

CONVERGYS CORP
Form 10-K
February 28, 2014

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

FORM 10-K

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

For the fiscal year ended December 31, 2013

Commissions file number 1-14379

CONVERGYS CORPORATION

An Ohio
Corporation
201 East Fourth Street, Cincinnati, Ohio 45202
Telephone Number (513) 723-7000

I.R.S. Employer
No. 31-1598292

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares (no par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer 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

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The aggregate market value of the voting shares held by non-affiliates of the registrant was \$1,808,245,231, computed by reference to the closing sale price of the stock on the New York Stock Exchange on June 30, 2013, the last business day of the registrant's most recently completed second fiscal quarter.

At January 31, 2014, there were 100,777,834 common shares outstanding, excluding amounts held in treasury of 88,166,404.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be held on April 24, 2014 are incorporated by reference into Part III of this report.

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SAFE HARBOR STATEMENT AND PART I, ITEM 1. BUSINESS

Private Securities
Litigation Reform Act of 1995
Safe Harbor Cautionary Statement

This report and the documents incorporated by reference contain “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs and expectations of Convergys Corporation (the Company or Convergys), are forward-looking statements and will contain words such as “believes,” “expects,” “intends,” “could,” “should,” “will,” “plans,” “anticipates” and other similar words. These statements discuss projections and expectations; and, therefore, actual results may differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. The Company has no current intention to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these forward-looking statements include, but are not limited to: the behavior of financial markets including fluctuations in interest or exchange rates; continued volatility and deterioration of the capital markets; the impact of regulation and regulatory, investigative, and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve; the loss of a significant client or significant business from a client; difficulties in completing a contract or implementing its provisions; and numerous other matters of national, regional, and global scale including those of the political, economic, business, and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. The “Risk Factors” set forth in Part I, Item 1A of this report could also cause actual results to differ materially from the forward-looking statements.

PART I

ITEM 1. BUSINESS

OVERVIEW

Convergys Corporation (we, the Company or Convergys) is a global leader in customer management, focused on bringing value to its clients through every customer interaction. Over half of the Fortune 50 companies trust Convergys to care for their most important asset: their customers. The Company's business model allows us to deliver consistent, quality service, at the scale and in the geographies that meet our clients' business needs. The Company leverages its breadth and depth of capabilities to help leading companies create quality customer experiences across multiple channels, while increasing revenue and reducing their cost to serve. Convergys is uniquely positioned as a well capitalized leader in our market and is able to invest in the services, technology, and analytics that matter to our clients and their customers.

Convergys was formed as an Ohio corporation in 1998. The Company maintains an internet website at www.convergys.com. Information about the Company is available on the website, free of charge, including the annual report filed on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). The Company's website and the information contained therein are not considered as being incorporated into this Annual Report. You may read and copy any materials the Company files with the SEC at the SEC's public reference room at 100 F Street NE, Washington, DC 20549. The public may obtain information about the

operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website is www.sec.gov.

The Company has a Code of Business Conduct that applies to all employees as well as our Board of Directors; a Financial Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and certain other management and senior employees; and Governance Principles for our Board of Directors.

The Code of Business Conduct, Financial Code of Ethics and Governance Principles, as well as the charters for the Audit Committee, Finance Committee, Compensation and Benefits Committee and Governance and Nominating Committee of our Board of Directors, are posted on our website at www.convergys.com. The Company will post on our website any amendments to, or waivers of, the

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Code of Business Conduct and Financial Code of Ethics. Copies of these documents also will be provided free of charge upon written request directed to Investor Relations, Convergys Corporation, 201 East Fourth Street, Cincinnati, Ohio 45202.

OUR BUSINESS

Convergys is a global leader in customer management. Our talented and dedicated team serves leading brands in industries such as communications, retail, healthcare, technology, financial services, and government. Convergys is passionate about delivering world class customer service each and every day. We understand that our clients have individual business needs and that customer service in an increasingly multi-channel environment can be complicated.

Convergys handles more than 4 billion customer contacts per year. We have approximately 84,000 employees in over 75 locations across the globe and in our work-at-home environment. We provide multilingual, multichannel customer care with a global service delivery infrastructure. Our clients benefit from our worldwide workforce located in various parts of the world, including the United States, Canada, the Philippines, Malaysia, India, Costa Rica, Colombia and the U.K. During 2013, Convergys acquired New Zealand based Datacom's contact center operations with facilities in Kuala Lumpur, Malaysia and Manila, Philippines. The acquisition added 15 Asian languages to Convergys' language capabilities and approximately 1,000 employees, working in three Southeast Asia contact centers.

Our 30+ years of experience and unique mix of agents, analytics and technology allow us to expertly guide our clients as they balance their priorities to grow revenue, improve customer satisfaction, and reduce costs. Our agents provide a full range of contact center services delivered via phone, email and chat. We provide solutions across the customer lifecycle, including:

- Customer Service
- Customer Retention
- Technical Support
- Business-to-Consumer Sales
- Complex Device Support
- Business-to-Business Sales and Account Management
- Back Office
- Collections
- Quality Assurance
- Direct Response

Our innovative contact center technology solutions include:

- Multichannel Interaction Solutions (Intelligent Self-Service, Voice, Chat, Email, and Knowledge Management)
- Cross-Channel Integration Framework
- Real-Time Decisioning Engine
- Intelligent Notifications
- Campaign Management
- Personalized Care
- Personalized Selling
- Agent Productivity
- Retention
- Credits

More than 400 professionals deliver data-driven insights to improve the customer experience through analytics and consulting solutions, including:

Post-Contact Surveys
Relational Loyalty Research
Segmentation and Profiling
Repeat Call Analysis
Agent Path Analysis
Customer Interaction Assessment
Chat Optimization
Integrated Contact Center Analytics

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The geographic information included in Item 8, Note 17 of the Notes to Consolidated Financial Statements, is incorporated by reference in partial response to this Item 1.

STRATEGY

Convergys' strategy is to build on its leading position in a large global market by investing in what matters most to its clients and leveraging its strong financial position to drive sustainable growth and value creation.

Build on a Leading Market Position to Grow With Loyal and Expanding Client Base

Convergys is a leader in the large, global customer management business process outsourcing (BPO) market. The Company's primary focus is on growth with U.S. multinational corporations in the communications, financial services, technology and other vertical markets. The U.S. market is the largest customer management market and continues to project growth. As a leader in the U.S. market, Convergys will continue to compete for additional market share by expanding with existing clients and further penetrating under-served verticals through pursuit of new logos.

Capitalize on Industry Trends by Investing in Quality, Capability and Clients

Several trends play to Convergys' strengths, including increasing call complexity, full life-cycle services, vendor consolidation and off-shore delivery. To capitalize on these trends, the Company invests in a combination of global quality delivery, comprehensive solutions and close client engagement.

Increasing Call Complexity

The nature of customer calls is becoming increasingly complex. As technology becomes more complicated, customer calls to troubleshoot this technology also become increasingly complicated. Convergys invests in its global operating model to ensure the right talent is trained and supported by the right tools to handle these complex calls in a quality manner, at scale, regardless of location.

Full Life-Cycle Services

Client strategies for customer service change rapidly. Increasingly clients want to work with partners that offer a breadth and depth of capabilities and the flexibility to make rapid adjustments to the services they provide to their customers. To meet these changing client needs, Convergys invests in comprehensive solutions consisting of services, technology and analytics that support the full life-cycle of contact types including customer acquisition, service, sales, retention and collections.

Vendor Consolidation

Increasingly, clients seek to drive efficiencies and a consistent customer experience by concentrating outsourced operations with a smaller number of strategic partners. Convergys invests in account management to ensure close client engagement in order to better understand unique client needs, consistently deliver the right mix of solutions and quickly ramp programs when consolidating volume from other vendors.

Off-shore Delivery

Clients demand contact center services from multiple geographies. Convergys invests in global capacity to provide the right services in the right geographies to drive the quality delivery and value our clients demand.

Leverage Financial Strength to Invest in Strategic Growth, Return Capital to Investors

Convergys is a well-capitalized market leader that generates strong operating cash flow which allows it to both invest in strategic growth and return capital to investors. The Company follows a disciplined capital deployment strategy through selective pursuit of acquisitions, focusing on diversity of clients, capabilities and countries and the return of capital to investors through opportunistic share repurchases and a quarterly dividend.

CLIENTS

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We derive significant revenues from AT&T Inc. (AT&T), our largest client. Revenues from AT&T were 20.9%, 23.1% and 23.4% of our consolidated revenues for 2013, 2012 and 2011, respectively. We also derive significant revenues from the DIRECTV Group, Inc. (DIRECTV) and Comcast Corporation (Comcast). Revenues from DIRECTV were 12.5%, 12.3% and 11.8% of our consolidated revenues for 2013, 2012 and 2011, respectively, while revenues from Comcast were 12.4%, 12.4% and 12.0%, respectively, for the same periods.

We focus on developing long-term, strategic relationships with large companies in customer-intensive industries. We focus on these types of clients because of the complexity of services required, the anticipated growth of their market segments and their increasing need for more cost-effective customer management services.

OPERATIONS

We operate over 75 contact centers averaging approximately 70,000 square feet per center. We have approximately 49,000 production workstations and provide service 24 hours a day, 365 days a year. Under our global operating model, our contact centers are located in various parts of the world including the United States, the Philippines, India, Costa Rica, Colombia, Canada and the U.K. New contact centers are established to accommodate anticipated growth in business or in response to a specific customer need.

Our contact centers employ a broad range of technology including digital switching, intelligent call routing and tracking, proprietary workforce management systems, case management tools, proprietary software systems, computer telephony integration, interactive voice response, advanced speech recognition, web-based tools and relational database management systems. This technology enables us to improve our call, web and e-mail handling and personnel scheduling, thereby increasing our efficiency and enhancing the quality of the services we deliver to our clients and their customers. With this technology, we are able to respond to changes in client call volumes and move call volume traffic based on agent availability. Additionally, we use this technology to collect information concerning the contacts, including number, response time, duration and results of the contact. This information is reported to the client on a periodic basis for purposes of monitoring quality of service and accuracy of the related billing.

We operate two primary data centers, one in Orlando, Florida, and the other in Cincinnati, Ohio, comprising, in total, approximately 170,000 square feet of space. Our technologically advanced data centers provide 24 hours a day, 365 days a year availability (with redundant power and communication feeds and emergency power back-up) and are designed to withstand most natural disasters.

The capacity of our data center and contact center operations, coupled with the scalability of our customer management solutions, enable us to meet initial and ongoing needs of large-scale and rapidly growing companies and government entities. By employing the scale and efficiencies of common application platforms, we are able to provide client-specific enhancements and modifications without incurring many of the costs of a full custom application. This allows us to be in a position to be a value-added provider of customer support products and services.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

We will continue to emphasize the design, development and deployment of scalable customer management solutions. Our success depends, in part, on our advanced technology used in the delivery of services to clients. As a result, we continue to invest in the enhancement and development of our contact center technology.

Our intellectual property consists primarily of business methods and software systems. To protect our proprietary rights, we rely primarily on a combination of U.S. and foreign copyright, trade secret and trademark laws; confidentiality agreements with employees and third parties and protective contractual provisions such as those contained in licenses and other agreements with consultants, suppliers, strategic partners and clients.

We own 155 patents which protect our technology and business methods that we use both to manage our internal systems and processes effectively and give us competitive advantages in developing innovative technologies to provide customer management services to our clients. The first of these patents was issued in September 1995, while the most recent patent was granted January 28, 2014. These patents generally have a life of 20 years. Additional applications for U.S. patents currently are pending.

Our name and logo are protected by their historic use and by trademarks and service marks that are registered or pending in the U.S. Patent and Trademark Office and under the laws of more than 50 foreign countries.

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EMPLOYEES

As of December 31, 2013, we employed approximately 84,000 employees in over 75 locations across the globe and in our work-at-home environment. Our clients benefit from our worldwide workforce located in the United States, Canada, the Philippines, Malaysia, India, Costa Rica, Colombia and the U.K.

COMPETITION

The market in which we operate is competitive. Our competitors include other customer management companies, such as SITEL Corp., Sykes Enterprises Inc., Teleperformance, TeleTech Holdings Inc., and West Corporation. In addition, niche providers or new entrants can enter the market by developing new systems or services that could impact our business.

ITEM 1A. RISK FACTORS

General economic and market conditions may adversely affect our business, results of operations and financial condition.

Our results of operations are affected directly by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets that they serve. Future economic slowdowns in some markets, particularly in the United States, may cause reductions in spending by our clients, which may result in reductions in the growth of new business as well as reductions in existing business. There can be no assurance that the effects of such slowdowns will not adversely impact our results of operations and financial condition.

If our clients are not successful, or the trend towards outsourcing does not continue, the amount of business that our clients outsource and the prices that they are willing to pay for such services may diminish and could adversely affect our business.

Our revenues depend on the success of our clients. If our clients or their specific programs are not successful, the amount of business that they outsource may be diminished. There can be no assurance that the level of revenues generated by such contracts will meet expectations. A reduction in the amount of business we receive from our clients could result in stranded capacity and costs. In addition, we may face pricing pressure from clients, which could negatively affect our operating results.

Growth of our revenues depends, in large part, on the trend toward outsourcing. Outsourcing involves companies contracting with a third party, such as Convergys, to provide customer management services rather than performing such services in-house. There can be no assurance that this trend will continue, as organizations may elect to perform such services in-house. A significant change in this trend could have a material adverse effect on our financial condition and results of operations.

A large portion of our revenue is generated from a limited number of clients, and the loss of significant work from one or more of our clients could adversely affect our business.

Our three largest clients, as discussed under the section above titled "Clients," collectively represented 45.8% of our revenues for 2013. While we typically have multiple work orders and/or contracts with our largest customers which would not all terminate at the same time, the loss of one or more of the larger work orders or contracts with one of our largest clients could adversely affect our business, results of operations and financial condition if the lost revenues were not replaced with profitable revenues from that client or other clients.

Our business is substantially dependent on the condition of the global communications industry.

Approximately 60% of our revenue in 2013 was received from customers operating in the global communications industry. The global communications industry in the past has experienced significant fluctuations in growth rates and capital investment, and it is impossible to predict its future performance. Our revenues and earnings could be adversely affected by general weakness or a slowdown in the communications industry.

Our failure to successfully acquire and integrate businesses could cause our business to suffer.

We have made, and in the future may make, acquisitions of or investments in companies, technologies or products in existing, related or new markets. Business combinations, acquisitions and investments involve numerous risks that vary depending on their scale and nature, including risks associated with:

- diversion of management's attention from other operational matters;
- the failure of acquired businesses to meet or exceed expected returns;

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- ineffective integration of operations, systems, technologies, or employees, which can affect the ability to realize anticipated synergies or other benefits;
- failure to attract, retain and motivate key employees;
- the potential impact of the announcement or consummation of a proposed transaction on relationships with third parties;
- potential changes in our credit rating, which could adversely impact the Company's access to and cost of capital;
- reductions in cash balances and/or increase in debt obligations to finance activities associated with a transaction, which reduce the availability of cash flow for general corporate or other purposes;
- exposure to new operational risks, rules, regulations, worker expectations, customs and practices to the extent acquired businesses are located in regions where we have not historically conducted business;
- challenges associated with managing new, more diverse and more widespread operations, projects and people, and providing services to new industries;
- inadequacy or ineffectiveness of an acquired company's internal financial controls, disclosure controls and procedures, anti-corruption, human resource, or other policies or practices;
- unknown, underestimated and/or undisclosed commitments or liabilities; and
- inappropriate scale of acquired entities' critical resources or facilities for business needs.

The occurrence of any of these risk could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or several concurrent acquisitions.

We process, transmit and store personally identifiable information and unauthorized access to or the unintended release of this information could result in a claim for damage or loss of business and create unfavorable publicity.

We process, transmit and store personally identifiable information, both in our role as a service provider and as an employer. This information may include social security numbers, financial and health information, as well as other personal information. As a result, we are subject to certain contractual terms, as well as federal, state and foreign laws and regulations, designed to protect personally identifiable information. While we take measures to protect the security and privacy of this information and to prevent unauthorized access, it is possible that our security controls over personal data and other practices we follow may not prevent the improper access to or disclosure of personally identifiable information. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or customer data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for clients, whether by our employees or third parties, could result in negative publicity, legal liability and damage to our reputation, business, results of operations and financial condition.

Interruption of our data centers and contact centers could have a materially adverse effect on our business.

In the event that we experience a temporary or permanent interruption at one or more of our data or contact centers, through natural disaster, casualty, operating malfunction, cyber attack, sabotage or other causes, we may be unable to provide the data services we are contractually obligated to deliver. This could result in us being required to pay contractual damages to some clients or to allow some clients to terminate or renegotiate their contracts. Notwithstanding disaster recovery and business continuity plans and precautions instituted to protect our clients and us from events that could interrupt delivery of services (including property and business interruption insurance that we maintain), there is no guarantee that such interruptions would not result in a prolonged interruption in our ability to provide support services to our clients or that such precautions would adequately compensate us for any losses we may incur as a result of such interruptions.

Natural events, war, terrorist attacks, other civil disturbances and epidemics could disrupt our operations or lead to economic weakness in the countries in which we operate, resulting in a decrease of our revenues, earnings and cash flow.

Natural events (such as floods and earthquakes), war, terrorist attacks and epidemics of contagious illness could disrupt our operations in the U.S. and abroad and could lead to economic weakness in the countries in which they occur. We have substantial operations in countries such as the Philippines that have been subject to severe natural events, such as earthquakes and floods, in the past. Such disruptions could cause service interruptions or reduce the quality level of the services that we provide, resulting in a reduction of our revenues, earnings and cash flow and the payment of contractual penalties to our customers. These events may also cause our clients to reconsider their use of our services.

Our ability to deliver our services is at risk if the technology and network equipment that we rely upon is not maintained or upgraded in a timely manner.

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Technology is a critical foundation in our service delivery. We utilize and deploy internally developed and third party software solutions across various hardware environments. We operate an extensive internal voice and data network that links our global sites together in a multi-hub model that enables the rerouting of traffic. Also, we rely on multiple public communication channels for connectivity to our clients. Our clients are highly dependent upon the high availability and uncompromised security of our systems. These systems are subject to the risk of an extended interruption or outage due to many factors, such as system failures, acts of nature and intentional, unauthorized attacks from third parties. Accordingly, maintenance of and investment in these foundational components are critical to our success. If the reliability of our technology or network operations falls below required service levels, or a systemic fault affects the organization broadly, we may be obligated to pay performance penalties to our customers, and our business from existing and potential clients may be jeopardized and cause our revenue and cash flow to decrease.

Our earnings are affected by changes in foreign currency.

Our business serves an increasing number of its U.S.-based clients using contact center capacity in the Philippines, India, Latin America and Canada. More than half of our approximately 84,000 employees are located outside the United States. Although the contracts with these clients are typically priced in U.S. dollars, a substantial portion of the costs incurred by Convergys to render services under these contracts is denominated in Philippine pesos, Indian rupees, Canadian dollars or Colombian pesos, which represents a foreign exchange exposure to the Company. We enter into forward exchange contracts and options to limit potential foreign currency exposure. If the U.S. dollar weakens the operating expenses of these contact centers, translated into U.S. dollars, increase. It is intended that the increase in operating expenses will be partially offset by gains realized through the settlement of the hedged instruments. As the derivative instruments that limit our potential foreign currency exposures are entered into over a period of several years, the overall impact to earnings will be determined by both the timing of the derivative instruments and the movement of the U.S. dollar. In addition to the impact on our operating expenses that support dollar-denominated contracts, changes in foreign currency impact the results of our international business units that are located outside of North America.

The cash we hold may be subject to counterparty credit risk and we may not be able to repatriate to the U.S. cash held in foreign accounts without paying taxes.

While we continuously monitor the creditworthiness of the institutions holding our cash, the recent global economic and credit crisis has weakened the creditworthiness of many financial institutions. If one or more of the institutions holding our cash were to experience cash flow problems or were to become subject to insolvency proceedings, we may not be able to recover some or all of our deposited cash. As of December 31, 2013, approximately 40% of our cash and short term investments balance of \$663.7 million was held in accounts outside of the United States, most of which would be subject to additional taxes if repatriated to the United States.

In addition, the counterparties to our hedge transactions are financial institutions or affiliates of financial institutions, and we are subject to risks that these counterparties become insolvent and fail to perform their financial obligations under these hedge transactions. Our hedging exposure to counterparty credit risk is not secured by any collateral.

We may not be able to predict our future tax liabilities. If we become subject to increased levels of taxation or if tax contingencies are resolved adversely, our results of operations and financial condition could be adversely affected.

Due to the international nature of our operations, we are subject to the complex and varying tax laws and rules of several foreign jurisdictions. We may not be able to predict the amount of future tax liabilities to which we may become subject due to some of these complexities if our positions are challenged by local tax authorities. Any increase in the amount of taxation incurred as a result of challenges to our tax filing positions or due to legislative or regulatory changes could result in a material adverse effect on our business, results of operations and financial condition. We are

subject to tax audits, including issues related to transfer pricing, in the United States and other jurisdictions. We have material tax-related contingent liabilities that are difficult to predict or quantify. While we believe that our current tax provisions are reasonable and appropriate, we cannot be assured that these items will be settled for the amounts accrued or that additional exposures will not be identified in the future or that additional tax reserves will not be provided for any such exposures.

Our results of operations could be adversely affected by litigation and other commitments and contingencies.

The Company faces risks arising from various unasserted and asserted litigation matters, including, but not limited to, commercial, tax and patent infringement claims. Unfavorable outcomes in pending litigation, or in future litigation, could negatively affect us.

In the ordinary course of business, we may make certain commitments, including representations, warranties and indemnities relating to current and past operations and divested businesses, and issue guarantees of third party obligations. The amounts of such commitments can only be estimated, and the actual amounts may differ materially from our estimates.

If we were required to make payments as a result of any of these matters and they exceed the amounts accrued, this could adversely affect our business, results of operations and financial condition.

