portion [2]		1.9		216.6	
Long-term debt, excluding current portion		$2,071.6		$2,060.8	

[1] See Note 11 for information on the fair value measurement of our long-term debt.

[2] We included our 4.75% Convertible Senior Notes due 2023 (the “4.75% Notes”) in the current portion of long-term debt on our December 31, 2012 Consolidated Balance Sheet because holders of the 4.75% Notes had a repurchase option for cash, stock or a combination, at our election, at par on March 15, 2013. The 4.75% Notes were retired in the first quarter of 2013.

Debt Transactions

4.75% Convertible Senior Notes due 2023

In March 2013, we retired all $200.0 in aggregate principal amount of our 4.75% Notes. Of the amount retired, $199.997 in aggregate principal amount of the 4.75% Notes was converted, at the election of the holders, into Interpublic common stock at a conversion rate of 84.3402 shares (actual number) per $1,000 (actual number) principal amount, or approximately 16.9 shares.

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

Capped Call

In November 2010, we purchased capped call options to hedge the risk of price appreciation on the shares of our common stock into which our 4.75% Notes were convertible. In March 2013, we exercised our capped call options and elected net share settlement. As of March 31, 2013, we received 0.8 settlement shares from the option counterparties. The remaining exercised capped call options settled in April 2013.

Interest Rate Swaps

We enter into interest rate swaps to manage our exposure to changes in interest rates. In March and April 2012, we entered into forward-starting interest rate swap agreements with an aggregate notional amount of $300.0 to effectively lock in the benchmark rate for a forecasted issuance of debt to occur prior to December 31, 2013. These swaps qualified for hedge accounting as cash flow hedges, and, as such, the effective portion of the losses on the swaps was recorded in other comprehensive income and the ineffective portion of the losses on the swaps was recorded in other income, net. In November 2012, we terminated these swaps when we issued our 3.75% Senior Notes due 2022 (the "3.75% Notes"). The deferred losses on the swaps, recorded in accumulated other comprehensive loss, are amortized as an increase to interest expense over the term of the 3.75% Notes.

During the first quarter of 2013, we reclassified $0.4 from accumulated other comprehensive loss into interest expense. Over the next twelve months, we expect to reclassify $1.8 from accumulated other comprehensive loss into interest expense in our unaudited Consolidated Statements of Operations.

Credit Agreements

We maintain a committed corporate credit facility to increase our financial flexibility (the "Credit Agreement"). The Credit Agreement is a revolving facility expiring in May 2016, 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 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, 2013.

Note 3: Convertible Preferred Stock

The conversion rate of our 5 $^{1}/4$% Series B Cumulative Convertible Perpetual Preferred Stock (the "Series B Preferred Stock")is subject to adjustment upon the occurrence of certain events, including the payment of cash dividends on our common stock. During the first quarter of 2013, the conversion rate per share for our Series B Preferred Stock was adjusted from 76.2197 to 77.1251 as a result of the cumulative effect of the cash dividends declared and paid on our common stock during the fourth quarter of 2012 and first quarter of 2013, resulting in a corresponding adjustment of the conversion price from $13.12 to $12.97.

Note 4: Loss Per Share

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

	Three months ended March 31,	
	2013	2012
Net loss available to IPG common stockholders	$(59.2)	$(45.9)
Weighted-average number of common shares outstanding - basic and diluted	414.2	437.6
Loss per share available to IPG common stockholders - basic and diluted	$(0.14)	$(0.10)

Basic and diluted shares outstanding and loss per share are equal for the three months ended March 31, 2013 and 2012 because our potentially dilutive securities are antidilutive as a result of the net loss available to IPG common stockholders in each period presented.

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

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

	Three months ended March 31,	
	2013	2012
Restricted stock, stock options and other equity awards	5.7	6.3
4.75% Notes [1]	13.4	16.5
4.25% Notes [1]	0.0	30.9
Preferred stock outstanding	17.1	16.7
Total	36.2	70.4
Securities excluded from the diluted loss per share calculation because the exercise price was greater than the average market price:		
Stock options [2]	3.2	7.2

[1] We retired all of our outstanding 4.75% Notes and 4.25% Notes in March 2013 and March 2012, respectively. See Note 2 for further information on our 4.75% Notes. For purposes of calculating diluted loss per share, the potentially dilutive shares are pro-rated based on the period they were outstanding.

[2] 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 5: 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 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 Integrated Agency Networks (“IAN”) operating segment. During the first quarter of 2013, we recorded approximately $53.0 of goodwill and intangible assets related to these acquisitions.

During the first quarter of 2012, we completed three acquisitions, which included an entertainment marketing agency in the United Kingdom. All three acquisitions were included in the Constituency Management Group ("CMG") operating segment. During the first quarter of 2012, we recorded approximately $5.0 of goodwill and intangible assets related to these acquisitions.