We are susceptible to business and political risks from international operations that could result in reduced revenues or earnings.

We operate a global business and have facilities located throughout North and South America, Europe and the Asia-Pacific region. In addition, as North American companies require additional off-shore customer management outsourcing capacity, we expect to continue international expansion through start-up operations and acquisitions. Expansion of our existing international operations and entry into additional countries will require management attention and financial resources. There are certain risks inherent in conducting business internationally including: exposure to currency fluctuations, longer payment cycles, greater difficulties in accounts receivable collection, difficulties in complying with a variety of laws in these jurisdictions, changes in legal or regulatory requirements, difficulties in staffing and managing foreign operations, inflation, political instability, compliance with anti-bribery and anti-corruption legislation and potentially adverse tax consequences. To the extent that we are adversely affected by these risks, our business could be adversely affected and our revenues and/or earnings could be reduced.

Our business is subject to many regulatory requirements, and current or future regulation could significantly increase our cost of doing business.

Our business is subject to many laws and regulatory requirements in the United States and the foreign countries in which we operate, covering such matters as labor relations, health care requirements, trade restrictions, tariffs, taxation, sanctions, data privacy, consumer protection, internal and disclosure control obligations, governmental affairs and immigration. In the U.S., as well as several of the other countries in which we operate, some of our services must comply with various laws and regulations regarding the method and timing of placing outbound telephone calls and the recording or monitoring of telephone calls. Many of these regulations, including those related to data privacy, are frequently changing and sometimes conflict among the various jurisdictions and countries in which we provide services. Violations of these laws and regulations, some of which can be conflicting, could result in liability for damages, fines, criminal prosecution, unfavorable publicity and restrictions on our ability to operate. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, results of operations and financial condition.

Because a substantial portion of our operating costs consist of labor costs, changes in governmental regulations (particularly in the foreign jurisdictions in which we operate) relating to wages, healthcare and healthcare reform and other benefits or employment taxes could have a material adverse effect on our business, results of operations or financial condition.

In addition, there has been political discussion and debate related to worldwide competitive sourcing, labor-related legislation and information-flow restrictions, particularly from the United States to off-shore locations. Federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing services outside of the U.S. Future legislation, if enacted, could have an adverse effect on our business, results of operations and financial condition.

Our business performance and growth plans may be negatively affected if we are unable to effectively manage changes in the application and use of technology.

The utilization of technology in our industry has and will continue to increase rapidly. Our future success depends, in part, upon our ability to develop and implement technology solutions that anticipate and keep pace with continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis, and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors or if our competitors develop more cost-effective technologies, it could have a material adverse effect on our ability to obtain and complete customer engagements. Also, if customer preferences for technology disproportionately outpace other interaction preferences, it could have a material adverse impact on our revenue profile and growth plans.

Defects or errors within our software could adversely affect our business.

Design defects or software errors may delay software introductions or reduce the satisfaction level of clients and may have a materially adverse effect on our business and results of operations. Our software is highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and/or correct. Because both our clients and we use our software to perform critical business functions, design defects, software errors or other potential problems within or outside of our control may arise from the use of our software. It may also result in financial or other damages to our clients, for which we may be held responsible. Although our license agreements with our clients may often contain provisions designed to limit our exposure to potential claims and liabilities arising from client problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. Claims and liabilities arising from client problems could result in monetary damages to us and could cause damage to our reputation, adversely affecting our business, results of operations and financial condition.

If we do not effectively manage our capacity, our results of operations could be adversely affected.

Our ability to profit from the global trend toward outsourcing depends largely on how effectively we manage our contact center capacity. In order to create the additional capacity necessary to accommodate new or expanded outsourcing projects, we may need to open new contact centers. The opening or expansion of a contact center may result, at least in the short-term, in idle capacity until we fully implement the new or expanded program. The usage of home agents could help mitigate this risk. We periodically assess the expected long-term capacity utilization of our contact centers. As a result, we may, if deemed necessary, consolidate, close or partially close under-performing contact centers to maintain or improve targeted utilization and margins. There can be no guarantee that we will be able to achieve or maintain optimal utilization of our contact center capacity.

We also may experience short-term and/or longer-term fluctuations in client demand for services performed in one or more of our contact centers. Short-term downward fluctuations may result in less than optimal site utilization for a period of time. Longer-term downward fluctuations may result in site closures. As a result, we may not achieve or maintain targeted site utilization levels, or site utilization levels may decrease over certain periods, and our profitability may suffer as a result.

A large portion of our accounts receivable is payable by a limited number of clients and the inability of any of these clients to pay its accounts receivable could adversely affect our business.

Because a large portion of our revenue is generated from a limited number of clients, we often carry significant accounts receivable balances from those clients. While we closely monitor these balances, if a significant client were financially unable or unwilling, for any reason, to pay our accounts receivable, our income and cash flow would decrease. We also have several important clients that are in industries that have been severely impacted by the current global economic slowdown. In addition, our income could be materially impacted by a number of small clients declaring bankruptcy within a short period of time.

We may incur material restructuring charges in the future.

In the past, we have recorded restructuring charges related to involuntary employee terminations, various facility abandonments, and various other restructuring activities. We continually evaluate ways to reduce our operating expenses through new restructuring opportunities, including more effective utilization of our assets, workforce, and operating facilities. In addition, changing industry and market conditions may dictate strategic decisions to restructure some business units and discontinue others. As a result, there is a risk, which is increased during economic downturns and with expanded global operations, that we may incur material restructuring charges in the future.

We may incur additional non-cash goodwill impairment charges in the future.

As described in Note 6 of the Notes to Consolidated Financial Statements, we test goodwill for impairment annually as of October 1 and at other times if events have occurred or circumstances exist that indicates the carrying value of goodwill may no longer be recoverable. There can be no assurances that we will not incur impairment charges in the future, particularly in the event of a prolonged economic slowdown.

Our controls and procedures may not prevent or detect all errors or acts of fraud.

Any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of controls must consider the benefits of controls relative to their costs. Controls cannot assure that no judgments in decision-making will be faulty or that breakdowns will not occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. While controls are designed with the intent of providing reasonable assurance of the effectiveness of the controls, such design is also based in

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part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be prevented or detected, and we could lose investor confidence in the accuracy and completeness of our financial reports and other disclosures, which could have an adverse effect on our stock price.

The markets in which we operate include a large number of service providers and are highly competitive.

Many of our competitors are expanding the services they offer in an attempt to gain additional business. In addition, new competitors, alliances among competitors or competitors' mergers could result in significant market share gain. Some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies or provide services that gain greater market acceptance than the services that we offer or develop. Large and well-capitalized competitors may be able to better respond to the need for technological changes faster, price their services more aggressively, compete for skilled professionals, finance acquisitions, fund internal growth and compete for market share. Our customers routinely negotiate for better pricing, and in order to respond to increased competition and pricing pressure, we may be required to lower our pricing structure, which would have an adverse effect on our revenues and profit margin.

Client consolidations could result in a loss of clients and adversely affect our business.

We serve clients in industries that have experienced a significant level of consolidation. We cannot assure that additional consolidations will not occur in which our clients acquire additional businesses or are acquired themselves. Such consolidations may result in the termination of an existing client contract, which could have an adverse effect on our business, results of operations and financial condition.

Our success is subject to the terms of our client contracts.

Most of our client contracts do not have minimum volume requirements, and the profitability of each client contract or work order may fluctuate, sometimes significantly, throughout various stages of the program. Certain contracts have performance-related bonus and/or penalty provisions which provide that the client may be required to pay us a bonus, or we may be required to issue the client a credit, based upon our meeting, or failing to meet, agreed-upon service levels and performance metrics. Our objective is to sign multi-year contracts with our clients; however, our contracts generally allow our client to terminate the contract for convenience or to reduce the amount of our services. We cannot be assured that our clients will not terminate their contracts before their scheduled expiration date, that the volume of services for these programs will not be reduced or that we will be able to avoid penalties or earn performance bonuses. In addition, we cannot be assured that each client contract will be profitable for us or that we will be able to terminate unprofitable contracts without incurring significant liabilities.

If we are unable to hire or retain qualified personnel in certain areas of our business, our ability to execute our business plans in those areas could be impaired and revenues could decrease.

We employ approximately 84,000 employees worldwide. At times, we have experienced difficulties in hiring personnel with the desired levels of training or experience. Additionally, in regard to the labor-intensive business of the Company, quality service depends on our ability to retain employees and control personnel turnover. Any increase in the employee turnover rate could increase recruiting and training costs and could decrease operating effectiveness and productivity. We may not be able to continue to hire, train and retain a sufficient number of qualified personnel to adequately staff new client projects.

The volatility of our stock price may result in loss of investment.

The trading price of our common shares has been and may continue to be subject to substantial fluctuations over short and long periods of time. We believe that market prices of outsourced customer contact management services stocks in general have experienced volatility, which could affect the market price of our common stock regardless of our financial results or performance. We further believe that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the outsourced customer contact management services industry, quarterly variations in our financial results, the announcement of acquisitions or divestitures, strategic partnerships or new product offerings, and changes in financial estimates and recommendations by securities analysts could cause the market price of our common shares to fluctuate substantially in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 201 East Fourth Street, Cincinnati, Ohio 45202, and the telephone number at that address is (513) 723-7000. We own office facilities in Jacksonville, Florida, Pueblo, Colorado, Ogden, Utah and Orlando, Florida.

We lease space for our corporate headquarters, offices, data centers and contact centers. Domestic facilities are located in Arizona, Colorado, Florida, Georgia, Idaho, Kansas, Kentucky, Louisiana, Missouri, Nebraska, New Mexico, North Carolina, Ohio, Oklahoma, Tennessee, Texas, Utah, Virginia and Wisconsin. International facilities are located in Brazil, Canada, China, Colombia, Costa Rica, England, Germany, India, Indonesia, Malaysia, Netherlands, the Philippines, Singapore, South Africa, and the United Arab Emirates. Upon the expiration or termination of any such leases, we believe we could obtain comparable office space.

We also lease some of the computer hardware, computer software and office equipment necessary to conduct our business. In addition, we own computer, communications equipment, software and leasehold improvements. We depreciate these assets using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the associated lease.

We believe that our facilities and equipment are adequate and have sufficient productive capacity to meet our current needs.

ITEM 3. LEGAL PROCEEDINGS

The information required by Item 3 is included in Note 11 of the Notes to Consolidated Financial Statements of this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following information responds in part to the provisions of Part III, Item 10.

As of February 28, 2014, our Executive Officers were:

Name	Age	Title
Andrea J. Ayers ^(a)	50	President and Chief Executive Officer
Andre S. Valentine	50	Chief Financial Officer
Claudia L. Cline	60	Senior Vice President and General Counsel
Christine Timmins Barry	49	Senior Vice President of Global Operations

(a) Member of the Board of Directors

Officers are appointed annually, but are removable at the discretion of the Board of Directors.

ANDREA J. AYERS, President and Chief Executive Officer since November 2012; President and Chief Operating Officer, Customer Management since November 2010; President, Customer Management since April 2008; President, Relationship Technology Management, 2007-2008; President, Government and New Markets, 2005-2007.

ANDRE S. VALENTINE, Chief Financial Officer since August 2012; Senior Vice President of Finance, Customer Management, 2010-2012 and 2002-2009; Senior Vice President, Controller, 2009-2010; Vice President, Controller, 1998-2002.

CLAUDIA L. CLINE, Senior Vice President and General Counsel since September 2012; Customer Management General Counsel, 2011 - 2012; Senior Vice President Workforce Management and Development, 2008 - 2011.

CHRISTINE TIMMINS BARRY, Senior Vice President of Global Operations since December 2012; Senior Vice President Customer Management Global Operations, 2011 - 2012; Senior Vice President, Customer Management Operations of the Americas, 2009 - 2011; Senior Vice President Global Operations, Human Resource Management, 2008 - 2009.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Convergys Corporation's common shares, no par value, are listed on the New York Stock Exchange under the symbol "CVG." As of January 31, 2014, there were 8,271 holders of record of the 100,777,834 common shares of Convergys, excluding amounts held in Treasury (188,944,238 outstanding common shares of Convergys, of which 88,166,404 were held in Treasury).

The high, low and closing prices of our common shares for each quarter in 2013 and 2012 are listed below:

Quarter	1 st	2 nd	3 rd	4 th
2013				
High	\$17.05	\$18.66	\$19.91	\$21.40
Low	15.05	15.56	17.16	18.12
Close	17.03	17.43	18.75	21.05
2012				
High	\$14.23	\$14.82	\$16.55	\$17.42

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Low	12.13	12.40	14.33	14.68
Close	13.35	14.77	15.67	16.41

During 2012 and 2013, the Company's Board of Directors approved, and the Company paid, the following dividends per common share:

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Announcement Date	Record Date	Dividend Amount	Payment Date
May 8, 2012	June 22, 2012	\$0.05	July 6, 2012
July 26, 2012	September 21, 2012	\$0.05	October 5, 2012
October 23, 2012	December 21, 2012	\$0.05	January 4, 2013
February 7, 2013	March 22, 2013	\$0.06	April 5, 2013
April 30, 2013	June 21, 2013	\$0.06	July 5, 2013
July 30, 2013	September 20, 2013	\$0.06	October 4, 2013
November 6, 2013	December 27, 2013	\$0.06	January 10, 2014

On February 5, 2014, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.06 per common share to be paid on April 4, 2014 to shareholders of record as of March 21, 2014.

The Board expects that future cash dividends will be paid on a quarterly basis. However, any decision to pay future cash dividends will be subject to Board approval, and will depend on the Company's future earnings, cash flow, financial condition, financial covenants and other relevant factors.

We repurchased 6.7 million of our common shares for \$119.0 million during 2013, as summarized in the following table:

	Shares repurchased	Average price per share
January 2013	14,000	\$16.53
February 2013	1,265,171	16.51
March 2013	847,474	16.85
April 2013	1,487,158	16.40
May 2013	34,309	17.04
June 2013	16,152	18.11
July 2013	4,675	19.12
August 2013	773,386	19.27
September 2013	1,321,223	18.46
October 2013	782,500	19.24
November 2013	200,237	19.63
December 2013	22	20.73
Total	6,746,307	\$17.64

In February 2013, our Board of Directors approved an increase in the remaining authorized share repurchases to \$250.0 million in the aggregate. At December 31, 2013, the Company had the authority to repurchase up to an incremental \$133.3 million of outstanding common shares. The timing and terms of any future transactions depend on a number of considerations including market conditions and our liquidity and limits that may be applicable under the covenants in our credit agreement.

Performance Graph

The following Performance Graph compares, for the period from December 31, 2008 through December 31, 2013, the percentage change of the cumulative total shareholder return on the Company's common shares with the cumulative total return of the S&P 500 Stock Index, a Peer Group.

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Convergys Corporation	\$ 100	\$ 168	\$ 205	\$ 199	\$ 258	\$ 336
S&P 500	\$ 100	\$ 126	\$ 146	\$ 149	\$ 172	\$ 228
Peer Group	\$ 100	\$ 147	\$ 144	\$ 105	\$ 138	\$ 216

The Peer Group consists of Sykes Enterprises Inc., Teleperformance and Teletech Holdings Inc.

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ITEM 6. SELECTED FINANCIAL DATA

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(Amounts in millions except per share amounts)	2013	2012	2011	2010	2009
RESULTS OF OPERATIONS					
Revenues	\$2,046.1	\$2,005.0	\$1,933.2	\$1,863.3	\$1,986.7
Costs and Expenses ^{(1) (2)}	1,908.7	1,966.4	1,823.1	2,017.2	1,942.6
Operating Income (loss)	137.4	38.6	110.1	(153.9	)44.1
Earnings and gain from Cellular Partnerships, net	—	—	285.2	47.2	41.0
Other income (expense), net	5.1	4.3	9.8	8.9	(17.2)
Interest expense	(11.5	)(13.6	)(16.1	)(19.5	)(28.9)
Income (loss) before Income Taxes	131.0	29.3	389.0	(117.3	)39.0
Income tax expense (benefit) ⁽³⁾	72.5	1.1	106.5	(7.5	)(1.9)
Income (loss) from Continuing Operations, net of tax	58.5	28.2	282.5	(109.8	)40.9
Income (loss) from discontinued operations ⁽⁴⁾	2.4	72.4	52.3	56.6	(118.2)
Net Income (Loss)	\$60.9	\$100.6	\$334.8	\$(53.2	)\$(77.3)
Basic Earnings (Loss) Per Common Share:					
Continuing Operations	\$0.57	\$0.25	\$2.35	\$(0.89	)\$0.33
Discontinued Operations	0.02	0.65	0.44	0.46	(0.96)
Basic Earnings (Loss) Per Common Share	\$0.59	\$0.90	\$2.79	\$(0.43	)\$(0.63)
Diluted Earnings (Loss) Per Common Share:					
Continuing Operations	\$0.54	\$0.24	\$2.30	\$(0.89	)\$0.33
Discontinued Operations	0.02	0.62	0.42	0.46	(0.95)
Net Diluted Earnings (Loss) Per Common Share	\$0.56	\$0.86	\$2.72	\$(0.43	)\$(0.62)
Weighted Average Common Shares Outstanding:					
Basic	103.3	112.2	120.2	123.1	122.8
Diluted	109.2	117.1	122.9	123.1	124.9
FINANCIAL POSITION					
Total Assets	\$1,956.7	\$2,037.9	\$2,330.8	\$2,125.3	\$2,605.8
Total debt and capital lease obligations	61.1	60.6	127.1	210.2	465.9
Shareholders' Equity	1,289.6	1,371.9	1,411.5	1,184.1	1,206.4
OTHER DATA					
Net cash flows provided by operating activities					
Operating activities of continuing operations	\$208.4	\$103.9	\$161.4	\$179.2	\$268.4
Operating activities of discontinued operations	1.6	9.1	35.2	15.0	36.3
	\$210.0	\$113.0	\$196.6	\$194.2	\$304.7
Net cash flows (used in) provided by investing activities					
Investing activities of continuing operations	\$(36.6	)(162.7	)\$235.6	\$(63.0	)(63.1)
Investing activities of discontinued operations	1.0	425.3	(13.5	)63.7	(14.9)
	\$(35.6	)\$262.6	\$222.1	\$0.7	\$(78.0)
Net cash flows (used in) provided by financing activities					
Financing activities of continuing operations	\$(148.3	)(242.6	)(183.0	)(336.9	)(133.4)
	—	(0.1	)—	(3.6	)(1.6)

Financing activities of discontinued operations

	\$(148.3)\$(242.7)\$(183.0)\$(340.5)\$(135.0)
Free cash flow ⁽⁵⁾	\$146.2	\$8.4	\$108.3	\$127.9	\$229.8	
EBITDA ⁽⁶⁾	\$233.3	\$131.6	\$488.8	\$(2.5)\$168.1	

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Costs and expenses include restructuring charges of \$5.4, \$11.6, \$1.2, \$28.7 and \$12.9 in 2013, 2012, 2011, 2010 (1) and 2009, respectively, asset impairment charges of \$1.5, \$88.6 and \$181.1 in 2013, 2012 and 2010, respectively, and net pension and other post employment benefit plan charges of \$13.1 and \$4.1 in 2013 and 2012, respectively. Costs and expenses also include \$8.8, \$23.6, \$28.4 and \$38.6 in 2012, 2011, 2010 and 2009, respectively, of certain costs previously allocated to the Information Management segment, and \$9.1 and \$32.1 in 2010 and 2009, (2) respectively, of certain costs previously allocated to the HR Management segment, that do not qualify as discontinued operations and are reported as costs from continuing operations. The Company took actions to reduce these costs and earned transition service revenues, resulting from services being provided to the buyers subsequent to completion of the sale of Information Management and HR Management, to offset these costs.

(3) Income tax expense in 2013 includes \$46.4 of expense to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries.

(4) Discontinued operations includes the historical financial results of the Information Management business and the HR Management line of business, excluding certain costs referred to in note 2, above, that did not meet the criteria for such presentation.

Free cash flow is not defined under accounting principles generally accepted in United States (U.S. GAAP) and is calculated as cash flows from operations less capital expenditures (net of proceeds from disposal). The Company uses free cash flow to assess the financial performance of the Company. Convergys' Management believes that free cash flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations, such as investment in the Company's existing businesses. Further, free cash flow facilitates Management's ability to strengthen the Company's balance sheet, to repay the Company's debt obligations and to repurchase the Company's common shares. Limitations associated with the use of free cash flow (5) include that it does not represent the residual cash flow available for discretionary expenditures as it does not incorporate certain cash payments including payments made on capital lease obligations or cash payments for business acquisitions. Management compensates for these limitations by using both the non-GAAP measure, free cash flow, and the GAAP measure, cash from operating activities, in its evaluation of performance. There are no material purposes for which we use this non-GAAP measure beyond the purposes described above. For more detail and a reconciliation of cash flows from operations to free cash flows, see the "Financial Condition, Liquidity and Capital Resources" section in Part II, Item 7 of this report.

EBITDA is not defined under U.S. GAAP and is calculated as income from continuing operations plus tax expense, interest expense, depreciation and amortization. The Company uses EBITDA to monitor and evaluate the performance of the business and believes the presentation of this measure will enhance the investors' ability to analyze trends in the business and evaluate the Company's underlying performance relative to other companies in the industry. The Company also utilizes EBITDA in the calculations for certain employee incentive compensation plans. EBITDA should not be considered in isolation or as a substitute for income from continuing operations, net of tax or other income statement data prepared in accordance with U.S. GAAP and our presentation of EBITDA (6) may not be comparable to similarly-titled measures used by other companies. Management uses the non-GAAP measure, EBITDA, and the U.S. GAAP measure, income from continuing operations, net of tax, in evaluation of its underlying performance. There are no material purposes for which we use the non-GAAP measure beyond the purposes described above. The non-GAAP measure should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures. For more detail and reconciliation of income from continuing operations, net of tax, to EBITDA, see the "Financial Condition, Liquidity and Capital Resources" section in Part II, Item 7 of this report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Amounts in millions except per share amounts)

BACKGROUND

Convergys Corporation (we, the Company or Convergys) is a global leader in customer management, focused on bringing value to our clients through every customer interaction. Over half of the Fortune 50 companies trust us to care for their most important asset: their customers. Our business model allows us to deliver consistent, quality service, at the scale and in the geographies that meet our clients' business needs and pro-actively partner to solve client business challenges through our account management model. We leverage our breadth and depth of capabilities to help leading companies create quality customer experiences across multiple channels, while increasing revenue and reducing their cost to serve.

Operations and Structure

Prior to May 2012, we had two reportable segments, Customer Management and Information Management. In March 2012, we signed a definitive agreement to sell the Information Management business to NEC Corporation for \$449.0 in cash. The sale closed in May 2012, for which we received \$462.6 in cash, including working capital adjustments. As a result of the sale of the Information Management business, the operating results and assets and liabilities related to Information Management have been reflected as discontinued operations for all periods presented. The total gain on the sale of the Information Management business amounted to \$99.8 pretax, and \$16.2 net of taxes at December 31, 2012. During 2013, we recorded an additional gain of \$2.4, net of tax, as certain contingencies and tax positions were settled or adjusted.

As a result of the change in classification of the Information Management business to discontinued operations, the change in our Chief Executive Officer in the fourth quarter of 2012, and in order to reflect the internal financial reporting structure and operating focus of our new management team and chief operating decision maker, we report operating results and assets and liabilities as a single segment on a consolidated basis. Segment information for previous periods has been reclassified to conform to the current reporting structure.

On April 30, 2013, we acquired New Zealand-based Datacom's contact center operations with facilities in Kuala Lumpur, Malaysia and Manila, Philippines for \$20.0 AUD (approximately \$20.0 USD). The acquisition added 15 Asian languages to Convergys' language capabilities and approximately 1,000 employees, working in three Southeast Asia contact centers, to Convergys' global operations.

Convergys delivers more than 4 billion customer contacts per year. We have approximately 84,000 employees in over 75 locations across the globe and in our work-at-home environment. We provide multilingual, multichannel customer care with a global service delivery infrastructure that operates 24 hours a day, 365 days a year. Our clients benefit from our worldwide workforce located in the United States, Canada, the Philippines, Malaysia, India, Costa Rica, Colombia and the U.K.

Agent-related revenues, which account for approximately 91% of revenues for 2013, are typically recognized as services are performed based on staffing hours or the number of contacts handled by service agents using contractual rates. Remaining revenues are derived from the sale of premise-based and hosted automated self-care and technology solutions and provision of professional services. Revenues from the sale of these solutions and provision of services are typically recognized as services are provided over the duration of the contract using contractual rates.

Merger Agreement

On January 6, 2014, the Company and its wholly-owned subsidiary, Comet Merger Co. ("Merger Sub") entered into an Agreement and Plan of Merger (the "Merger Agreement") with SGS Holdings, Inc. ("Stream") and, for limited purposes, other Sellers listed in the Merger Agreement. In accordance with the Merger Agreement, Merger Sub will merge with and into Stream, with Stream surviving the Merger as a wholly-owned subsidiary of the Company. Stream is a global business process outsource provider specializing in customer relationship management, including technical support, customer care and sales, for Fortune 1000 companies. Stream has over 40,000 employees capable of supporting over 35 languages across approximately 56 service centers in 22 countries.

The Board of Directors of each of the Company and Stream have approved the Merger. The Company has received a copy of an irrevocable written consent executed by holders of 100% of the currently outstanding shares of common stock of Stream, adopting the Merger Agreement and the anticipated transactions.

The aggregate purchase price of \$820.0 will be subject to an adjustment following the closing based on actual levels of Stream's cash, debt and working capital at closing. The Company expects this transaction to close during the first quarter of 2014. During 2013, the Company recognized \$46.4 of tax expense to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries, reflecting management's plans to repatriate undistributed earnings of the Company's foreign subsidiaries to contribute funding to our announced acquisition of Stream.

RESULTS OF OPERATIONS

Revenues

	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Revenues:					
Communications	\$1,218.0	\$1,205.4	1	\$1,147.6	5
Technology	198.6	172.7	15	170.0	2
Financial Services	179.9	203.3	(12	)208.0	(2
Other	449.6	423.6	6	407.6	4
Total Revenues	\$2,046.1	\$2,005.0	2	\$1,933.2	4

2013 vs. 2012

Consolidated revenues for 2013 were \$2,046.1, a 2% increase from \$2,005.0 in 2012. Revenue related to the acquired Datacom operations contributed less than half of the growth in the current year. Revenues from communications clients increased 1% from 2012, reflecting volume increases and new programs with several existing clients, partially offset by a volume decrease with our largest client. Revenues from technology clients increased 15% from 2012 primarily due to volume increases, new programs with existing clients and contributions from the Datacom operations. Revenues from financial services clients decreased 12% from 2012, primarily reflecting program completion with one client. Other revenues, which are comprised of clients outside the Company's three largest industries, increased 6% from 2012 due to volume increases, new programs with existing and new clients, partially offset by a program completion with one client. Other revenues for 2013 and 2012 also include \$17.1 and \$13.8, respectively, of transition services revenues earned under agreements with NEC Corporation related to the sale of the Information Management business. The transition services agreements vary in duration up to 24 months depending on the type of service provided, and our expectation is that we will substantially eliminate the underlying costs as the transition services are completed.

2012 vs. 2011

Consolidated revenues for 2012 were \$2,005.0 compared to \$1,933.2 in 2011. Revenues from communications clients increased 5% from 2011, reflecting volume increases with several large clients. Revenues from technology clients increased 2% from 2011 due to volume increases from existing and new clients partially offset by program completions with one client. Revenues from financial services clients decreased 2% from 2011, primarily reflecting program completions, including client migrations from legacy technology offerings, partially offset by revenue from a new client. Other revenues, which are comprised of clients outside the Company's three largest industries, increased 4% from 2011 due to volume increases and new programs with existing clients, partially offset by program completions. Other revenues for 2012 also include \$13.8 of transition services revenues earned under agreements with NEC Corporation related to the sale of the Information Management business. The transition services agreements vary in duration up to 24 months depending on the type of service provided, and our expectation is that we will substantially eliminate the underlying costs as the transition services are completed. Other revenues for 2011 also include \$14.4 of transition services revenue earned under agreements with NorthgateArinso that expired in 2011

related to the sale of the HR Management business.

Operating Costs and Expenses

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	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Operating Costs:					
Cost of providing services and products sold	\$1,335.1	\$1,289.5	4	\$1,240.4	4
Selling, general and administrative	467.7	477.2	(2)	483.8	(1)
Research and development costs	8.2	10.8	(24)	14.0	(23)
Depreciation	85.5	82.4	4	76.3	8
Amortization	5.3	6.3	(16)	7.4	(15)
Restructuring	5.4	11.6	(53)	1.2	NM
Asset impairments and other	1.5	88.6	NM	—	NM
Total costs and expenses	\$1,908.7	\$1,966.4	(3)	\$1,823.1	8

2013 vs. 2012

Consolidated total operating costs and expenses for 2013 of \$1,908.7 decreased 3% from \$1,966.4, primarily due to the \$88.6 non-cash impairment charge during 2012 consisting of \$46.0 for goodwill of the Customer Interaction Technology reporting unit and \$42.6 for the impairment of certain facilities classified as held for sale. The Company recorded an additional impairment charge of \$1.5 during 2013 to reduce the carrying value of certain facilities to estimated fair value less cost to sell.

Costs of providing services and products sold increased 4% from \$1,289.5 in 2012 to \$1,335.1 in 2013. As a percentage of revenues, the cost of providing services and products sold was 65.3% in 2013 compared to 64.3% in the prior year. This increase was primarily due to the timing of certain program ramps in the current year. Selling, general and administrative expenses of \$467.7 decreased 2% from the prior year. As a percentage of revenues, selling, general and administrative cost was 22.9% in 2013 compared to 23.8% in 2012. Expense for 2013 includes the \$13.1 net pension and other post employment benefit plan charges, restructuring charges of \$5.4 and \$2.7 of transaction expenses associated with the anticipated acquisition of Stream. Expense in 2012 included \$11.6 in restructuring charges, \$4.1 of pension and other post employment benefit plan charges and \$8.8 of certain legacy costs associated with the Information Management business that did not qualify for discontinued operations treatment. Excluding these items in both years, the decrease in selling, general and administrative expense was primarily due to cost reductions previously taken along with continued efforts to control costs. Research and development costs of \$8.2 decreased \$2.6 from 2012 due to reductions in headcount. Depreciation expense of \$85.5 increased \$3.1 from the prior year reflecting the increase in capital expenditures throughout 2012 to support increased capacity. Amortization expense of \$5.3 decreased \$1.0 due to completion of the amortization of certain definite lived intangible assets.

2012 vs. 2011

Consolidated total operating costs and expenses for 2012 of \$1,966.4 increased 8% from \$1,823.1 in 2011, primarily due to \$88.6 non-cash impairment charges, consisting of \$46.0 for the impairment of goodwill in the Customer Interaction Technology (CIT) reporting unit, and \$42.6 for the impairment of certain facilities classified as held for sale. We also recognized \$11.6 in restructuring charges and net \$4.1 pension and other post employment benefit plan charges during 2012 as a result of changes in the executive management team, and a high level of pension-related payments due to the sale of the Information Management business and completion of the corporate simplification process. Operating results for 2011 include \$5 of insurance recoveries in excess of costs incurred, partially offset by the impact of a client bankruptcy.

As discussed previously, in May 2012 we completed the sale of the Information Management business and, accordingly, the operating results are presented within discontinued operations. Accounting rules require certain costs previously allocated to the Information Management business to be included in continuing operations. These costs were \$8.8 in 2012 compared with \$23.6 in 2011. These amounts are included within selling, general and administrative expenses within continuing operations.

As a percentage of revenues, the cost of providing services and products sold was 64.3% in 2012 compared to 64.2% in the prior year. Selling, general and administrative expenses of \$477.2 decreased 1% from the prior year.

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As a percentage of revenues, selling, general and administrative expenses were 23.8% in 2012 compared to 25.0% in 2011 as a result of cost reductions previously taken, continued efforts to control costs, and the Information Management related costs discussed above, partially offset by net pension and other post employment benefit plan charges in 2012 and net insurance recoveries in 2011. Research and development costs of \$10.8 decreased \$3.2 from 2011 due to reductions in headcount. Depreciation expense of \$82.4 increased \$6.1 from the prior year reflecting an increase in capital expenditures related to increased capacity.

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We recorded \$11.6 of restructuring charges in 2012, reflecting the change in the Company's executive management team and further corporate simplification. Additionally, we initiated an incremental restructuring plan in 2011 resulting in a \$1.2 severance charge largely to reduce headcount and align resources to future business needs. See additional information under the "Restructuring Charges" heading below for the 2012 and 2011 plans.

Operating Income and Adjusted Operating Income (a non-GAAP measure)

In order to assess the underlying operational performance of the continuing operations of the business and to have a basis to compare underlying results to prior and future periods, we provide the non-GAAP measures, Adjusted Operating Income and Adjusted Operating Margin, in the table below. For the years ended December 31, 2013, 2012 and 2011 Adjusted Operating Income and Adjusted Operating Margin exclude the following:

1. Transaction expenses of \$2.7 in 2013 associated with Convergys' anticipated acquisition of Stream. These expenses related to fees paid for third-party consulting services;
2. Net impairment charge of \$1.5 in 2013 related to the adjustment of two facilities held for sale to their fair values less costs to sell as discussed in Note 6 of the Notes to Consolidated Financial Statement, as well as asset impairment charges of \$88.6 in 2012, including \$46.0 for impairment of goodwill of the CIT reporting unit and \$42.6 for impairment of facilities classified as held for sale;
3. Net pension and other post employment benefit charges as discussed in Note 9 of the Notes to Consolidated Financial Statements consisting of 2013 non-cash pension settlement charges of \$13.4 and settlement gain of \$0.3 related to the Executive Deferred Compensation Plan, as well as a net charge of \$4.1 in 2012, resulting from \$4.1 of curtailment credits from pension and other post employment benefit plans, \$1.4 of post-retirement benefit costs related to the changes in the executive management team, and a \$6.8 pension settlement charge due to elevated payouts as a result of the sale of the Information Management business, and;
4. Restructuring charges resulting from the sale of the Information Management business of \$6.4 as discussed in Note 8 of the Notes to Consolidated Financial Statements in 2012;
5. Certain costs previously allocated to the Information Management business that are now included in continuing operations as discussed below and in more detail in Note 3 of the Notes to Consolidated Financial Statements (these costs were \$8.8 and \$23.6 in 2012 and 2011, respectively).

Adjustments for these items are relevant in evaluating the overall performance of the business. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with GAAP. Management compensates for this limitation by using both the non-GAAP measures and the GAAP measures in its evaluation of performance. There are no material purposes for which we use these non-GAAP measures beyond those described above. These non-GAAP measures should be considered supplemental in nature and should not be construed as being more important than comparable GAAP measures.

	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Operating Income	\$ 137.4	\$ 38.6	NM	\$ 110.1	(65)
Operating Margin	6.7	% 1.9	%	5.7	%
Acquisition related expenses	2.7	—	NM	—	—
Restructuring	—	6.4	NM	—	NM
Asset impairments and other	1.5	88.6	NM	—	NM
Net pension and other post employment benefit plan charges	13.1	4.1	NM	—	NM
Information Management costs not qualifying as Discontinued Operations	—	8.8	NM	23.6	(63)
	\$ 154.7	\$ 146.5	6	\$ 133.7	10

Adjusted Operating Income (a non-GAAP measure)

Adjusted Operating Margin	7.6	%7.3	%	6.9	%
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2013 vs. 2012

Consolidated Convergys operating income was \$137.4 in 2013 compared to operating income of \$38.6 in 2012. Excluding the impacts of items discussed above, consolidated adjusted operating income for 2013 was \$154.7 compared to \$146.5 in 2012.

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2012 vs. 2011

Consolidated Convergys operating income was \$38.6 in 2012 compared to \$110.1 in 2011. Excluding the impacts of the items discussed above, consolidated adjusted operating income for 2012 was \$146.5 compared to \$133.7 in 2011.

Non-Operating Items

	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Operating Income	\$137.4	\$38.6	NM	\$110.1	(65)
Earnings and gain from Cellular Partnerships, net	—	—	—	285.2	NM
Other income, net	5.1	4.3	19	9.8	(56)
Interest expense	(11.5)	(13.6)	(15)	(16.1)	(16)
Income before Income Taxes	\$131.0	\$29.3	NM	\$389.0	(92)

2013 vs. 2012

Other income of \$5.1 in 2013 increased from \$4.3 in 2012 primarily due to an increase in interest income. Interest expense of \$11.5 improved from \$13.6 in the prior year reflecting a lower level of average debt outstanding during 2013 as well as the incremental interest expense of \$1.1 related to the purchase of the Orlando facility during 2012.

2012 vs. 2011

Consolidated results for 2011 include a pre-tax gain of \$265.0, \$171.8 net of tax, from the sale of our investment in the Cellular Partnerships, comprised of our 33.8% interest in Cincinnati SMSA Limited Partnership and our 45.0% interest in the Cincinnati SMSA Tower Holdings, LLC, to AT&T, the general partner and a limited partner in both partnerships. Upon the close of the sale on July 1, 2011, we received cash proceeds of \$320. We recorded income from our investment in the Cellular Partnerships of \$20.2 in 2011 prior to the sale.

Other income of \$4.3 in 2012 was due to income from our short-term investments and foreign exchange transaction gains. Other income of \$9.8 in 2011 was primarily due to a pre-tax gain of \$7.0 on the sale of the Finance and Accounting line of business and foreign exchange transaction gains. The foreign exchange gains and losses arise from transactions denominated in a currency other than the functional currency. As discussed in further detail in the section titled "Market Risk," we periodically enter into forward exchange contracts to protect the Company against these foreign currency exposures. The gains and losses from these forward exchange contracts related to balance sheet positions are reported within other income (expense), net. Interest expense of \$13.6 includes \$1.1 of incremental interest expense related to the purchase of the Orlando facility which was partially offset by the lower level of debt outstanding throughout 2012.

Income Taxes

	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Income before Income Taxes	\$131.0	\$29.3	NM	\$389.0	(92)
Income tax expense	72.5	1.1	NM	106.5	(99)
Income from Continuing Operations, net of tax	\$58.5	\$28.2	NM	\$282.5	(90)

2013 vs. 2012

Our effective tax rate on net income from continuing operations was 55.3% in 2013 compared to 3.8% in 2012. The higher effective tax rate in the current year is primarily due to additional tax expense of \$46.4 to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries, reflecting management's plans to repatriate undistributed earnings of the Company's foreign subsidiaries to contribute funding to our announced acquisition of SGS Holdings, Inc. The higher income tax rate in 2013 was also impacted by a shift in the geographical mix of worldwide

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income. The lower effective tax rate in 2012 was primarily due to geographical mix of worldwide income and the impact of internal restructurings.

2012 vs. 2011

Our effective tax rate on net income from continuing operations was 3.8% in 2012 compared to 27.4% in 2011. The lower effective tax rate in 2012 was primarily due to geographic mix of worldwide income and the impact of internal restructurings. Prior year tax expense includes \$93.2 expense from the sale of our interests in the Cellular Partnerships and \$17.0 of net tax benefits from international transactions and certain other discrete items.

Prior to March 31, 2011, we were under a tax holiday in India. The impact of the expiration of this holiday was mitigated by expansion in other jurisdictions with lower tax rates. See Note 14 of the Notes to Consolidated Financial Statements for further discussion related to effective tax rates.

Net Income from Continuing Operations; Earnings per Diluted Share from Continuing Operations; Adjusted Net Income from Continuing Operations; Adjusted Earnings per Diluted Share from Continuing Operations (non-GAAP measures)

In order to assess the underlying operational performance of the continuing operations of the business, we provide non-GAAP measures in the tables below that exclude, in addition to the operating charges discussed above, the following:

1. Tax expense of \$46.4 in 2013 to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries;
2. The gain on the sale of our interests in the Cellular Partnerships of \$265.0 in 2011;
3. The gain on the sale of the Finance and Accounting outsourcing line of business of \$7.0 in 2011, reported within other income, net;
4. For comparability to current period results, income from our investment in the Cellular Partnerships of \$20.2 for 2011;
5. Net tax benefits from international transactions, including certain discrete items, of \$6.7 and \$17.0 in 2012 and 2011, respectively, and;
6. Incremental interest expense of \$1.1 related to the purchase of the Orlando facility for 2012

We use income from continuing operations, net of tax and earnings per share data excluding the above items to assess the underlying operational performance of the continuing operations of the business for the year and to have a basis to compare underlying results to prior and future periods. Adjustments for these items are relevant in evaluating the overall performance of the business. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with GAAP. Management compensates for these limitations by using the non-GAAP measures, income from continuing operations, net of tax and diluted earnings per share excluding these items, and the GAAP measures, income from continuing operations, net of tax and diluted earnings per share, in its evaluation of performance. There are no material purposes for which we use these non-GAAP measures beyond those described above.

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	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Income from Continuing Operations, net of tax	\$58.5	\$28.2	NM	\$282.5	(90)
Total operating charges from above, net of tax	11.9	84.5	NM	15.7	NM
Tax provision related to unremitted foreign earnings	46.4	—	NM	—	—
Earnings from Cellular Partnerships of \$20.2, net of tax	—	—	—	(13.1)	NM
Gain on sale of interests in Cellular Partnerships of \$265.0, net of tax	—	—	—	(171.8)	NM
Gain on sale of F&A line of business of \$7.0, net of tax	—	—	—	(4.3)	NM
Debt reduction costs of \$1.1, net of tax	—	0.7	NM	—	NM
Adjustment of tax to normalized rate	—	(6.7)	NM	(17.0)	(61)
Adjusted income from Continuing Operations, net of tax (a non-GAAP measure)	\$116.8	\$106.7	9	\$92.0	16
	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Diluted Earnings per Common Share:					
Continuing Operations	\$0.54	\$0.24	NM	\$2.30	(90)
Impact of net charges above included in Continuing Operations, net of tax	0.53	0.67	(21)	(1.55)	NM
Adjusted diluted earnings per common share from Continuing Operations (a non-GAAP measure)	\$1.07	\$0.91	18	\$0.75	21

2013 vs. 2012

Income from continuing operations, net of tax for 2013 was \$58.5 compared to \$28.2 in 2012, while income from continuing operations per diluted share for 2013 was \$0.54 compared to \$0.24 in 2012. Excluding the items discussed above, adjusted income from continuing operations, net of tax for 2013 was \$116.8, or \$1.07 per diluted share, compared to \$106.7, or \$0.91 per diluted share for 2012.

2012 vs. 2011

Income from continuing operations, net of tax for 2012 was \$28.2 compared to \$282.5 in 2011, while income from continuing operations per diluted share for 2012 was \$0.24 compared to \$2.30 in 2011. Excluding the items discussed above, adjusted income from continuing operations, net of tax for 2012 was \$106.7, or \$0.91 per diluted share, compared to \$92.0, or \$0.75 per diluted share for 2011.

Results of Discontinued Operations, Results of Discontinued Operations per Diluted Share, Net Income and Net Income per Diluted Share

	2013	2012	% Change 13 vs. 12	2011	% Change 12 vs. 11
Income from Continuing Operations, net of tax	\$58.5	\$28.2	NM	\$282.5	(90)
Income from Discontinued Operations, net of tax (benefit) expense of (\$8.8), \$51.1 and \$5.9	2.4	72.4	(97)	52.3	38
Net Income	\$60.9	\$100.6	(39)	\$334.8	NM

Diluted Earnings Per Common Share:

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Continuing Operations	\$0.54	\$0.24	NM	\$2.30	(90)
Discontinued Operations	0.02	0.62	(97)0.42	48	
Net Diluted Earnings Per Common Share	\$0.56	\$0.86	(35)\$2.72	NM	

2013 vs. 2012

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The \$2.4 income from discontinued operations, net of tax, recognized in 2013 reflects the additional gain on sale of the Information Management business as certain contingencies and tax positions were settled or adjusted. The \$72.4 income from discontinued operations, net of tax, recognized in 2012 reflects income before tax of \$23.7 from operating activities of the Information Management business prior to the sale, net tax benefits from operations of divested benefits of \$32.5, and a \$16.2 gain, net of \$83.6 of tax, on the sale of the Information Management business. Income from discontinued operations, net of tax, per diluted share for 2013 and 2012 was \$0.02 and \$0.62, respectively.