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,	
	2013	2012
Cost of investment: current-year acquisitions	$39.0	$2.4

Cost of investment: prior-year acquisitions	0.7	0.9
Less: net cash acquired	(4.1)	(1.2)
Total cash paid for acquisitions [1]	$35.6	$2.1

1 Of the total cash paid, $0.7 for the three months ended March 31, 2013 is 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, $34.9 and $2.1 for the three months ended March 31, 2013, and 2012, 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.

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

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,	
	2013	2012
Balance at beginning of period	$227.2	$243.4
Change in related noncontrolling interests balance	(1.7)	(3.9)
Changes in redemption value of redeemable noncontrolling interests:		
Additions	12.5	0.0
Redemptions and other	(1.3)	(13.0)
Redemption value adjustments [1]	(1.4)	(2.8)
Balance at end of period	$235.3	$223.7

[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 6: Supplementary Data

Accrued Liabilities

The following table presents the components of accrued liabilities.

	March 31, 2013	December 31, 2012
Salaries, benefits and related expenses	$363.5	$478.2
Office and related expenses	48.4	51.6
Acquisition obligations	36.1	29.5
Interest	33.9	42.4
Professional fees	20.7	21.7
Other	93.8	104.8
Total accrued liabilities	$596.4	$728.2

2004 Restatement Liabilities

As part of the restatement we presented in our 2004 Annual Report on Form 10-K (the "2004 Restatement"), we recognized liabilities related to vendor discounts and credits where we had a contractual or legal obligation to rebate such amounts to our clients or vendors. Reductions to these liabilities are achieved through settlements with clients and vendors, but also may occur if the applicable statute of limitations in a jurisdiction has lapsed. As of March 31, 2013 and December 31, 2012, we had vendor discounts and credit liabilities of $25.5 and $26.9, respectively, related to the 2004 Restatement.

Other Income (Expense), Net

Results of operations for the three months ended March 31, 2013 and 2012 include certain items that are not directly associated with our revenue-producing operations.

	Three months ended March 31,	
	2013	2012
Gains (losses) on sales of businesses and investments	$2.2	$(3.4)

Vendor discounts and credit adjustments	0.2	2.4
Other expense, net	(0.6)	(0.3)
Total other income (expense), net	$1.8	$(1.3)

Sales of Businesses and Investments – 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

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Notes to Consolidated Financial Statements – (continued)
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segment. During the three months ended March 31, 2012, the losses on sales of businesses and investments primarily related to a loss recognized from the sale of a business in the domestic market within our IAN segment.
Vendor Discounts and Credit Adjustments – We are in the process of settling our liabilities related to vendor discounts and credits established as part of the 2004 Restatement. These adjustments reflect the reversal of certain of these liabilities as a result of differences resulting from settlements with clients or vendors or where the statute of limitations has lapsed.

Share Repurchase Program

In February 2013, our Board of Directors (the "Board") authorized a new 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. We may effect such repurchases through open market purchases, trading plans established in accordance with SEC rules, derivative transactions or other means.
The following table presents our share repurchase activity under our share repurchase programs.

	Three months ended March 31,	
	2013	2012
Number of shares repurchased	6.2	4.9
Aggregate cost, including fees	$ 75.8	$ 52.5
Average price per share, including fees	$ 12.17	$ 10.61

As of March 31, 2013, $524.2 remains available for repurchase under the share repurchase programs. The share repurchase programs have no expiration date.

Accumulated Other Comprehensive Loss, Net of Tax

The following table presents 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, 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
Total change for the period	(37.6)	(0.5)	0.2	0.5	(37.4)
Balance as of March 31, 2013	$ (167.7)	$ 0.3	$ (12.5)	$ (145.5)	$ (325.4)

Reclassifications out of accumulated other comprehensive loss, net of tax for the three months ended March 31, 2013 are as follows:

	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statement of Operations

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

[1] These accumulated other comprehensive loss components are included in the computation of net periodic cost. See Note 9 for further information.

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Note 7: Income Taxes

For the three months ended March 31, 2013, our effective income tax rate of 17.5% was negatively impacted primarily by losses in certain foreign locations 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 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 1999, or non-U.S. income tax audits for years prior to 2005.

Note 8: 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, 2013.

	Awards	Weighted-average grant-date fair value (per award)
Stock options	0.7	$4.14
Stock-settled awards	0.9	$12.76
Performance-based awards	1.5	$11.91
Total stock-based compensation awards	3.1	

During the three months ended March 31, 2013, the Compensation Committee granted performance cash awards under the 2009 PIP with a total target value of $71.8. Of this amount, awards with a total target value of $34.3 will be settled in shares upon vesting. The number of shares to be settled on the vesting date will be calculated as the cash value adjusted for performance divided by our stock price on the vesting date. Additionally, during the three months ended March 31, 2013, the Compensation Committee granted cash awards under the Interpublic Restricted Cash Plan with a total target value of $0.9. Cash awards are amortized over the vesting period, typically three years.