Including the results of discontinued operations, 2013 net income and diluted earnings per share were \$60.9 and \$0.56, respectively, compared to \$100.6 and \$0.86, respectively, in 2012.

2012 vs. 2011

The results from discontinued operations reflect the operating results of the Information Management business as well as tax benefits associated with changes in uncertain tax positions related to other previously divested businesses. Revenues from discontinued operations were \$128.8 and \$328.8 in 2012 and 2011, respectively. The \$72.4 income from discontinued operations, net of tax, recognized in 2012 reflects income before tax of \$23.7 from operating activities of the Information Management business prior to the sale, net tax benefits from operations of divested benefits of \$32.5, and a \$16.2 gain, net of \$83.6 of tax, on the sale of the Information Management business. The results of operations for 2011 include a \$6.5 tax benefit related to the HR Management business sold in 2010. Income from discontinued operations, net of tax, per diluted share for 2012 and 2011 was \$0.62 and \$0.42, respectively.

Including the results of discontinued operations, 2012 net income and diluted earnings per share were \$100.6 and \$0.86, respectively, compared to \$334.8 and \$2.72, respectively, in 2011.

EBITDA and Adjusted EBITDA (non-GAAP measures)

Management uses EBITDA and adjusted EBITDA and the GAAP measure, income from continuing operations, net of tax, to monitor and evaluate the underlying performance of the business and believes the presentation of these measures will enhance investors' ability to analyze trends in the business and evaluate our underlying performance relative to other companies in the industry. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for income from continuing operations, net of tax, or other income statement data prepared in accordance with GAAP and our presentation of EBITDA and adjusted EBITDA may not be comparable to similarly-titled measures used by other companies. There are no material purposes for which we use these non-GAAP measures beyond the purposes described above. These non-GAAP measures should be considered supplemental in nature and should not be construed as being more important than comparable GAAP measures.

	2013	2012	2011	
Income (Loss) from Continuing Operations, net of tax	\$58.5	\$28.2	\$282.5	
Depreciation and Amortization	90.8	88.7	83.7	
Interest expense	11.5	13.6	16.1	
Income tax expense	72.5	1.1	106.5	
EBITDA (a non-GAAP measure)	233.3	131.6	488.8	
Acquisition related expenses	2.7	—	—	
Asset impairments and other	1.5	88.6	—	
Earnings from investment in Cellular Partnerships, net	—	—	(20.2))
Gain on sale of interests in Cellular Partnerships	—	—	(265.0))
Gain on sale of Finance and Accounting outsourcing line of business	—	—	(7.0))
Restructuring	—	6.4	—	
	—	8.8	23.6	

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Information Management related costs not qualifying as Discontinued
Operations

Net pension and other post employment benefit plan charges	13.1	4.1	—	
Adjusted EBITDA (a non-GAAP measure)	\$250.6	\$239.5	\$220.2	
Adjusted EBITDA Margin	12.2	% 11.9	% 11.4	%

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RESTRUCTURING CHARGES

As discussed in Note 8 of the Notes to Consolidated Financial Statements, we recorded the following restructuring charges:

2013 Restructuring

During 2013, the Company recorded a severance charge of \$4.3, impacting approximately 800 employees. These actions were initiated to continue the Company's efforts to refine its operating model and reduce costs. The severance charge is expected to be substantially paid in cash by June 30, 2014. The total remaining liability under this severance-related restructuring plan, which is included within Payables and other current liabilities on the Company's Consolidated Balance Sheets was \$2.3 as of December 31, 2013. The Company also recorded other restructuring expense of \$1.1 during 2013.

2012 Restructuring

During 2012, the Company recorded restructuring charges of \$11.6, consisting of \$11.4 of severance-related charges and \$0.2 of facility-related charges, as described below. The \$11.4 of severance-related charges impacted approximately 100 professional employees and reflect the change in the Company's executive management team and realignment of Corporate overhead as a result of the sale of the Information Management business. These severance-related charges were fully paid in cash by December 31, 2013, pursuant to the Company's severance policies. As of December 31, 2012, the remaining liability under this severance-related restructuring plan, which was included within Payables and other current liabilities on the Company's Consolidated Balance Sheets was \$5.2. This amount was fully settled during 2013.

2011 Restructuring

During 2011, we initiated operational changes that resulted in severance costs of \$1.2 largely to reduce headcount and align resources to future business needs. Severance actions impacted approximately 50 professional employees worldwide and charges were largely paid in cash pursuant to our existing severance policy and employment agreements. These actions were substantially completed by the end of 2011. The liability under this plan was fully settled at December 31, 2012.

Savings from Restructuring Plans

The 2013 and 2012 severance actions resulted in cost reductions in excess of \$16 and \$10, respectively, on an annualized basis. The impact of these benefits is spread across our operating expenses, primarily within the selling, general and administrative expense caption of our Consolidated Statements of Income. The severance actions also resulted in cash savings of approximately \$16 and \$10, respectively, on an annualized basis. The impact on liquidity was not material for either plan.

Facilities Restructuring

Our facilities restructuring reserves are equal to the estimated future costs associated with the facilities, net of proceeds from any probable future sublease agreements. We use estimates, based on consultation with our real estate advisers, to determine the proceeds from any future sublease agreements. We continue to evaluate these estimates in assessing the facilities abandonment liability. The remaining liability for previously exited facilities, which is included within Payables and other current liabilities on the Company's Consolidated Balance Sheets was less than \$0.1 as of December 31, 2013 and \$0.3 as of December 31, 2012.

CLIENT CONCENTRATION

During 2013, our three largest clients accounted for 45.8% of our consolidated revenues, compared to 47.8% and 47.2% in 2012 and 2011, respectively. AT&T, our largest client, accounted for 20.9% of our consolidated revenues in 2013 compared to 23.1% and 23.4% in 2012 and 2011, respectively. DIRECTV and Comcast are our second and third largest clients. Revenues from DIRECTV were 12.5% of our consolidated revenues in 2013 compared to 12.3% and 11.8% in 2012 and 2011, respectively. Revenues from Comcast were 12.4% of our consolidated revenues in 2013 compared to 12.4% and 12.0% in 2012 and 2011, respectively. Volumes under certain of our long-term arrangements are earned under multiple contracts with these clients and are subject to variation based on, among other things, general economic conditions, client outsourcing trends and seasonal patterns in our clients' businesses.

BUSINESS OUTLOOK

Convergys expectations for 2014 include:

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Highly accretive contributions to revenue and earnings from Stream once the acquisition closes;
 Organic revenue and earnings improvement approximately similar to the two percent revenue growth and 30-basis point adjusted EBITDA margin expansion in 2013.

Convergys plans to provide 2014 guidance, including Stream, in due course after the acquisition closes.

Not included in this outlook are acquisition related impacts such as transaction costs, integration costs, intangible amortization and tax items associated with cash repatriation. Also not included are the impacts of any future share repurchase activities or non-cash pension settlement charges.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flows

We intend to use existing cash and the net cash generated from ongoing operations to fund operations, invest in the business, make required debt payments and pay dividends at the discretion of the Board of Directors for the next twelve months. We also believe available borrowings under existing credit facilities will provide additional ability to invest in the business. As of December 31, 2013, approximately 40% of our cash and short term investments balance of \$663.7 million was held in accounts outside of the United States, most of which would be subject to additional taxes if repatriated to the United States.

Cash flows from operating activities generally provide us with a significant source of funding for our investing and financing activities. Cash flows for 2013, 2012, and 2011 were as follows:

	2013	2012	2011
Net cash flows from operating activities			
Operating activities of continuing operations	\$208.4	\$103.9	\$161.4
Operating activities of discontinued operations	1.6	9.1	35.2
	\$210.0	\$113.0	\$196.6
Net cash flows provided by (used in) investing activities			
Investing activities of continuing operations	\$(36.6)	\$(162.7)	\$(235.6)
Investing activities of discontinued operations	1.0	425.3	(13.5)
	\$(35.6)	\$(262.6)	\$222.1
Net cash flows used in financing activities			
Financing activities of continuing operations	\$(148.3)	\$(242.6)	\$(183.0)
Financing activities of discontinued operations	—	(0.1)	—
	\$(148.3)	\$(242.7)	\$(183.0)

Cash flows from operating activities totaled \$210.0 in 2013, compared to \$113.0 in 2012, and \$196.6 in 2011. Cash flows provided by continuing operations for 2013 was \$208.4 compared to \$103.9 and \$161.4 in 2012 and 2011, respectively. The increase in the current year was primarily the result of higher operating income from continuing operations in 2013, combined with cash payments for income taxes during 2012 of \$40 related to the completion of the sale of the Information Management business, \$35 of cash payments made in 2012 to reduce long-term liabilities and approximately \$20 of tax payments made in 2012 related to prior year internal restructurings. Excluding the impact of discontinued operations, the decrease from 2011 to 2012 was primarily the result of approximately \$35 of cash payments to reduce long-term liabilities, included within the change in other assets and liabilities in the Consolidated Statement of Cash Flows, and cash payments for income taxes of approximately \$40 related to the completion of the sale of the Information Management business, and approximately \$20 associated with prior year internal restructurings, included within the change in payables and other current liabilities in the Consolidated Statement of Cash Flows, partially offset by higher operating income from continuing operations excluding asset

impairment charges as well as the timing of working capital requirements. Cash flows provided by discontinued operations for 2013 were \$1.6 compared to \$9.1 and \$35.2 in 2012 and 2011, respectively.

Cash flows used in investing activities were \$35.6 during 2013, which included \$1.0 provided by discontinued operations, \$63.8 of capital expenditures and \$175.3 of purchases of short-term investments and \$16.4 used for acquisitions, partially offset by \$48.0

of proceeds from the disposition of assets and \$170.9 in proceeds from the maturity of short-term investments. Cash flows provided by investing activities were \$262.6 in 2012, which included \$425.3 provided by discontinued operations as a result of the sale of the Information Management business, partially offset by \$98.4 of capital expenditures and \$64.3 of purchases of short-term investments, net of maturity of short-term investments. Cash flow provided by investing activities were \$222.1 in 2011, which included \$13.5 used in discontinued operations, and cash proceeds of \$320.0 from the sale of the Cellular Partnership interests, \$3.1 from the sale of assets, and \$10.0 from the sale of the Finance and Accounting outsourcing line of business, partially offset by \$74.8 of capital expenditures and \$22.7 of purchases of investment securities.

Cash flows used in financing activities were \$148.3 during 2013, \$242.7 during 2012 and \$183.0 in 2011. During 2013, we repurchased 7.0 shares of the Company's common stock for \$122.6, paid \$23.8 in cash dividends and repaid \$5.9 on outstanding borrowings. These items were partially offset by \$2.8 received from exercise of stock options and \$1.2 from excess tax benefits from share-based compensation arrangements. The impact of shares repurchased in 2013 includes approximately 0.3 shares of the Company's common stock settled for \$3.6 in cash that were purchased in 2012 and settled in 2013. During 2012, we repurchased 12.0 shares of the Company's common stock for \$180.8, repaid \$66.5 on our outstanding borrowings, and paid \$11.2 in cash dividends, partially offset by \$10.9 received from exercise of stock options and \$5.0 from excess tax benefits from share-based compensation arrangements. The impact of shares repurchased on our cash flows used in financing activities in 2012 does not include approximately 0.3 shares of the Company's common stock settled for \$3.6 in cash subsequent to year end. During 2011, we repurchased 7.7 of our common shares for \$96.8 and repaid \$86.0 on our outstanding borrowings.

As of December 31, 2013, our credit ratings and outlook are as follows:

	Long-Term Debt	Outlook
Moody's	Ba1	Stable
Standard and Poor's	BB+	Stable

In February 2014, both Moody's and Standard and Poor's reaffirmed these ratings. Our credit ratings and outlook could impact our ability to raise capital in the future as well as increase borrowing costs.

Free Cash Flow (a non-GAAP measure)

We use free cash flow, a non-GAAP measure, to assess the financial performance of the Company. We define free cash flow as cash flows from operating activities less capital expenditures. A reconciliation of the GAAP measure, net cash provided by operating activities, to the non-GAAP measure, free cash flow, is as follows:

Computation of Free Cash Flows:	2013	2012	2011
Net cash flow from operations	\$210.0	\$113.0	\$196.6
Capital expenditures, net of proceeds from disposal of assets	(63.8)	(104.6)	(88.3)
Free Cash Flows (a non-GAAP measure)	\$146.2	\$8.4	\$108.3

Free cash flows, as defined above, were \$146.2, \$8.4, and \$108.3 for 2013, 2012 and 2011, respectively. The increase in free cash flow of \$137.8 from 2012 to 2013 was due to higher cash generated from operating activities, explained above, and decreased capital expenditures during 2013. The decrease in free cash flow of \$99.9 from 2011 to 2012 was due to lower cash generated from operating activities and increased capital expenditures during 2012.

We believe that free cash flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations, such as investment in the Company's existing businesses. Further, free cash flow facilitates management's ability to strengthen the Company's balance sheet, repay the Company's debt obligations, pay quarterly dividends and repurchase the Company's common shares. Limitations

associated with the use of free cash flow include that it does not represent the residual cash flow available for discretionary expenditures as it does not incorporate certain cash payments including payments made on capital lease obligations or cash payments for business acquisitions. Management compensates for these limitations by utilizing both the non-GAAP measures, free cash flow, and the GAAP measure, net cash flows from operating activities, in its evaluation of performance. There are no material purposes for which we use these non-GAAP measures beyond the purposes described above.

Capital Resources, Off-Balance Sheet Arrangements and Contractual Commitments

At December 31, 2013, total capitalization was \$1,350.7, consisting of \$61.1 of short-term and long-term debt and capital lease obligations and \$1,289.6 of equity. At December 31, 2012, total capitalization was \$1,432.5, consisting of \$60.6 of short-term and long-term debt and capital lease obligations and \$1,371.9 of equity. The total debt-to-capital ratio at December 31, 2013 was 4.5%, which compares to 4.2% at December 31, 2012.

On March 11, 2011, the Company entered into a \$300 Four-Year Competitive Advance and Revolving Credit Facility Agreement (the 2011 Credit Facility). The 2011 Credit Facility replaced the Company's \$400 Five-Year Competitive Advance and Revolving Credit Facility (the Prior Credit Facility), dated as of October 20, 2006 and as amended subsequently, among Convergys and a group of financial institutions. In connection with Convergys' entry into the 2011 Credit Facility, Convergys terminated the Prior Credit Facility.

Convergys has two borrowing options available under the 2011 Credit Facility: (i) a competitive advance option which will be provided on an uncommitted competitive advance basis through an auction mechanism and (ii) a revolving credit option which will be provided on a committed basis. Under each option, amounts borrowed and repaid may be re-borrowed subject to availability. The 2011 Credit Facility includes certain restrictive covenants including maintenance of interest coverage and debt-to-EBITDA ratios (as defined in the 2011 Credit Facility). The Company's interest coverage ratio cannot be less than 4.00 to 1.00 as determined on a rolling four quarter basis. The Company's debt-to-EBITDA ratio cannot be greater than 3.00 to 1.00 until December 31, 2012 and 2.75 to 1.00 after December 31, 2012. The 2011 Credit Facility also contains customary representations and warranties. In the event of default, the lenders may terminate the commitments and declare the amounts outstanding, and all accrued interest, immediately due and payable. The maturity date of the 2011 Credit Facility is March 11, 2015 except that upon satisfaction of certain conditions, Convergys may extend the maturity date by one year twice during the term. Convergys pays an annual facility fee regardless of utilization. At December 31, 2013, the facility was undrawn. The Company was in compliance with all covenants at December 31, 2013.

In the fourth quarter of 2009, the Company announced an offer to exchange one-thousand twenty dollars in principal amount of its 5.75% Junior Subordinated Convertible Debentures due September 2029 (2029 Convertible Debentures) for each one-thousand dollars in principal amount of its 4.875% Unsecured Senior Notes (4.875% Senior Notes) due December 15, 2009. We issued a total of \$125.0 aggregate principal amount of the 2029 Convertible Debentures in exchange for \$122.5 of the 4.875% Senior Notes. The entire balance of the 2029 Convertible Debentures was outstanding as of December 31, 2013 and December 31, 2012.

During June 2011, the Company extended the terms of an asset securitization facility collateralized by accounts receivable of certain of the Company's subsidiaries, with a purchase limit of \$150.0 expiring in June 2014. The asset securitization program is conducted through Convergys Funding Inc., a wholly-owned bankruptcy remote subsidiary. The asset securitization facility does not qualify for sale treatment under the authoritative guidance for the accounting for transfers and servicing of financial assets and extinguishments of liabilities. Accordingly, the accounts receivable and related debt obligation will remain on our Consolidated Balance Sheets. At December 31, 2013 and December 31, 2012, the facility was undrawn. In January 2014, the Company entered into an amendment to extend the term of this facility to January 6, 2017, subject to certain limitations and extensions, and other amendments.

The Company leased an office complex in Orlando, Florida, under a five-year capital lease that began on June 30, 2010. During 2012, we exercised our option to purchase this leased office facility by discharging the related lease financing obligation in the principal amount of \$55.0. Total capital lease obligations subsequent to the purchase were \$1.6 and \$2.2 at December 31, 2013 and 2012, respectively, compared to \$58.7 at December 31, 2011.

During 2013, we repurchased 6.7 of our common shares for \$119.0 pursuant to outstanding authorizations. The timing and terms of any future transactions depend on a number of considerations including future earnings, cash flow, financial condition, financial covenants and other relevant factors. In February 2013, our Board of Directors approved

an increase in remaining authorized share repurchases to \$250.0 in the aggregate.

The following summarizes our contractual obligations at December 31, 2013, and the effect such obligations are expected to have on liquidity and cash flows in future periods:

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Contractual Obligations	Total	Less Than 1 Year	1-3 Years	After 3 Years
Debt and capital lease obligations ⁽¹⁾	\$126.6	\$0.9	\$0.7	\$125.0
Debt interest ⁽²⁾	113.6	7.2	21.6	84.8
Operating leases ⁽³⁾	202.7	57.0	106.6	39.1
Pension contributions ⁽⁴⁾	21.0	—	21.0	—
Unrecognized tax benefits ⁽⁵⁾	—	—	—	—
Total	\$463.9	\$65.1	\$149.9	\$248.9

(1) See Note 7 of the Notes to Consolidated Financial Statements for further information.

(2) This includes interest expense on fixed rate debt and capital lease obligations. This includes only the cash payable component of interest expense in our 2029 Convertible Debentures.

(3) See Note 11 of the Notes to Consolidated Financial Statements for further information.

(4) The Company met ERISA funding requirements for 2014 with contributions of \$10.0 and \$20.0 to the cash balance pension plan during 2013 and 2012, respectively. Estimates for 2014 and beyond assume a 6.75% return on assets and Moving Ahead for Progress in the 21st Century Act (MAP-21) interest rates. Actual cash payments may vary based upon actual performance.

(5) Unrecognized tax benefits of \$52.1 are excluded from this table as the uncertainty related to the amount and period of any cash settlement prevents the Company from making a reasonably reliable estimate.

At December 31, 2013, we had outstanding letters of credit of approximately \$39.3, bond obligations of approximately \$1.6 related to performance and payment guarantees, and \$30.0 related to performance and payment guarantees for our former HR Management line of business. Upon completion of the sale of the HR Management business, we continue to be responsible for these bond obligations. Although NorthgateArinso is obligated to indemnify the Company for any and all losses, costs, liabilities and expenses incurred related to these performance bonds, the Company maintains a liability of approximately \$0.6. We believe that any guarantee obligation that may arise related to performance and payment guarantees of continuing operations will not be material. The guarantee for this bond obligation expires in August 2016. We also have purchase commitments with telecommunications providers of approximately \$14.8 for 2014.

During 2012 and 2013, our Board of Directors approved, and the Company has paid, the following dividends per common share:

Announcement Date	Record Date	Dividend Amount	Payment Date
May 8, 2012	June 22, 2012	\$0.05	July 6, 2012
July 26, 2012	September 21, 2012	\$0.05	October 5, 2012
October 23, 2012	December 21, 2012	\$0.05	January 4, 2013
February 7, 2013	March 22, 2013	\$0.06	April 5, 2013
April 30, 2013	June 21, 2013	\$0.06	July 5, 2013
July 30, 2013	September 20, 2013	\$0.06	October 4, 2013
November 6, 2013	December 27, 2013	\$0.06	January 10, 2014

On February 5, 2014, we announced that our Board of Directors declared a quarterly cash dividend of \$0.06 per common share to be paid on April 4, 2014 to shareholders of record as of March 21, 2014.

The Board expects that future cash dividends will be paid on a quarterly basis. However, any decision to pay future cash dividends will be subject to Board approval, and will depend on our future earnings, cash flow, financial condition, financial covenants and other relevant factors. We intend to continue to use cash dividends as a means of returning capital to our shareholders, subject to our ongoing review and determinations that cash dividends are in the

best interests of our shareholders.

MARKET RISK

We are exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. Our risk management strategy includes

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the use of derivative instruments to reduce the effects on our operating results and cash flows from fluctuations caused by volatility in currency exchange and interest rates. In using derivative financial instruments to hedge exposures to changes in exchange rates and interest rates, we expose ourselves to counterparty credit risk. We manage exposure to counterparty credit risk by entering into derivative financial instruments with investment grade-rated institutions that can be expected to perform fully under the terms of the agreements and by diversifying the number of financial institutions with which we enter into such agreements.

Interest Rate Risk

At December 31, 2013, all of our debt instruments were fixed rate borrowings with an outstanding amount of \$61.1. We had no variable rate borrowings at December 31, 2013.

Foreign Currency Exchange Rate Risk

We serve many of our U.S.-based clients using contact center capacity in the Philippines, India, Canada, and Colombia. Although the contracts with these clients are typically priced in U.S. dollars, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine pesos (PHP), Indian rupees (INR), Canadian dollars (CAD) or Colombian pesos (COP), which represents a foreign exchange exposure. Beginning in 2011, we entered into a contract with a client priced in Australian dollars (AUD). As of December 31, 2013, we have hedged a portion of our exposure related to the anticipated cash flow requirements denominated in these foreign currencies by entering into forward exchange contracts and options with several financial institutions to acquire a total of PHP 31,479.0 at a fixed price of \$732.9 at various dates through December 2016, INR 11,006.0 at a fixed price of \$181.2 at various dates through December 2016, CAD \$20.9 at a fixed price of \$20.1 at various dates through December 2015 and COP 20,100.0 at a fixed price of \$10.5 at various dates through December 2014, and to sell a total of AUD 20.3 at a fixed price of \$20.7 at various dates through September 2014. The fair value of these derivative instruments as of December 31, 2013 is presented in Note 13 of the Notes to Consolidated Financial Statements. The potential loss in fair value at December 31, 2013 for such contracts resulting from a hypothetical 10% adverse change in currency exchange rates between the U.S. dollar and the currencies above is approximately \$92.4. This loss would be substantially mitigated by corresponding gains on the underlying exposures.

Other foreign currency exposures arise from transactions denominated in a currency other than the functional currency. We periodically enter into forward exchange contracts that are not designated as hedges. The purpose of these derivative instruments is to protect the Company against foreign currency exposure pertaining to receivables, payables and intercompany transactions that are denominated in currencies different from the functional currencies of the Company or the respective subsidiaries. As of December 31, 2013, the fair value of these derivatives was immaterial to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our Financial Statements in conformity with accounting principles generally accepted in the United States. Our significant accounting policies are disclosed in Note 2 of Notes to Consolidated Financial Statements. The preparation of Financial Statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts and related disclosures. On an ongoing basis, we evaluate our estimates and judgments in these areas based on historical experience and other relevant factors. Our estimates as of the date of the Financial Statements reflect our best judgment giving consideration to all currently available facts and circumstances. As such, these estimates may require adjustment in the future, as additional facts become known or as circumstances change.

We have identified below the accounting policies and estimates that we believe are most critical in compiling our statements of financial condition and operating results. We have reviewed these critical accounting policies and estimates and related disclosures with the Audit Committee of our Board of Directors.

Goodwill

The Company has recorded on its Consolidated Balance Sheets goodwill of \$589.4 and \$577.7 at December 31, 2013 and 2012, respectively. During the second quarter of 2012, we recognized a \$46.0 goodwill impairment charge related to the Customer Interaction Technology (CIT) reporting unit. Completion of the sale of the Information Management business qualified as a triggering event for an interim assessment of goodwill impairment for the Company's Information Management and CIT reporting units at June 30, 2012. Based upon the purchase price for the Information Management business, the triggering event did not indicate an impairment of the Information Management reporting unit. The sale of the Information Management business impacted the sale of certain products developed by the CIT reporting unit and co-marketed by CIT and the Information Management business. Due in part to this transition, the fair value of the CIT reporting unit was determined to be less than its carrying value.

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Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with a reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. As of December 31, 2013, the Company operated in one core business segment as discussed in Note 17 of Notes to Consolidated Financial Statements.

Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. As disclosed in Note 6 of Notes to Consolidated Financial Statements, we test goodwill for impairment annually as of October 1 and at other times if events have occurred or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable, such as a significant adverse change in the business climate, a decision to sell or dispose of all or a significant portion of a reporting unit or a significant decline in the Company's stock price.

For 2013, the Company tested goodwill for the Customer Management – Agent Services reporting unit. As a result of the impairment of the CIT goodwill in the second quarter of 2012, only the Customer Management - Agent Services reporting unit has goodwill at October 1, 2013 and December 31, 2013.

The Company first assesses a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategies and financial performance, when evaluating potential impairment for goodwill. If, after completing such assessment, it is determined more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

The first step compares the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit (Step 1). If the fair value of the reporting unit is in excess of the carrying value, the related goodwill is considered not to be impaired and no further analysis is necessary. If the carrying amount of the reporting unit exceeds the fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of the impairment, if any, for that reporting unit.

When required, the second step compares the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit determined in step one over the fair value of the net assets and identifiable intangibles as if the reporting unit were being acquired. Any excess of the carrying value of the reporting unit goodwill over the implied fair value of the reporting unit goodwill will be recorded as an impairment loss. An impairment charge recognized cannot exceed the amount of goodwill allocated to a reporting unit and cannot be reversed subsequently even if the fair value of the reporting unit recovers.

Fair value of the reporting unit is determined using a combination of the market approach and the income approach. Under the market approach, fair value is based on revenue and earnings multiples for guideline public companies in the reporting unit's peer group. The market approach requires significant judgment regarding the selection of guideline companies. Under the income approach, fair value is dependent on the present value of net cash flows to be derived from the ownership. The income approach requires significant judgment including estimates about future cash flows and discount rates. The forecasted cash flows are based upon the Company's long-term strategic business plan, and a terminal value is used to estimate the operating segment's cash flows beyond this plan. The discount rate represents the weighted-average cost of capital, which is an estimate of the overall after-tax rate of return required by equity and debt market participants of a business enterprise. Both the market and income approaches require the use of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows. Discount rate assumptions are based upon an assessment of the risk inherent in the future cash flows.

The most recent annual impairment test performed as of October 1, 2013, indicated that the fair value of the Customer Management - Agent Services reporting unit was substantially in excess of its carrying value. Despite that excess, however, future impairment charges could still be required if a divestiture decision were made or other significant economic events occurred with respect to the reporting unit. Subsequent to our October 1, 2013 annual impairment test, no indications of an impairment were identified.

Other Intangible Assets

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At December 31, 2013, we had a carrying value of \$30.7 of other intangible assets, net of amortization, consisting of \$10.3 in software, which is classified in property, plant and equipment on the Consolidated Balance Sheets, and \$20.4 in customer relationships. As amortizable intangible assets, the Company evaluates the intangible assets for recoverability on an annual basis or if events or circumstances indicate a possible inability to recover their carrying amounts, by comparing estimates of undiscounted future cash flows to the carrying values of the related assets. Based on the results of testing, no impairment charges were recognized in 2013.

Property, Plant and Equipment

The cost of property, plant and equipment is depreciated by the straight-line method over the estimated useful lives of the assets. The Company reviews property, plant and equipment asset groups for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company monitors these changes and events on at least a quarterly basis. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset group, or a current expectation that an asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the property, plant and equipment asset groups, as well as specific appraisals in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other property, plant and equipment asset groups. If the future undiscounted cash flows result in a value that is less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value. Various factors that the Company uses in determining the impact of these assessments include the expected useful lives of long-lived assets and our ability to realize any undiscounted cash flows in excess of the carrying amounts of such asset groups, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. As judgment is involved in determining the fair value of property, plant and equipment asset groups, there is risk that the carrying value of these assets may require adjustment in future periods.

During the second quarter of 2012, we committed to a plan to sell our Corporate office facilities in Cincinnati, Ohio. Accordingly, the property met the criteria to be classified as "Held-for-Sale" and was required to be measured at the lower of its carrying value or fair value less costs to sell. We determined the fair value was less than its carrying amount; therefore we recognized an impairment loss of \$42.6 (\$27.0 after tax) included in the asset impairment caption in the accompanying Consolidated Statements of Income. During 2013, we committed to sell an additional facility in Dallas, Texas which also resulted in "Held-for-Sale" classification. As of December 31, 2013 we recognized net impairment losses of \$1.5 to adjust both facilities to fair value less costs to sell at the date of sale to a third-party buyer. Fair value and cost to sell estimates were based on corroborative market data. We completed the sale of both facilities in July 2013 resulting in cash collections of \$47.6.

Income Taxes

The provision for income taxes includes income taxes paid, currently payable or receivable, and those deferred. Under U.S. GAAP, the Company recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be settled or realized.

The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical pre-tax and taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning

strategies. Projected future taxable income is based on expected results and assumptions as to the jurisdiction in which the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and the Company's tax methods of accounting.

The Company also reviews its tax activities and evaluates uncertain tax positions using a two-step approach. The first step is to evaluate the tax position for recognition by determining whether the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit, which is the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company's policy is to recognize interest and penalties accrued on unrecognized tax benefits as part of income tax expense. Significant judgment is required in determining our liability for uncertain tax positions. The application of tax laws

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and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be significantly different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities. We believe that we make a reasonable effort to ensure accuracy in our judgments and estimates.

Restructuring Charges

We recognize liabilities for a cost associated with an exit or disposal activity measured initially at fair value only when the liability is incurred. During the last three years, we recorded restructuring charges related to reductions in headcount and facility closures. As of December 31, 2013, we had a remaining restructuring accrual of \$2.3, related to the 2013 restructuring charge. This amount is expected to be fully paid out during 2014.

Other

We have made certain other estimates that, while not involving the same degree of judgment, are important to understanding our financial statements. These estimates are in the areas of measuring our obligations related to our defined benefit plans and self-insurance accruals.

NEW ACCOUNTING PRONOUNCEMENTS

For a discussion and analysis of recently issued accounting pronouncements and its impact on Convergys, see Note 2 of Notes to Consolidated Financial Statements.

ITEM 7A. AND 8.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A is included in Item 7 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Beginning on page 38 are the Consolidated Financial Statements with applicable notes and the related Report of Independent Registered Public Accounting Firm, the supplementary financial information specified by Item 302 of Regulation S-K and Financial Statement Schedule II – Valuation and Qualifying Accruals.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Convergys Corporation

We have audited the accompanying consolidated balance sheets of Convergys Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Table of Contents at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Convergys Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Convergys Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 28, 2014, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Cincinnati, Ohio
February 28, 2014

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions except per share amounts)	Year Ended December 31,		
	2013	2012	2011
Revenues	\$2,046.1	\$2,005.0	\$1,933.2
Costs and Expenses:			
Cost of providing services and products sold ⁽¹⁾	1,335.1	1,289.5	1,240.4
Selling, general and administrative	467.7	477.2	483.8
Research and development costs	8.2	10.8	14.0
Depreciation	85.5	82.4	76.3
Amortization	5.3	6.3	7.4
Restructuring charges	5.4	11.6	1.2
Asset impairment charges and other	1.5	88.6	—
Total costs and expenses	1,908.7	1,966.4	1,823.1
Operating Income	137.4	38.6	110.1
Earnings and gain from Cellular Partnerships, net	—	—	285.2
Other income, net	5.1	4.3	9.8
Interest expense	(11.5)	(13.6)	(16.1)
Income before Income Taxes	131.0	29.3	389.0
Income tax expense	72.5	1.1	106.5
Income from Continuing Operations, net of tax	58.5	28.2	282.5
Income from Discontinued Operations, net of tax	2.4	72.4	52.3
Net Income	\$60.9	\$100.6	\$334.8
Basic Earnings per Common Share:			
Continuing Operations	\$0.57	\$0.25	\$2.35
Discontinued Operations	0.02	0.65	0.44
Basic Earnings per Common Share	\$0.59	\$0.90	\$2.79
Diluted Earnings per Common Share:			
Continuing Operations	\$0.54	\$0.24	\$2.30
Discontinued Operations	0.02	0.62	0.42
Diluted Earnings per Common Share	\$0.56	\$0.86	\$2.72
Weighted Average Common Shares Outstanding:			
Basic	103.3	112.2	120.2
Diluted	109.2	117.1	122.9
Cash dividends declared per share	\$0.24	\$0.15	\$—

(1) Exclusive of depreciation and amortization, with the exception of amortization of deferred charges.

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Year Ended December 31,			
	2013	2012	2011	
Net Income	\$60.9	\$100.6	\$334.8	
Other Comprehensive (Loss) Income, net of tax:				
Foreign currency translation adjustments	(1.3	)22.3	(3.9)
Change related to pension liability (net of tax (expense) benefit of (\$17.1), (\$0.6) and \$6.7)	26.2	1.0	(7.3)
Unrealized (loss) gain on hedging activities (net of reclassification adjustments and net of tax benefit (expense) of \$21.4, (\$8.1) and \$13.0)	(33.9	)12.9	(20.2)
Total other comprehensive (loss) income	(9.0	)36.2	(31.4)
Total Comprehensive Income	\$51.9	\$136.8	\$303.4	

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(Amounts in millions)	At December 31,	
	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$580.8	\$554.7
Short term investments	82.9	83.8
Receivables, net of allowances of \$5.3 and \$5.9	319.8	319.8
Deferred income tax assets	6.2	8.9
Prepaid expenses	25.2	33.2
Other current assets	45.5	65.6
Current assets held-for-sale	—	34.6
Total current assets	1,060.4	1,100.6
Property and equipment, net	246.4	279.2
Goodwill	589.4	577.7
Other intangibles, net	20.4	18.9
Deferred income tax assets	8.9	19.2
Other assets	31.2	42.3
Total Assets	\$1,956.7	\$2,037.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Debt and capital lease obligations maturing within one year	\$0.9	\$0.7
Payables and other current liabilities	291.7	285.8
Total current liabilities	292.6	286.5
Long-term debt and capital lease obligations	60.2	59.9
Deferred income tax liabilities	150.8	136.5
Accrued pension liabilities	73.7	109.2
Other long-term liabilities	89.8	73.9
Total liabilities	667.1	666.0
Shareholders' Equity:		
Preferred shares—without par value, 5.0 authorized; none outstanding	—	—
Common shares—without par value, 500.0 authorized; 188.9 and 187.5 issued, 100.8 and 105.9 outstanding, as of December 31, 2013 and December 31, 2012, respectively	1,139.9	1,133.0
Treasury stock—88.2 shares in 2013 and 81.6 in 2012	(1,445.6)	(1,329.2)
Retained earnings	1,614.8	1,578.6
Accumulated other comprehensive loss	(19.5)	(10.5)
Total shareholders' equity	1,289.6	1,371.9
Total Liabilities and Shareholders' Equity	\$1,956.7	\$2,037.9

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$60.9	\$100.6	\$334.8
Income from discontinued operations, net of tax	2.4	72.4	52.3
Income from continuing operations, net of tax	58.5	28.2	282.5
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	90.8	88.7	83.7
Gain on sale of interests in the Cellular Partnerships	—	—	(265.0)
Gain on sale of business	—	—	(7.0)
Asset impairment charges and other	1.5	88.6	—
Deferred income tax expense (benefit)	63.9	(4.2)	)15.5
Earnings from Cellular Partnerships, net	—	—	(20.2)
Distributions from Cellular Partnerships	—	—	30.7
Stock compensation expense	13.4	20.2	14.8
Changes in assets and liabilities:			
Change in receivables	4.5	(14.1)	)27.1
Change in other current assets	10.3	(23.4)	)5.2
Change in deferred charges, net	1.3	1.4	(6.1)
Change in other assets and liabilities	(3.6)	)28.2	)51.9
Change in payables and other current liabilities	(32.1)	)56.5	)6.5
Other, net	(0.1)	)3.2	(4.0)
Net cash provided by operating activities of continuing operations	208.4	103.9	161.4
Net cash provided by operating activities of discontinued operations	1.6	9.1	35.2
Net cash provided by operating activities	210.0	113.0	196.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(63.8)	)98.4	)74.8
Proceeds from sale of interests in the Cellular Partnerships	—	—	320.0
Proceeds from disposition of assets	48.0	—	3.1
Proceeds from disposition of business	—	—	10.0
Purchase of investment securities	—	—	(22.7)
Purchase of short-term investments	(175.3)	)83.3)—
Proceeds from maturity of short-term investments	170.9	19.0	—
Acquisitions, net of cash acquired	(16.4))—	—
Net cash (used in) provided by investing activities of continuing operations	(36.6)	)162.7	)235.6
Net cash provided by (used in) investing activities of discontinued operations	1.0	425.3	(13.5)
Net cash (used in) provided by investing activities	(35.6)	)262.6	222.1
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of credit facilities and other debt, net	(5.9)	)66.5	)86.0
Repurchase of common shares	(122.6)	)180.8	)96.8
Proceeds from exercise of stock options	2.8	10.9	3.0
Payments of dividends	(23.8)	)11.2)—
Excess tax benefit from share-based payment arrangements	1.2	5.0	—
Other, net	—	—	(3.2)
Net cash used in financing activities of continuing operations	(148.3))242.6)183.0

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Net cash used in financing activities of discontinued operations	—	(0.1)—	
Net cash used in financing activities	(148.3)(242.7)(183.0)
Net increase in cash and cash equivalents	26.1	132.9	235.7	
Cash and cash equivalents at beginning of period	554.7	421.8	186.1	
Cash and cash equivalents at end of period	\$580.8	\$554.7	\$421.8	

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SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	\$11.2	\$13.7	\$16.7
Income taxes (refunded)/paid, net	\$(5.7)\$68.2	\$20.6

The accompanying notes are an integral part of the Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in millions)	Number of Common Shares	Common Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total	
Balance at December 31, 2010	184.2	\$1,094.5	\$(1,060.2	) \$1,165.1	\$(15.3	) \$1,184.1
Issuance of common shares	0.8					—	
Treasury shares issued for share-based plans, net			7.9	(4.4	)	3.5
Tax related to share-based arrangements, net of excess tax benefits		(1.9)			(1.9)
Proceeds from exercise of stock options		3.0				3.0	
Repurchase of common shares			(96.8)		(96.8)
Net income				334.8		334.8	
Other comprehensive loss					(31.4) (31.4)
Amortization of stock-based compensation		16.2				16.2	
Balance at December 31, 2011	185.0	1,111.8	(1,149.1	) 1,495.5	(46.7	) 1,411.5
Issuance of common shares	2.5					—	
Treasury shares issued for share-based plans, net			4.3	(1.0	)	3.3
Tax related to share-based arrangements, net of excess tax benefits		(14.6)			(14.6)
Proceeds from exercise of stock options		10.9				10.9	
Repurchase of common shares			(184.4)		(184.4)
Net income				100.6		100.6	
Other comprehensive income					36.2	36.2	
Cash dividends declared				(16.5)	(16.5)
Amortization of stock-based compensation		24.9				24.9	
Balance at December 31, 2012	187.5	1,133.0	(1,329.2	) 1,578.6	(10.5	) 1,371.9
Issuance of common shares	1.4					—	
Treasury shares issued for share-based plans, net		0.1	2.6			2.7	
Tax related to share-based arrangements, net of excess tax benefits		(9.4)			(9.4)
		2.8				2.8	

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Proceeds from exercise of stock options							
Repurchase of common shares			(119.0)		(119.0)
Net income			60.9			60.9	
Other comprehensive loss				(9.0	)	(9.0)
Cash dividends declared			(24.7	)		(24.7)
Amortization of stock-based compensation	13.4					13.4	
Balance at December 31, 2013	188.9	\$1,139.9	\$(1,445.6	)	\$1,614.8	\$(19.5)
						\$1,289.6	

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions except share and per share amounts)

1. BACKGROUND AND BASIS OF PRESENTATION

Convergys Corporation (the Company or Convergys) is a global leader in customer management, focused on bringing value to its clients through every customer interaction.

Prior to May 2012, the Company had two reportable segments, Customer Management and Information Management. In March 2012, Convergys signed a definitive agreement to sell the Information Management line of business to NetCracker Technology Corporation (NetCracker), a wholly owned subsidiary of NEC Corporation (NEC) for \$449.0 in cash. The sale closed in May 2012, for which the Company received \$462.6 in cash proceeds, including working capital adjustments. As a result of the sale of the Information Management business, the operating results related to Information Management have been reflected as discontinued operations. The total gain on the sale of the Information Management business amounted to \$99.8 pretax, and \$16.2 net of taxes at December 31, 2012. During 2013, the Company recorded an additional gain of \$2.4, net of tax, as certain contingencies and tax positions were settled or adjusted. Subsequent to the sale of Information Management, the Company maintained one reportable segment, reflecting the internal financial reporting structure and operating focus of the management team and chief operating decision maker.

On April 30, 2013, the Company acquired New Zealand-based Datacom's contact center operations with facilities in Kuala Lumpur, Malaysia and Manila, Philippines for \$20.0 AUD (approximately \$20.0 USD). The acquisition added 15 Asian languages to Convergys' language capabilities and approximately 1,000 employees, working in three Southeast Asia contact centers, to Convergys' global operations. See Note 6.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and U.S. Securities and Exchange Commission regulations. The Consolidated Financial Statements include the accounts of the Company's majority-owned subsidiaries. All material intercompany accounts and transactions are eliminated upon consolidation.

Reclassification

Certain balances in prior years have been reclassified to conform to current year presentation.

Use of Estimates, Risks and Uncertainties

The preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. These estimates include, but are not limited to, project completion dates, time and cost required to complete projects for purposes of revenue recognition and future revenue, expense and cash flow estimates for purposes of impairment analysis and loss contract evaluation. Actual results could differ from those estimates.

The Company's results are affected by economic, political, legislative, regulatory and legal actions. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and government fiscal policies, can have a significant effect on operations. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings.

Foreign Currency Translation

Assets and liabilities of foreign operations are translated to U.S. dollars at year-end exchange rates. Revenues and expenses are translated at average exchange rates for the year. Translation adjustments are accumulated and reflected as adjustments to other comprehensive (loss) income, a component of Shareholders' Equity, and included in net earnings only upon sale or liquidation of the underlying foreign subsidiary. Gains or losses resulting from foreign exchange transactions related to balance sheet positions are recorded in the Consolidated Statements of Income within Other income, net.

Revenue Recognition

Revenues mostly consist of fees generated from outsourced services provided to the Company's clients. Approximately 91% of the Company's revenues are derived from agent-related services. The Company typically recognizes these revenues as services are performed based on staffing hours or the number of contacts handled by service agents using contractual rates. The remaining revenues are derived from the sale of premise-based and hosted automated self-care and technology solutions and provision of

professional services. Revenues from the sale of these solutions and provision of services are typically recognized as services are provided over the duration of the contract using contractual rates.

Revenues are recognized only when the services are performed, there is evidence of an arrangement, the Company determines that the fee is fixed and determinable and collection of the fee included in the arrangement is considered probable. When determining whether the fee is considered fixed and determinable and collection is probable, the Company considers a number of factors including the creditworthiness of the client and the contractual payment terms. If a client is not considered creditworthy, all revenue under arrangements with that client is recognized upon receipt of cash. If payment terms extend beyond what is considered customary or standard in the related industry and geographic location, the related fees are considered extended and deferred until they become due and payable.

The Company considers the criteria established primarily by Accounting Standards Codification (ASC) Topic 605-45, "Principal Agent Considerations," (ASC 605-45) in determining whether revenue should be recognized on a gross versus a net basis. Factors considered in determining if gross or net basis recognition is appropriate include whether the Company is primarily responsible to the client for the services, has discretion on vendor selection, or bears credit risk. The Company provides certain services to clients using third-party vendors. Typically, the costs incurred with third-party vendors related to these services are passed through to the clients. In consideration of the above mentioned criteria, total payments the Company receives from clients related to these services are recorded as revenue and payments the Company makes to third-party vendors are recorded as cost of providing services and products sold.

The Company sometimes earns supplemental revenues depending on the satisfaction of certain service levels or achievement of certain performance measurement targets. The supplemental revenues are recognized only after required measurement targets are met.

The Company recognizes revenues from transition services provided to the buyer of the Information Management business as such services are performed.

Stock-Based Compensation

The Company accounts for stock-based payment transactions in which the Company receives employee services in exchange for equity instruments of the Company. Stock-based compensation cost for restricted stock awards and restricted stock units and performance restricted stock units is measured based on the closing fair market value of the Company's common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair-value as calculated by the Black-Scholes option-pricing model. The Company recognizes stock-based compensation cost as expense for awards other than its performance-based restricted stock units ratably on a straight-line basis over the requisite service period. The Company recognizes stock-based compensation cost associated with its performance based restricted stock units over the requisite service period if it is probable that the performance conditions will be satisfied. The Company will recognize a benefit from stock-based compensation in equity if an incremental tax benefit is realized by following the ordering provisions of the tax law. Tax benefits related to stock compensation expense are reported as financing cash flow and tax expenses are reported as operating cash flow. Further, the Company applies an estimated forfeiture rate to unvested awards when computing the stock compensation-related expenses.

Income Taxes

The provision for income taxes includes taxes paid, currently payable or receivable, and those deferred. Under U.S. GAAP, the Company recognizes deferred tax assets and liabilities based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to be settled or realized.

The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical pre-tax and taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on expected results and assumptions as to the jurisdiction in which the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and the Company's tax methods of accounting.

The Company also reviews its tax activities and evaluates uncertain tax positions using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit, which is the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company's policy is to recognize interest and penalties accrued on unrecognized tax benefits as part of income tax expense.

Other Comprehensive Income (Loss)

Components of other comprehensive (loss) income include currency translation adjustments, changes related to pension liabilities, net of tax, and unrealized (losses) gains on hedging activities, net of tax. Foreign currency translation adjustments generally are not adjusted for income taxes as they relate to indefinite investments in non-U.S. operations. Accumulated other comprehensive (loss) income also includes, net of tax, actuarial gains or losses, prior service costs or credits and transition assets and obligations that are not recognized currently as components of net periodic pension cost.

Concentration of Credit Risk

In the normal course of business, the Company is exposed to credit risk. The principal concentrations of credit risk are cash and cash equivalents, short-term investments, accounts receivable and derivative instruments. The Company regularly monitors credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in a loss. Historically, credit losses on accounts receivable have not been material because of the large concentration of revenues with a small number of large, established companies. The Company does not require collateral or other security to support accounts receivable. The Company evaluates the creditworthiness of its clients in conjunction with its revenue recognition processes, as discussed above, as well as through its ongoing collectability assessment processes for accounts receivable. The Company maintains an allowance for doubtful accounts receivable based upon factors surrounding the credit risk of specific clients, historical trends and other information. The Company limits its counterparty credit risk exposures by entering into derivative contracts with financial institutions that are investment grade rated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less.

Receivables and Allowance for Doubtful Accounts

Trade receivables are comprised primarily of amounts owed to the Company by clients and are presented net of an allowance for doubtful accounts of \$5.3 and \$5.9 at December 31, 2013 and 2012, respectively. Contracts with individual clients determine when receivables are due, generally within 30-60 days, and whether interest is accrued on late payments.

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company regularly reviews the adequacy of its allowance for doubtful accounts. The Company determines the allowance based on historical write-off experience and current economic conditions and also considers factors such as customer credit, past transaction history with the customer and changes in customer payment terms when determining whether the collection of a receivable is reasonably assured. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are stated at cost. Depreciation is based on the straight-line method over the estimated useful lives of the assets. Buildings are generally depreciated over a 30-year life, software over a three- to eight-year life and equipment generally over a three-to-five-year life. Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the associated lease.

The Company reviews property and equipment asset groups for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company monitors these changes and events on at least a quarterly basis. Examples of events or changes in circumstances could include, but are not

limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset group, or a current expectation that an asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the property and equipment asset groups, as well as specific appraisals in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other property and equipment asset groups. If the future undiscounted cash flows result in a value that is less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value. Various factors that the Company uses in determining the impact of these assessments include the expected useful lives of long-lived assets and our ability to realize any undiscounted cash flows in excess of the carrying amounts of such asset groups, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Because judgment is involved in determining the fair value of property and equipment asset groups, there is risk that the carrying value of these assets may require adjustment in future periods.

Software Development Costs

Research and development expenditures are charged to expense as incurred. The development costs of software to be marketed are charged to expense until technological feasibility is established and capitalized thereafter, subject to assessment of realizability. Amortization of the capitalized amounts is computed using the greater of the sales ratio method or the straight-line method over a life of five years or less. The Company did not capitalize any software development costs during the periods reported.

Internal Use Software

The Company capitalizes certain expenditures for software that is purchased or internally developed for use in the business. During 2013, 2012, and 2011, internally developed software amounts capitalized were \$1.0, \$6.8 and \$3.8, respectively. Amortization of internal use software begins when the software is ready for service and continues on the straight-line method over the estimated useful life.

Goodwill and Other Intangibles

As discussed more fully in Note 6, goodwill is reviewed at the reporting unit level for impairment as of October 1 each year and at other times if events have occurred or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable.

As a result of the adoption of Accounting Standards Update (ASU) No. 2011-08 "Testing goodwill for impairment," effective January 1, 2012, we first assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategies and financial performance, when evaluating potential for impairment of goodwill. If, after completing such assessment, it is determined more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

The first step compares the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit (Step 1). If the fair value of the reporting unit is in excess of the carrying value, the related goodwill is considered not to be impaired and no further analysis is necessary. If the carrying amount of the reporting unit exceeds the fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of the impairment, if any, for that reporting unit.

When required, the second step compares the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit determined in step one over the fair value of the net assets and identifiable intangibles as if the reporting unit were being acquired. Any excess of the carrying value of the reporting unit goodwill over the implied fair value of the reporting unit goodwill will be recorded as an impairment loss. An impairment charge recognized cannot exceed the amount of goodwill allocated to a reporting unit and cannot be reversed subsequently even if the fair value of the reporting unit recovers.

Fair value of the reporting unit is determined using a combination of the market approach and the income approach. Under the market approach, fair value is based on revenue and earnings multiples for guideline public companies in the reporting unit's peer group. The market approach requires significant judgment regarding the selection of guideline companies. Under the income approach, value is dependent on the present value of net cash flows to be derived from the ownership. The income approach requires significant judgment including estimates about future cash flows and discount rates. A combination of methodologies is used and weighted appropriately for reporting units with significant adverse changes in business climate.

Other intangibles, primarily customer relationship assets and trademarks, are amortized over a straight-line basis with estimated useful lives ranging from four to twelve years and are evaluated periodically if events or circumstances indicate a possible inability to recover their carrying amounts.

Postemployment Benefits

The funded status of the Company's pension and other postretirement benefit plans is recognized in the Consolidated Balance Sheets. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at December 31, the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation (PBO) and for the other postretirement benefit plans the benefit obligation is the accumulated postretirement benefit obligation (APBO). The PBO represents the actuarial present value of benefits expected to be paid upon retirement. For active plans, the present value reflects estimated future compensation levels. The APBO represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of assets held by an irrevocable trust fund for the sole benefit of participants. The measurement of the benefit obligation is based on the Company's estimates and actuarial valuations. These valuations reflect the terms of the plans and use participant-specific

information such as compensation, age and years of service, as well as certain key assumptions that require significant judgment, including, but not limited to, estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates and mortality rates. For additional information regarding plan assumptions and the current financial position of the pension and other postretirement plans, see Note 9.

The Company provides severance benefits to certain employees. The Company accrues the benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid.

Government Grants

From time to time, the Company receives grants from local or state governments as an incentive to locate or retain operations in their jurisdictions. Depending on the arrangement, the grants are either received up-front or at the time the Company achieves the milestones set forth in the grant. The Company's policy is to record the grant funds received as deferred credit and to amortize the deferred credit as a reduction of cost of providing services and products sold or selling, general and administrative expense as the milestones are met over the term of the grant. The terms of the grants generally range from one to fifteen years.

Derivative Instruments

The Company's risk management strategy includes the use of derivative instruments to reduce the effects on its operating results and cash flows from fluctuations caused by volatility in currency exchange and interest rates. The Company currently uses only cash flow hedges. These instruments are hedges of forecasted transactions or of the variability of cash flows to be received or paid related to a recognized asset or liability. The Company generally enters into forward exchange contracts expiring within 36 months as hedges of anticipated cash flows denominated in foreign currencies. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates. In using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to counterparty credit risk.

All derivatives, including foreign currency exchange contracts, are recognized in the Consolidated Balance Sheets at fair value. Fair values for the Company's derivative financial instruments are based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current assumptions. On the date the derivative contract is entered into, the Company determines whether the derivative contract qualifies for designation as a hedge. For derivatives that are designated as hedges, the Company further designates the hedge as either a fair value or cash flow hedge; all currently existing hedges have been designated as cash flow hedges. Changes in the fair value of derivatives that are highly effective and designated as fair value hedges would be recorded in the Consolidated Statements of Income along with the loss or gain on the hedged asset or liability. Changes in the fair value of derivatives that are highly effective and designated as cash flow hedges are reported as a component of Other Comprehensive (Loss) Income and reclassified into earnings in the same line-item associated with the forecasted transaction and in the same periods during which the hedged transaction impacts earnings. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging activities. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to forecasted transactions, respectively. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

The Company also periodically enters into forward exchange contracts and options that are not designated as hedges. The purpose of the majority of these derivative instruments is to protect the Company against foreign currency exposure pertaining to receivables, payables and intercompany transactions that are denominated in currencies

different from the functional currencies of the Company or the respective subsidiaries. The Company records changes in the fair value of these derivative instruments in the Consolidated Statements of Income within Other income, net.

Investments

Management determines the appropriate classification of securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Currently all investment securities are classified as trading, and are reported within short-term investments in the Consolidated Balance Sheets. Trading securities are carried at fair value, with gains and losses, both realized and unrealized, reported in Other income, net in the Consolidated Statements of Income. The cost of securities sold is based upon the specific identification method. Interest and dividends on securities classified as trading is included in Other income, net.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

New Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The standard requires an entity to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For reclassification items not required under U.S. GAAP to be reclassified directly to net income in their entirety in the same reporting period, an entity is required to cross-reference to other disclosures currently required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 applies to all public and private companies that report items of other comprehensive income. ASU 2013-02 was effective for reporting periods beginning after December 15, 2012, with prospective adoption required. The Company adopted ASU 2013-02 effective January 1, 2013. See Note 15.

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-02, "Intangibles - Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment." The standard is intended to reduce the cost and complexity of testing indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The approach is similar to the guidance in ASU 2011-08 finalized in 2011 for goodwill impairment testing. ASU 2012-02 was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company adopted ASU 2012-02 effective January 1, 2013, which did not have a material effect on the consolidated financial statements.

In September 2011, the FASB, issued ASU No. 2011-08, "Intangibles - Goodwill and Other: Testing Goodwill for Impairment" (ASU 2011-08). This ASU simplifies the goodwill impairment assessment by permitting a company to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If the conclusion is that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company would be required to conduct the current two-step goodwill impairment test. Otherwise, it would not need to apply the two-step test. ASU 2011-08 was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted ASU 2011-08 for its goodwill impairment test as of January 1, 2012, which did not have a material effect on the consolidated financial statements.

In May 2011, the FASB issued 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" (ASU 2011-04). The adoption of ASU 2011-04 conforms the meaning of fair value between U.S. GAAP and International Financial Reporting Standards (IFRS) and improves consistency of disclosures relating to fair value. This ASU requires a reporting entity to provide quantitative information about the significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy. The amendments in this update were effective for annual periods beginning after December 31, 2011. The Company adopted ASU 2011-04 as of January 1, 2012, which did not have a material effect on the consolidated financial statements.

3. DIVESTITURES AND DISCONTINUED OPERATIONS

Information Management

On May 16, 2012, the Company completed the sale of its Information Management line of business to NEC Corporation for \$449.0 in cash. The Company recorded a gain of \$99.8 pretax and \$16.2, net of taxes in 2012. The sale of Information Management was a taxable transaction that resulted in \$83.6 being recorded for the combined federal, state and foreign income tax obligations in 2012. The high effective tax rate is primarily due to a lower basis in net assets, including goodwill, for tax purposes compared to their book basis. The gain on sale included the elimination of \$201.7 of goodwill and intangible assets. During 2013, the Company recorded an additional gain of \$2.4, net of tax, as certain contingencies and tax positions were settled or adjusted.

The results of Information Management have been classified as discontinued operations for all periods presented. Certain costs previously allocated to the Information Management segment that do not qualify for discontinued operations accounting treatment are now reported as costs from continuing operations. Through the close of this transaction, these costs were \$8.8 and \$23.6 for 2012 and 2011, respectively. The Company has taken action to reduce these costs and the transition services revenue from services provided to the buyer subsequent to completion of the sale substantially offset the remainder of these costs. During 2013, the

Company earned \$17.1 in revenue under these transition services agreements, compared to \$13.8 as of December 31, 2012. While the transition services agreements vary in duration up to 24 months from the date of sale depending upon the type of service provided, the Company expects to substantially eliminate the underlying costs as the transition services are completed.

Summarized operating results of the Information Management business are as follows:

	Year Ended December 31,		
	2013	2012	2011
Revenue	\$—	\$128.8	\$328.8
Income before tax - Information Management operations ⁽¹⁾	—	23.7	58.2
(Loss) gain on disposition ⁽²⁾	(6.4)	)99.8	—
(Loss) income before income taxes	(6.4)	)123.5	58.2
Income tax (benefit) expense:			
Expense related to Information Management operations	—	7.9	12.4
(Benefit) expense related to gain on disposition	(8.8)	)83.6	—
Income from discontinued operations, net of tax	\$2.4	\$32.0	\$45.8

⁽¹⁾ Excludes costs previously allocated to Information Management that did not meet the criteria for presentation within discontinued operations of \$8.8 and \$23.6 for 2012 and 2011, respectively.

⁽²⁾ Includes \$22.8 of transaction costs related to the sale for 2012.

Finance and Accounting outsourcing line of business (F&A)

In January 2011, the Company completed the sale of F&A for approximately \$10.0. The gain on the sale amounted to \$7.0 before tax, recorded within Other income, net in the Consolidated Statements of Income, and \$4.3 after tax in 2011. The gain on the sale included the elimination of \$2.6 of goodwill and other intangible assets. The results of operations of F&A and the sale of F&A are not material to the Company's results of operations or financial condition and, therefore, are not reflected as discontinued operations for the periods presented.

HR Management

In June 2010, the Company substantially completed the sale of the HR Management line of business to NorthgateArinso, the Human Resource division of Northgate Information Solutions Limited, for approximately \$93.0. As a result of the sale, the operating results related to HR Management have been reflected as discontinued operations. During 2012, the Company recorded a tax benefit of \$40.4, as certain contingencies and tax positions were settled or adjusted. During 2011, the Company recorded a \$6.5, reduction to the tax on gain.

4. EARNINGS PER SHARE AND SHAREHOLDERS' EQUITY

Earnings per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) computations:

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Shares (in Millions)	Shares	Continuing Operations		Discontinued Operations		Total
		Net Income	Per Share Amount	Net Income	Per Share Amount	Per Share Amount
2013:						
Basic EPS	103.3	\$58.5	\$0.57	\$2.4	\$0.02	\$0.59
Effect of dilutive securities:						
Stock-based compensation arrangements	1.2	—	(0.01)	)—	—	(0.01)
Convertible Debt	4.7	—	(0.02)	)—	—	(0.02)
Diluted EPS	109.2	\$58.5	\$0.54	\$2.4	\$0.02	\$0.56
2012:						
Basic EPS	112.2	\$28.2	\$0.25	\$72.4	\$0.65	\$0.90
Effect of dilutive securities:						
Stock-based compensation arrangements	2.1	—	—	—	(0.01)	) (0.01)
Convertible Debt	2.8	—	(0.01)	)—	(0.02)	) (0.03)
Diluted EPS	117.1	\$28.2	\$0.24	\$72.4	\$0.62	\$0.86
2011:						
Basic EPS	120.2	\$282.5	\$2.35	\$52.3	\$0.44	\$2.79
Effect of dilutive securities:						
Stock-based compensation arrangements	2.1	—	(0.05)	)—	(0.02)	) (0.07)
Convertible Debt	0.6	—	—	—	—	—
Diluted EPS	122.9	\$282.5	\$2.30	\$52.3	\$0.42	\$2.72

The diluted EPS calculation excludes the effect of 0.6, 1.0 and 3.7 of outstanding stock options for 2013, 2012 and 2011, respectively, because they are anti-dilutive. The calculation also excludes 0.3 performance-based restricted stock units granted in 2013 as performance criteria have not yet been fully defined.

As described more fully in Note 7, the Company issued approximately \$125.0 aggregate principal amount of 5.75% Junior Subordinated Convertible Debentures due 2029 (2029 Convertible Debentures) in 2009. The 2029 Convertible Debentures were initially convertible, subject to certain conditions, into shares of the Company's common stock at an initial conversion price of approximately \$12.07 per share, or eighty-two and eighty-two hundredths shares per one thousand in principal amount of debentures. The conversion rate will be subject to adjustments for certain events outlined in the indenture governing the Debentures (the Indenture), including payment of dividends. As of December 31, 2013, the implied conversion rate for the Convertible Debentures was \$11.80 per share, or eighty-four and seventy-one hundredths shares per one thousand in principal amount of debentures. There were 4.7, 2.8 and 0.6 dilutive shares related to the 2029 Convertible Debentures for 2013, 2012 and 2011, respectively.

Shareholders' Equity

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The Company repurchased 6.7 shares of its common stock during the year ended December 31, 2013 at an average price of \$17.64 per share for a total of \$119.0. Below is a summary of the Company's share repurchases during 2013, 2012 and 2011:

2013	6.7	\$119.0
2012	12.3	\$184.4
2011	7.7	\$96.8

At December 31, 2013, the Company has the authority to repurchase an additional \$133.3 of outstanding common shares pursuant to current authorizations. This is reflective of approval by the Company's Board of Directors in February 2013 to increase the remaining authorized share repurchases to \$250.0 in the aggregate. The timing and terms of any future transactions will depend on a number of considerations including market conditions and our liquidity and limits that may be applicable under the covenants in our credit agreement.

Preferred Shares

The Company is authorized to issue up to 5.0 preferred shares, of which 4.0 would have voting rights. At December 31, 2013 and 2012, there were no preferred shares outstanding.

Dividends

During 2012 and 2013, the Company's Board of Directors approved, and the Company has paid, the following dividends per common share:

Announcement Date	Record Date	Dividend Amount	Payment Date
May 8, 2012	June 22, 2012	\$0.05	July 6, 2012
July 26, 2012	September 21, 2012	\$0.05	October 5, 2012
October 23, 2012	December 21, 2012	\$0.05	January 4, 2013
February 7, 2013	March 22, 2013	\$0.06	April 5, 2013
April 30, 2013	June 21, 2013	\$0.06	July 5, 2013
July 30, 2013	September 20, 2013	\$0.06	October 4, 2013
November 6, 2013	December 27, 2013	\$0.06	January 10, 2014

On February 5, 2014, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.06 per common share to be paid on April 4, 2014 to shareholders of record as of March 21, 2014.

The Board expects that future cash dividends will be paid on a quarterly basis. However, any decision to pay future cash dividends will be subject to Board approval, and will depend on the Company's future earnings, cash flow, financial condition, financial covenants and other relevant factors.

5. INVESTMENT IN CELLULAR PARTNERSHIPS

On July 1, 2011, the Company completed the sale of its 33.8% limited partnership interest in the Cincinnati SMSA Limited Partnership and its 45.0% limited partnership interest in the Cincinnati SMSA Tower Holdings LLC (collectively referred to as the Cellular Partnerships) to AT&T. AT&T is the general and a limited partner of both Cincinnati SMSA Limited Partnership and Cincinnati SMSA Tower Holdings LLC with partnership interests prior to Convergys' sale of its interests of approximately 66.0% and 53.0%, respectively. The Company received approximately \$320.0 in cash proceeds upon closing. The Company's interests in the Cellular Partnerships did not qualify as discontinued operations; therefore, the gain has been reported within income from continuing operations and no reclassification of prior results is required. The gain on sale of its interests in the Cellular Partnerships was \$265.0, or \$171.8 net of tax. Prior to the sale, the Company accounted for its interest in the Cellular Partnerships under the equity method of accounting.

Since the Cellular Partnerships were organized as limited partnerships, the partners are responsible for income taxes applicable to their share of taxable income generated by the Cellular Partnerships. The net income of the Cincinnati SMSA Limited Partnership reflected in the following table does not include any provision for income taxes incurred by the partners.

	Year Ended December 31,		
	2013	2012	2011
Revenues	\$—	\$—	\$359.8
Income from operations	—	—	61.2
Net income	—	—	60.8

The Company's equity in earnings of equity method investees for the three years ended December 31, 2013, 2012 and 2011, respectively, is as follows:

Year Ended December 31,

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	2013	2012	2011
Convergys' equity in earnings of Cincinnati SMSA Limited Partnership	\$—	\$—	\$20.5
Convergys' equity in earnings of Cincinnati SMSA Tower Holdings LLC	—	—	0.9
Transaction costs related to the sale of Convergys' interests in Cellular Partnerships	—	—	(1.2)
Gain on sale of Convergys' interests in Cellular Partnerships	—	—	265.0
Total earnings and gain from Cellular Partnerships, net	\$—	\$—	\$285.2

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6. GOODWILL AND OTHER INTANGIBLE AND LONG-LIVED ASSETS

Acquisition of Datacom

On April 30, 2013, the Company acquired the business process outsourcing operations of New Zealand-based Datacom, including contact centers in Kuala Lumpur, Malaysia and Manila, Philippines. The purchase price of \$20.0 AUD (approximately \$20.0USD) included \$15.0 of cash paid at closing and assumptions of \$5.3 of debt obligations which were immediately paid by the Company, as well as working capital adjustments that were finalized during 2013. In connection with the acquisition, the Company recognized \$12.2 of goodwill and \$7.0 of customer relationship intangible asset. The customer relationship intangible asset is being amortized over an estimated economic useful life of 8 years. The determination of the useful life was based upon consideration of market participant and transaction specific factors. The Company included various industry studies, historical acquisition experience, economic factors, future cash flows of the combined company and the relative stability of the acquired customer base. The acquired goodwill is not expected to be deductible for tax purposes. The intangible assets fall within Level 3 of the fair value hierarchy under U.S. GAAP.

Goodwill

The Company tests goodwill for impairment annually as of October 1 and at other times if events have occurred or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. The Company's reporting units are Customer Management - Agent Services and Customer Management - Customer Interaction Technology (CIT).

Completion of the sale of the Information Management business qualified as a triggering event for an interim assessment of goodwill impairment during the second quarter of 2012 for the Company's Information Management and CIT reporting units. Based upon the purchase price for the Information Management business, the triggering event did not indicate an impairment of the Information Management reporting unit.

The sale of the Information Management business impacted the sale of certain products developed by the CIT reporting unit and co-marketed by CIT and the Information Management business. Due in part to this transition, the fair value of the CIT reporting unit was determined to be less than its carrying value. The conclusion of step two of the impairment analysis resulted in the impairment of the entire \$46.0 goodwill balance of this reporting unit. The Company, therefore, recorded a \$46.0 (\$44.4 net of tax) goodwill impairment charge, included within the asset impairment changes and other caption in the accompanying Consolidated Statements of Income during 2012. Fair value was determined based on discounted cash flow analysis which contains significant unobservable inputs that fell within Level 3 of the fair value hierarchy under U.S. GAAP.

The most recent annual impairment test performed as of October 1, 2013, indicated that the fair value of the Customer Management - Agent Services reporting unit was substantially in excess of its carrying values. Despite that excess, however, impairment charges could still be required if a divestiture decision were made or other significant economic events occurred with respect to the reporting unit. Subsequent to our October 1, 2013 annual impairment test, no indications of an impairment were identified.

Below is a progression of goodwill for 2013 and 2012:

Balance at December 31, 2011	\$621.5	
Impairment	(46.0)
Foreign currency and other	2.2	
Balance at December 31, 2012	\$577.7	

Acquisitions	12.2	
Foreign currency and other	(0.5)
Balance at December 31, 2013	\$589.4	

Other Intangible Assets

The Company's other intangible assets, primarily acquired through business combinations, are evaluated periodically if events or circumstances indicate a possible inability to recover their carrying amounts. No impairment charges were recognized in any period presented. As of December 31, 2013 and 2012, the Company's other intangible assets consisted of the following:

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	Gross Carrying Amount	Accumulated Amortization	Net
2013			
Software (classified with Property & Equipment)	\$41.3	\$(31.0))\$10.3
Trademarks	10.0	(10.0))—
Customer relationships and other intangibles	126.3	(105.9)	)20.4
Total	\$177.6	\$(146.9)	)\$30.7
2012			
Software (classified with Property & Equipment)	\$41.3	\$(26.5)	)\$14.8
Trademarks	10.0	(10.0))—
Customer relationships and other intangibles	119.5	(100.6)	)18.9
Total	\$170.8	\$(137.1)	)\$33.7

The intangible assets are being amortized using the following amortizable lives: 5 to 8 years for software and 7 to 12 years for customer relationships and other intangibles. The remaining weighted average depreciation period for software is 2.7 years. The remaining weighted average amortization period for customer relationships and other intangibles is 6.5 years. Amortization of software is included within depreciation expense as the underlying assets are classified within property and equipment.

Amortization expense for intangibles was \$5.3 and \$6.3 for the years ended December 31, 2013 and 2012, respectively and the related estimated expense for the five subsequent fiscal years is as follows:

For the year ended 2014	\$4
For the year ended 2015	3
For the year ended 2016	3
For the year ended 2017	3
For the year ended 2018	3
Thereafter	5

Long-Lived Assets

The Company evaluates its property and equipment when events or circumstances indicate a possible inability to recover their carrying amounts. During 2012, the Company committed to a plan to sell its Corporate office facilities in Cincinnati, Ohio. The facility met the "Held-for-Sale" criteria set forth in U.S. GAAP; the book value was adjusted to its fair value less costs to sell, resulting in an impairment charge of \$42.6 (\$27.0 after tax) recorded during the second quarter of 2012. During 2013, the Company committed to sell an additional facility in Dallas, Texas which also resulted in "Held-for-Sale" classification. During 2013, the Company recognized a net impairment loss of \$1.5 to adjust both facilities to fair value less costs to sell at the date of sale to a third-party buyer. The Company measured assets held-for-sale at the lower of net book value or fair value less cost to sell. Fair value and cost to sell estimates were based on corroborative market data, which is a Level 2 input of the fair value hierarchy under U.S. GAAP. The Company completed the sale of these facilities in July 2013 resulting in cash collections of \$47.6.

7. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations consists of the following:

	At December 31,	
	2013	2012
Revolving credit facility	\$—	\$—

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2029 Convertible Debentures	59.5	58.4	
Capital Lease Obligations	1.6	2.2	
Accounts Receivable Securitization	—	—	
Total debt	61.1	60.6	
Less current maturities	0.9	0.7	
Long-term debt	\$60.2	\$59.9	
Weighted average effective interest rates:			
2029 Convertible Debentures	6.6	%6.5	%

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Revolving Credit Facility

On March 11, 2011, the Company entered into a \$300 Four-Year Competitive Advance and Revolving Credit Facility Agreement (the 2011 Credit Facility). The 2011 Credit Facility replaced the Company's \$400 Five-Year Competitive Advance and Revolving Credit Facility (the Prior Credit Facility), dated as of October 20, 2006 and as amended subsequently, among Convergys and a group of financial institutions. In connection with Convergys' entry into the 2011 Credit Facility, Convergys terminated the Prior Credit Facility.

Convergys has two borrowing options available under the 2011 Credit Facility: (i) a competitive advance option which will be provided on an uncommitted competitive advance basis through an auction mechanism and (ii) a revolving credit option which will be provided on a committed basis. Under each option, amounts borrowed and repaid may be re-borrowed subject to availability. The 2011 Credit Facility includes certain restrictive covenants including maintenance of interest coverage and debt-to-EBITDA ratios (as defined in the 2011 Credit Facility). The Company's interest coverage ratio cannot be less than 4.00 to 1.00 as determined on a rolling four quarter basis. The Company's debt-to-EBITDA ratio cannot be greater than 3.00 to 1.00 until December 31, 2012 and 2.75 to 1.00 after December 31, 2012. The 2011 Credit Facility also contains customary representations and warranties. In the event of default, the lenders may terminate the commitments and declare the amounts outstanding, and all accrued interest, immediately due and payable. The maturity date of the 2011 Credit Facility is March 11, 2015 except that upon satisfaction of certain conditions, Convergys may extend the maturity date by one year twice during the term. Convergys pays an annual facility fee regardless of utilization. At December 31, 2013, the facility was undrawn. The Company was in compliance with all covenants at December 31, 2013.

Convertible Debentures

In December 2004, the Company issued \$250.0 in 4.875% Unsecured Senior Notes (4.875% Senior Notes) due December 15, 2009. During 2009, the Company announced an offer to exchange one thousand twenty dollars in principal amount of its 5.75% Junior Subordinated Convertible Debentures due September 2029 (2029 Convertible Debentures) for each one thousand dollars in principal amount of its 4.875% Senior Notes. Convergys issued a total of \$125.0 aggregate principal amount of the 2029 Convertible Debentures in exchange for \$122.5 of the 4.875% Senior Notes. At the date of issuance, the Company recognized the liability component of the 2029 Convertible Debenture at its fair value of \$56.3. The liability component is recognized as the fair value of a similar instrument that does not have a conversion feature at issuance. The equity component, which is the value of the conversion feature at issuance, was recognized as the difference between the proceeds from the issuance of the debentures and the fair value of the liability component, after adjusting for the deferred tax impact of \$32.7. The 2029 Convertible Debentures were issued at a coupon rate of 5.75%, which was below that of a similar instrument that does not have a conversion feature. Therefore, the valuation of the debt component, using the income approach, resulted in a debt discount. The debt discount will be amortized over the life of a similar debt instrument without a conversion feature, which the Company determined to equal the contractual maturity of the 2029 Convertible Debentures. Amortization is based upon the effective interest rate method and will be included within the interest expense caption in the accompanying Consolidated Statements of Income.

The 2029 Convertible Debentures are convertible, subject to certain conditions, into shares of the Company's common stock at an initial conversion price of approximately \$12.07 per share, or eighty-two and eighty-two hundredths shares of the Company's common stock per one thousand dollars in principal amount of debentures. As of December 31, 2013, the implied conversion rate for the Convertible Debentures was \$11.80 per share, or eighty-four and seventy-one hundredths per one thousand in principal amount of debentures. Upon conversion, the Company will pay cash up to the aggregate principal amount of the 2029 Convertible Debentures and settle the remainder of the debentures in cash or stock at the Company's option.

The conversion rate will be subject to adjustment for certain events outlined in the indenture governing the debenture (the Indenture). The conversion rate will increase for a holder who elects to convert the debenture in connection with

certain share exchanges, mergers or consolidations involving the Company, as described in the indenture.

The Company may not redeem the 2029 Convertible Debentures prior to September 15, 2019, except if certain U.S. federal tax legislation, regulations or rules are enacted or are issued. On or after September 15, 2019, the Company may redeem for cash all or part of the 2029 Convertible Debentures for the principal amount, plus any accrued and unpaid interest, if the last closing price of the Company's common shares has been at least 150% of the applicable conversion price for at least 20 trading days immediately prior to the date on which the Company provides notice of redemption. Holders may convert their 2029 Convertible Debentures prior to the close of business on the business day immediately preceding September 15, 2028, if certain market conditions related to the trading price of the Company's common shares and 2029 Convertible Debentures occur. On or after September 15, 2028, holders may convert their 2029 Convertible Debentures at the option of the holder regardless of the foregoing circumstances. Holders may also convert if the Company calls any or all of the 2029 Convertible Debentures for redemption prior to the maturity date. The conversion rate will equal 100% of the principal amount of the 2029 Convertible Debentures to be redeemed, plus accrued and unpaid interest and will be subject to adjustment for certain events outlined in the Indenture. If certain events occur

in the future, the Indenture provides that each holder of the debentures can, for a pre-defined period of time, require the Company to repurchase the holder's debentures for the principal amount plus any accrued and unpaid interest. The Company concluded that the indentures are not conventional convertible debt instruments and that the embedded stock conversion option qualifies as a derivative. Under the appropriate authoritative guidance, the Company further concluded that the option is indexed to the Company's stock and does not require bifurcation from the host instrument. Therefore, the embedded conversion option is not accounted for separately as a derivative.

The 2029 Convertible Debentures, which pay a fixed rate of interest semi-annually, have a contingent interest component that will require the Company to pay interest based on the trading price of the debentures exceeding a specified threshold at specified times, commencing on September 15, 2019, as outlined in the Indenture. The maximum amount of contingent interest that will accrue is 0.75% per annum of the average trading price of the debentures during the periods specified in the Indenture. The fair value of this embedded derivative was not significant at December 31, 2013 and 2012.

As of December 31, 2013, the 2029 Convertible Debentures "if-converted" value was \$222.9. Based on quoted market prices at December 31, 2013, the fair value of the Company's 2029 Convertible Debentures is \$241.5.

Asset Securitization Facility

During June 2011, the Company extended the terms of an asset securitization facility collateralized by accounts receivable of certain of the Company's subsidiaries, with a purchase limit to \$150.0 expiring in June 2014. The asset securitization program is conducted through Convergys Funding Inc., a wholly-owned bankruptcy remote subsidiary of the Company. As of December 31, 2013 and December 31, 2012, this facility was undrawn. As discussed more fully in Note 18, in January 2014, the Company extended the term of this facility to January 6, 2017.

At December 31, 2013, future minimum payments of the Company's debt and capital lease arrangements are as follows:

2014	\$0.9
2015	0.7
2016	—
2017	—
2018	—
Thereafter	125.0
Total	\$126.6

8. RESTRUCTURING

2013 Restructuring

During 2013, the Company recorded a severance charge of \$4.3, impacting approximately 800 employees. These actions were initiated to continue the Company's efforts to refine its operating model and reduce costs. The severance charge is expected to be substantially paid in cash by June 30, 2014. The total remaining liability under this severance-related restructuring plan, which is included within Payables and other current liabilities on the Company's Consolidated Balance Sheets was \$2.3 as of December 31, 2013. The Company also recorded other restructuring expense of \$1.1 during 2013.

2012 Restructuring

During 2012, the Company recorded restructuring charges of \$11.6, consisting of \$11.4 of severance-related charges and \$0.2 of facility-related charges, as described below. The \$11.4 of severance-related charges impacted

approximately 100 professional employees and reflects the changes in the Company's executive management team and realignment of Corporate overhead as a result of the sale of the Information Management business. These severance-related charges were fully paid in cash by December 31, 2013, pursuant to the Company's severance policies. As of December 31, 2012, the remaining liability under this severance-related restructuring plan, which was included within Payables and other current liabilities on the Company's Consolidated Balance Sheets was \$5.2. This amount was fully settled during 2013.

2011 Restructuring

During 2011, the Company initiated operational changes that resulted in severance costs of \$1.2 largely to reduce headcount and align resources to future business needs. These severance actions impacted approximately 50 professional employees worldwide and charges were largely paid in cash pursuant to the Company's existing severance policy and employment agreements. These actions were substantially completed by the end of 2011. The liability under this plan was fully settled during 2012.

Facilities Restructuring

The Company's facilities restructuring reserves are equal to the estimated future costs associated with the facilities, net of proceeds from any probable future sublease agreements. The Company uses estimates, based on consultation with the Company's real estate advisers, to determine the proceeds from any future sublease agreements. The Company continues to evaluate these estimates in recording the facilities abandonment charge. Restructuring liability for the facilities plans, the balance of which is included in Payables and other current liabilities on the Company's Consolidated Balance Sheets, consisted of the following:

	2013	2012	2011
Balance at January 1	\$0.3	\$0.5	\$4.9
Facility charge	—	0.2	—
Facility payment	(0.3	)(0.4	)(4.4
Balance at December 31	\$—	\$0.3	\$0.5

9. EMPLOYEE BENEFIT PLANS

Pensions

The Company sponsors a frozen defined benefit pension plan, which includes both a qualified and non-qualified portion, for all eligible employees (the cash balance plan) in North America and an unfunded defined benefit plan for certain eligible employees in the Philippines (collectively, the defined benefit plans). The Company also sponsors a non-qualified, unfunded executive deferred compensation plan and a supplemental, non-qualified, unfunded plan for certain senior executives (the executive pension plans). As further described in Note 12, "Financial Instruments," in December 2011, the Company made investments in certain securities which are held in a grantor trust for the benefit of participants of the executive deferred compensation plan. This investment was made in securities reflecting the hypothetical investment balances of plan participants. The pension benefit formula for the cash balance plan is determined by a combination of compensation and age-based credits and annual guaranteed interest credits. Benefits for the executive deferred compensation plan are based on employee deferrals, matching contributions and investment earnings on participant accounts. Benefits for the supplemental plan are based on age, years of service and eligible pay. Funding of the qualified portion of the cash balance plan has been achieved through contributions made to a trust fund. The contributions have been determined using the prescribed methods in accordance with the Pension Protection Act of 2006.

Based on the funded status of the cash balance plan and mandatory legislative requirements under the Pension Protection Act, beginning April 29, 2009, lump sum payments from the cash balance plan were partially restricted. In December 2012, the Company made contributions to the plan to satisfy funding requirements for 2013. Subsequently, on January 18, 2013, the Company received an Adjusted Funding Target Attainment Percentage (AFTAP) certification stating that the 2013 AFTAP for the defined benefit plan is 80 percent or higher. Accordingly, limitations on accelerated benefit distributions and benefit accruals no longer apply as of the date of the certification. The Company's measurement date for all plans is December 31. The projected unit credit cost method is used for determining the unfunded executive pension cost for financial reporting purposes. The plan assumptions are evaluated annually and are updated as necessary.

Components of pension cost and other amounts recognized in other comprehensive income for the defined benefit plans are as follows:

	Year Ended December 31,		
	2013	2012	2011
Service cost	\$5.0	\$3.7	\$2.8
Interest cost on projected benefit obligation	10.8	11.6	12.0

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Expected return on plan assets	(10.0)(11.6)(11.4)
Amortization and deferrals—net	11.6	17.2	8.7	
Curtailement benefit	—	(0.2)—	
Settlement charge	13.4	6.8	—	
Total pension cost	\$30.8	\$27.5	\$12.1	
Other comprehensive income	\$46.9	\$11.8	\$29.5	

During 2013, the Company recognized non-cash pension settlement charges of \$13.4, resulting from a high volume of lump sum distributions. The settlement loss of \$6.8 and curtailment benefit of \$0.2 in 2012 related to the impact of the sale of the Information

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Management business. Pension cost for the defined benefit plans related to discontinued operations included in the table above for 2012 and 2011 was \$1.6 and \$3.0, respectively.

The reconciliation of the defined benefit plans' projected benefit obligation and the fair value of plan assets for the years ended December 31, 2013 and 2012 are as follows:

	At December 31,	
	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	\$265.5	\$252.5
Service costs	5.0	3.7
Interest cost	10.8	11.6
Actuarial (gain) loss	(6.2)	)22.2
Curtailment gain	—	(3.8)
Benefits paid	(47.0)	)20.7
Benefit obligation at end of year	\$228.1	\$265.5
Change in plan assets:		
Fair value of plan assets at beginning of year	\$171.7	\$140.4
Actual return on plan assets	25.7	18.7
Employer contribution	12.5	33.3
Benefits paid	(47.0)	)20.7
Fair value of plan assets at end of year	\$162.9	\$171.7
Funded status	\$(65.2)	)\$(93.8)
Amounts recognized in the Consolidated Balance Sheets consisted of:		
Current liability	\$(4.6))\$—
Non-current liability	\$(60.6)	)\$(93.8)
Accumulated other comprehensive income (loss)	\$(55.5)	)\$(102.4)

Accumulated other comprehensive loss at December 31, 2013 and 2012 includes unrecognized actuarial losses of \$55.5 (\$34.6 net of tax) and \$102.4 (\$63.9 net of tax), respectively. The actuarial loss included in accumulated other comprehensive loss that is expected to be recognized in net periodic pension cost during 2014 is \$7.9. The accumulated benefit obligation for the defined benefit plans was \$228.1 and \$265.5 at December 31, 2013 and 2012, respectively.

Estimated future benefit payments from the defined benefit plans are as follows:

2014	\$21.3
2015	15.4
2016	16.1
2017	16.9
2018	17.4
2019 - 2023	84.7
Total	\$171.8

Components of pension cost and other amounts recognized in other comprehensive loss for the unfunded executive pension plans are as follows:

	Year Ended December 31,		
	2013	2012	2011
Service cost	\$—	\$—	\$0.7
Interest cost on projected benefit obligation	0.4	1.0	1.3
Amortization and deferrals—net	0.2	(0.2)	(0.1)
Curtailment loss (benefit), net	—	0.1	(2.4)
Settlement gain	(0.3)	(0.2)	—
Total pension cost (benefit)	\$0.3	\$0.7	\$(0.5)
Other comprehensive loss	\$(1.0)	\$(1.9)	\$(1.3)

During 2013, the Company recognized a settlement gain of \$0.3 related to the unfunded executive compensation plan. In 2012, the Company recognized a settlement gain of \$0.2 under the executive pension plan. The settlement gain was partially offset by a \$0.1 curtailment loss related to the impact of the sale of the Information Management line of business and subsequent corporate restructuring initiatives. In 2011, the Company froze the executive deferred compensation plan and recognized a \$0.9 curtailment benefit. The Company also recognized a \$1.5 curtailment benefit during 2011 related to the resignation of a senior executive.

As previously disclosed, the Company's Executive Deferred Compensation Plan (the "EDCP") which permitted eligible participants, including executive officers, to defer receipt of certain income, was frozen as of December 31, 2011. Before the plan was frozen, the Company provided a match to a participant's deferred amounts (reduced by the Company match eligible to be received under the Company's Retirement and Savings Plan). On July 25, 2013, the Company's Board of Directors authorized the Company to reinstate the EDCP, effective January 1, 2014, for eligible participants, including executive officers. Under this authorization, the Company will match up to 100% of the first 3% of a participant's deferred amounts and 50% of a participant's next 2% of deferred amounts. The Company match under the EDCP will be reduced by the Company match eligible to be received under the Company's Retirement and Savings Plan.

The reconciliation of the unfunded executive pension plans' projected benefit obligation for the years ended December 31, 2013 and 2012 is as follows:

	At December 31,	
	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	\$21.1	\$24.6
Interest cost	0.4	1.0
Actuarial loss	0.9	1.1
Curtailment loss	—	0.5
Benefits paid	(8.2)	(6.1)
Benefit obligation at end of year	\$14.2	\$21.1
Funded status	\$(14.2)	\$(21.1)
Amounts recognized in the Consolidated Balance Sheets consisted of:		
Current liability	\$(2.8)	\$(8.8)
Non-current liability	\$(11.4)	\$(12.3)
Accumulated other comprehensive income	\$1.3	\$2.3

Total benefits paid of \$8.2 were made via employer contributions.

Accumulated other comprehensive loss at December 31, 2013 and 2012 includes unrecognized actuarial gains of \$1.3 (\$0.8 net of tax), and \$2.3 (\$1.4 net of tax). The accumulated benefit obligation for the unfunded executive pension plans was \$14.2 and \$21.1 at December 31, 2013 and 2012, respectively. The prior service cost expected to be recognized in net periodic pension cost during the year ending December 31, 2014 is \$0.2.

Estimated future benefit payments from the unfunded executive plans are as follows:

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2014	\$2.8
2015	1.9
2016	1.8
2017	1.2
2018	0.9
2019 - 2023	8.1
Total	\$16.7

The following weighted-average rates were used in determining the benefit obligations at December 31:

	2013	2012
Discount rate—projected benefit obligation	4.25% - 4.90%	3.00% - 6.20%
Future compensation growth rate	2.50% - 4.00%	4.00% - 4.50%
Expected long-term rate of return on plan assets	6.75% - 8.00%	7.50% - 8.00%

The following weighted-average rates were used in determining the pension cost for all years ended December 31:

	2013	2012	2011
Discount rate—projected benefit obligation	3.00% - 4.61%	4.25% - 6.20%	5.20% - 7.80%
Future compensation growth rate	4.00%	4.00% - 4.50%	4.00% - 5.50%
Expected long-term rate of return on plan assets	6.75% - 8.00%	7.50% - 8.00%	7.50% - 8.00%

The range of discount rates utilized in determining the pension cost and projected benefit obligation of the Company's defined benefit plans reflects a lower prevalent rate applicable to the frozen cash balance plan for eligible employees in North America and a higher applicable rate for the unfunded defined benefit plan for certain eligible employees in the Philippines. The Philippine plan represented approximately 13% and 8% of the Company's total projected benefit obligation for all plans as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, plan assets for the cash balance plan consisted of common/collective trusts (of which approximately 63% are invested in equity backed funds and 37% in funds invested in fixed income instruments, including cash), an equity fund and Convergys common stock. At December 31, 2013, the Company's targeted allocation was 65% equity and 35% fixed income. Plan assets for the cash balance plan included \$4.9 and \$4.7 of the Company's common shares at December 31, 2013 and 2012, respectively. The investment objectives for the plan assets are to generate returns that will enable the plan to meet its future obligations. The Company's expected long-term rate of return was determined based on the asset mix of the plan, projected returns, past performance and other factors. The Company contributed \$10.0 and \$20.0 in 2013 and 2012, respectively, to fund its cash balance plan, which satisfied its 2014 Employee Retirement Income Security Act of 1974 (ERISA) funding requirements. There were no current year contributions in December 2013 to satisfy the 2014 funding requirement. No plan assets are expected to be returned to the Company during 2014.

The following table sets forth by level, within the fair value hierarchy, the cash balance plan's assets at fair value as of December 31, 2013 and 2012:

Investments	December 31, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common/Collective trusts	\$154.5	\$—	\$154.5	\$—

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Convergys common stock	4.9	4.9	—	—
Equity fund	3.5	—	—	3.5
Total investments	\$162.9	\$4.9	\$154.5	\$3.5

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Investments	December 31, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common/Collective trusts	\$162.7	\$—	\$162.7	\$—
Convergys common stock	4.7	4.7	—	—
Equity fund	4.3	—	—	4.3
Total investments	\$171.7	\$4.7	\$162.7	\$4.3

There were no transfers between the three levels of the fair value hierarchy during the years ended December 31, 2013 and 2012. For additional information on the fair value hierarchy, see Note 13.

The Company's pension plan holds level 2 investments in common/collective trust funds that are public investment vehicles valued using a net asset value (NAV) provided by the manager of each fund. The NAV is based on the underlying net assets owned by the fund, divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that may not be active. However, the NAV is based on the fair value of the underlying securities within the fund, which are traded on an active market, and valued at the closing price reported on the active market on which those individual securities are traded. The significant investment strategies of the funds are as described in the financial statements provided by each fund. There are no restrictions on redemptions from these funds.

The Company's pension plan holds Level 3 investments within equity funds which primarily invests in domestic early stage capital funds. The fair value of these investments is based on the net asset value per share of the fund. The pension plan has approximately \$0.2 in future funding requirements associated with this investment. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement. The following table provides a reconciliation of the beginning and ending balances for the Level 3 assets:

	Year Ended December 31	
	2013	2012
Balance, beginning of year	\$4.3	\$3.9
Unrealized (losses) gains relating to instruments still held at the reporting date	(0.8)	)0.4
Balance, end of year	\$3.5	\$4.3

Savings Plans

The Company sponsors a defined contribution plan covering substantially all U.S. employees. The Company's contributions to the plan are based on matching a portion of the employee contributions. In 2011, the Company's matching contribution changed from 100% of the first 5% to 100% of the first 3% of eligible employee contributions. As a result, total Company contributions to the defined contribution plan were \$5.5 in 2013 compared to \$6.7 and \$9.5 for 2012 and 2011, respectively. Plan assets for these plans included 1.2 (\$25.8) and 1.5 (\$25.3) of Company's common shares at December 31, 2013 and 2012, respectively.

Employee Postretirement Benefits Other Than Pensions

The Company sponsors postretirement health and life insurance plans for certain eligible employees. The plan provides eligible employees and retirees with the opportunity to direct an amount of their compensation or pension benefits to cover medical, dental and life insurance programs of their choice for their benefit and the benefit of their dependents. The plan covers both active and retired eligible employees of the Company and its subsidiaries.

Employees' eligibility to participate in the plan is based upon their date of hire. During the second quarter of 2011, the Company amended certain components of the postretirement health and life insurance plans to reduce certain benefits. The plan amendments constitute negative amendments. As a result of the plan amendments, the accumulated postretirement benefit obligation decreased approximately \$20 from December 31, 2010, the impact of which will be recognized as a reduction to net periodic benefit cost over the remaining future service years of the active participants over a weighted-average period of approximately 3 years. During 2012, the Company recognized a \$3.8 curtailment benefit related to these plans as a result of the sale of the Information Management business.

The Company funds life insurance benefits of certain retirees through a Voluntary Employee Benefit Association (VEBA) trust. Contributions to the plan consist of (1) compensation or pension benefit deductions that the participant directs the Company, which is also the Plan Sponsor, to deposit into the plan on their behalf based on the coverage the participant has elected under the plan,

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and (2) amounts the Company pays to the plan that are in excess of the participant-directed deductions. Contributions to the VEBA are subject to IRS limitations developed using the aggregate cost method. At December 31, 2006, the Company eliminated the postretirement life insurance plan benefits for non-retirement eligible employees. The Company's postretirement benefit plan benefit was \$4.3, \$9.5, and \$3.4 for 2013, 2012 and 2011, respectively. The amounts included within accumulated other comprehensive loss related to these benefits were \$4.6 and \$6.6 at December 31, 2013 and 2012, respectively.

Components of other post-employment benefit plan cost and other amounts recognized in other comprehensive (loss) income for the postretirement health and life insurance plans are as follows:

	2013	2012	2011
Service cost	\$—	\$—	\$0.2
Interest cost on projected benefit obligation	0.2	0.3	0.9
Expected return on plan assets	(0.4)	(0.5)	(0.5)
Amortization and deferrals—net	(3.8)	(5.5)	(4.0)
Curtailed benefit	(0.3)	(3.8)	—
Total other benefit	\$(4.3)	\$(9.5)	\$(3.4)
Other comprehensive (loss) income	\$(2.0)	\$8.3	\$(14.1)

The reconciliation of the postretirement health and life insurance plan's projected benefit obligation and the fair value of plan assets for the years ended December 31, 2013 and 2012 are as follows:

	At December 31,	
	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	\$6.9	\$8.6
Interest cost	0.2	0.3
Plan amendment	(1.3)	—
Actuarial gain	(0.9)	(0.8)
Curtailed benefit	—	(0.6)
Benefits paid	(0.4)	(0.6)
Benefit obligation at end of year	\$4.5	\$6.9
Change in plan assets:		
Fair value of plan assets at beginning of year	\$6.0	\$7.0
Actual return on plan assets	0.1	0.1
Employer contribution	(0.8)	(0.5)
Benefits paid	(0.4)	(0.6)
Fair value of plan assets at end of year	\$4.9	\$6.0
Funded status	\$0.4	\$(0.9)
Amounts recognized in the Consolidated Balance Sheets consisted of:		
Non-current assets	\$1.2	\$1.8
Current liability	\$(0.2)	\$(0.3)
Non-current liability	\$(0.6)	\$(2.4)
Accumulated other comprehensive income	\$4.6	\$6.6

Estimated future benefit payments from the postretirement health and life plan are as follows:

2014	\$0.3
2015	0.3

2016	0.3
2017	0.3
2018	0.2
2019 - 2023	1.3
Total	\$2.7

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Plan assets for the postretirement health and life plan of \$4.9 and \$6.0 at December 31, 2013 and 2012, respectively, are comprised of money market accounts, a Level 1 asset. The Company expects to make \$0.2 in contributions in 2014 to fund its post retirement health and life plan. No plan assets are expected to be returned to the Company during 2014.

10. STOCK-BASED COMPENSATION PLANS

At December 31, 2013, the Company had 38.0 common shares that were authorized for issuance under the Convergys Corporation 1998 Long-Term Incentive Plan (Convergys LTIP), as amended on January 28, 2011. The Company granted stock options in 2012 and 2011 with exercise prices that are no less than market value of the stock at the grant date and have a ten-year term and vesting terms of two to three years. The Company also grants certain employees and Directors restricted stock units. The restricted stock units do not possess voting rights and consist of both time-related and performance-related units. The restrictions for the time-related restricted stock units generally lapse one to three years after the grant date. The performance-related units vest upon the Company's satisfaction of certain financial targets. Performance-related units that have not vested by the end of three years from the grant date (i.e., the performance conditions for vesting of those units have not been met within that period) are forfeited.

The following table shows certain information as of December 31, 2013, with respect to compensation plans under which common shares are authorized for issuance:

	Number of Common Shares to be Issued Upon Exercise	Weighted Average Exercise Price	Common Shares Available for Future Issuance
Equity compensation plans approved by shareholders			
Stock options	0.8	\$ 13.11	—
Restricted stock units	2.0	—	—
	2.8	\$ 13.11	9.1

The Company's operating results reflect long-term incentive plan expense of \$13.4, \$21.0 and \$17.0 for 2013, 2012 and 2011, respectively. Long-term incentive plan expense related to discontinued operations was \$1.4, and \$2.6 for 2012 and 2011, respectively. Long-term incentive plan expenses include: (a) incentive plan expense that is paid in cash based on relative shareholder return, and (b) stock compensation expense. Stock compensation expense for 2013, 2012 and 2011 was \$13.4, \$21.6 and \$17.4, respectively.

Stock Options

Presented below is a summary of Company stock option activity:

Shares (in Millions)	Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2011	5.7	\$31.66
Options exercisable at January 1, 2011	5.7	31.66
Granted	0.7	13.79
Exercised	(0.2)	) 11.68
Forfeited	(2.3)	) 41.50
Options outstanding at December 31, 2011	3.9	\$23.90
Options exercisable at December 31, 2011	3.2	\$25.97

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Granted	0.7	12.79
Exercised	(1.0))11.62
Forfeited	(2.4))31.33
Options outstanding at December 31, 2012	1.2	\$12.91
Options exercisable at December 31, 2012	0.3	\$11.86
Exercised	(0.3)	)12.24
Forfeited	(0.1)	)13.31
Options outstanding at December 31, 2013	0.8	\$13.11
Options exercisable at December 31, 2013	0.2	\$13.14

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Approximately one-half of the stock options granted during 2012 and 2011 vest in two years and the remaining vest in three years. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. For the 2012 grants, the weighted average fair value at grant date of \$3.43 per option granted included assumptions of a strike price of \$12.79, a 30.74% implied volatility, an expected term of 4.5 years, a risk-free rate of 0.76%, and a dividend yield of 0.00%. These 2012 option grants resulted in stock compensation expense of \$0.6 and \$0.7 in 2013 and 2012, respectively. For the 2011 grants, the weighted average fair value at grant date of \$4.06 per option granted included assumptions of a strike price of \$13.79, a 31.11% implied volatility, an expected term of 4.5 years, a risk-free rate of 2.12%, and a dividend yield of 0.00%. These 2011 option grants resulted in stock compensation expense of \$0.3 in 2013 and 2012 and \$1.0 in 2011. Expected volatility is based on the unbiased standard deviation of the Company's common stock over the option term. The expected life of the options represents the period of time that the Company expects the options granted to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant of the option for the expected term of the instrument. The dividend yield reflects an estimate of dividend payouts over the term of the award.

The weighted average grant date fair value per share for the outstanding and exercisable options at December 31, 2013 was \$3.74 and \$4.01, respectively.

The following table summarizes the status of the Company stock options outstanding and exercisable at December 31, 2013:

Shares (in millions)	Options Outstanding			Options Exercisable			
	Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
	\$0.0 to \$11.55	0.1	1.1	\$10.88	0.1	1.1	\$10.88
	\$11.56 to \$21.81	0.7	7.6	13.25	0.1	7.1	13.76
	Total	0.8	7.2	\$13.11	0.2	5.8	\$13.14

The aggregate intrinsic value of stock options exercised was \$1.3 in 2013, \$3.3 in 2012 and \$0.7 in 2011. The actual tax benefit realized from the exercised stock options was \$0.3 in 2013, \$0.7 in 2012 and \$0.1 in 2011. No stock options vested during 2013 or 2012. As of December 31, 2013, the aggregate intrinsic value was \$6.7 for both stock options outstanding and exercisable. Intrinsic value represents the Company's closing price on the last trading day of the year in excess of the weighted average exercise price for those tranches of options with a weighted average exercise price less than the closing price multiplied by the number of options outstanding or exercisable.

Restricted Stock Units

During 2013, 2012 and 2011, the Company granted 1.1, 1.6 and 1.5 shares, respectively, of restricted stock units. The weighted average fair values of these grants were \$16.35, \$13.11 and \$13.67, respectively. Included in the total grants were 0.4, 0.6 and 0.5 of performance-related restricted stock units for 2013, 2012 and 2011, respectively.

The 2013 performance-related grants include 0.3 shares that provide for payout based upon the extent to which the Company achieves certain EPS targets, as determined by the Compensation and Benefits Committee and the Board of Directors, over a three-year period. Payout levels range from 50% to 200% of award shares earned. No payout can be earned if performance is below the minimum threshold level. As the targets for the second and third year have not yet been set, the key terms have not been effectively communicated to the recipients, and as such the expense related to these grants cannot be recognized until the key terms are established. These grants have been excluded from the table below. The remaining 0.1 of performance-based shares granted in 2013 vested immediately.

The 2012 and 2011 performance-related grants provide for payout based upon the extent to which the Company achieves certain EBITDA targets, as determined by the Compensation and Benefits Committee of the Board of Directors for this award, over a two-year period. Payout levels range from 50% to 200% of award shares earned. No payout can be earned if performance is below the minimum threshold level. Compensation cost related to these 2012 and 2011 grants will be adjusted based upon expected performance as compared to defined targets.

The total compensation cost related to non-vested restricted stock and restricted stock units not yet recognized as of December 31, 2013 was approximately \$10.1 based on current estimates of the performance metrics, which is expected to be recognized over a weighted average of 0.9 years. Changes to non-vested restricted stock and restricted stock units for the years ended December 31, 2013 and 2012 were as follows:

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Shares (in millions)	Number of Shares	Weighted Average Fair Value at Date of Grant
Non-vested at December 31, 2011	3.9	\$11.08
Granted	1.6	13.11
Vested	(2.2)	) 10.17
Forfeited	(0.8)	) 11.96
Non-vested at December 31, 2012	2.5	12.91
Granted	1.1	16.35
Vested	(1.5)	) 13.42
Forfeited	(0.1)	) 13.95
Non-vested at December 31, 2013	2.0	\$14.32

The aggregate intrinsic value of non-vested restricted stock units was \$35.1 at December 31, 2013.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain facilities and equipment used in its operations. Total rent expense was \$81.0, \$66.0 and \$61.1 in 2013, 2012 and 2011, respectively.

At December 31, 2013, the total minimum rental commitments under non-cancelable operating leases are as follows:

2014	\$57.0
2015	48.0
2016	33.7
2017	24.9
2018	17.8
Thereafter	21.3
Total	\$202.7

At December 31, 2013, the Company had outstanding letters of credit of \$39.3 related to performance and payment guarantees, of which \$14.3 is set to expire by the end of 2014, \$24.8 is set to expire within one to three years and \$0.2 is set to expire after three years. The Company also had other bond obligations of \$1.6 related to performance and payment guarantees.

At December 31, 2013, the Company had an outstanding performance bond obligation of \$30.0 related to a performance and payment guarantee for the Company's former HR Management line of business which was sold in 2010 to NorthgateArinso. Subsequent to completion of the sale of the HR Management business, the Company continues to be responsible for this bond obligation. As part of the gain on disposition, the Company recognized a liability equal to the present value of probability weighted cash flows of potential outcomes, a Level 3 fair value measurement. Although the buyer is obligated to indemnify the Company for any and all losses, costs, liabilities and expenses incurred related to these performance bonds, as of December 31, 2013 the Company maintains a liability of \$0.6 for these obligations. The Company's guarantee for this bond obligation expires in August 2016.

The Company also has purchase commitments with telecommunication providers of \$14.8 in 2014.

Contingencies

The Company from time to time is involved in various loss contingencies, including tax and legal contingencies that arise in the ordinary course of business. The Company accrues for a loss contingency when it is probable that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, the Company believes that the results of any such contingencies, either individually or in the aggregate, will not have a materially adverse effect on the Company's results of operations or financial condition. However, the outcome of any litigation cannot be predicted with certainty. An unfavorable resolution of one or more pending matters could have a materially adverse impact on the Company's results of operations or financial condition in the future.

In November 2011, one of the Company's call center clients, Hyundai Motor America ("Hyundai"), tendered a contractual indemnity claim to Convergys Customer Management Group Inc., a subsidiary of the Company, relating to a putative class action captioned Brandon Wheelock, individually and on behalf of a class and subclass of similarly situated individuals, v. Hyundai Motor America, Orange County Superior Court, California, Case No. 30-2011-00522293-CU-BT-CJC. The lawsuit alleges that Hyundai violated California's telephone recording laws by recording telephone calls with customer service representatives without providing a disclosure that the calls might be recorded. Plaintiff is seeking, among other things, an order certifying the suit as a California class action, statutory damages, payment of attorneys' fees and pre- and post-judgment interest. Convergys Customer Management Group Inc. is not named as a defendant in the lawsuit. On March 5, 2012, the court sustained a demurrer filed by Hyundai to one of the Plaintiff's causes of action, but overruled the demurrer as the Plaintiff's other cause of action. On March 15, 2012, Plaintiff filed an amended complaint. Hyundai answered the amended complaint on April 16, 2012, by generally denying the allegations and asserting certain affirmative defenses. On February 5, 2013, the court denied a motion filed by Hyundai for summary judgment based on Hyundai's claim that an exemption under the California recording laws was intended to exempt the type of recording done by Hyundai's call centers. Hyundai sought appellate review and, on September 18, 2013, the Supreme Court of the State of California denied Hyundai's petition to grant review. Discovery had been stayed while the court's ruling was under appellate review, but the stay was lifted on October 22, 2013. Hyundai, Convergys Customer Management Group Inc. and Plaintiff have agreed to attend a mediation session scheduled for March 13, 2014. On February 3, 2014 the Court issued an order staying discovery until March 20, 2014. A status conference is scheduled for March 25, 2014.

Convergys Customer Management Group Inc. is not named as a defendant in the lawsuit, and there has been no determination as to whether Convergys Customer Management Group Inc. will be required to indemnify Hyundai. The Company believes Convergys Customer Management Group Inc. has meritorious defenses to Hyundai's demand for indemnification and also believes there are meritorious defenses to Plaintiff's claims in the lawsuit. The likelihood of losses that may become payable under such claims, the amount of reasonably possible losses associated with such claims, and whether such losses may be material cannot be determined or estimated at this time. For these reasons, the Company has not established a reserve with respect to this matter.

12. FINANCIAL INSTRUMENTS

Derivative Instruments

The Company is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. The Company's risk management strategy includes the use of derivative instruments to reduce the effects on its operating results and cash flows from fluctuations caused by volatility in currency exchange and interest rates.

The Company serves many of its U.S.-based clients using contact center capacity in the Philippines, India, Canada, and Colombia. Although the contracts with these clients are typically priced in U.S. dollars, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine pesos (PHP), Indian rupees (INR), Canadian dollars (CAD) or Colombian pesos (COP), which represents a foreign exchange exposure. Beginning in 2011, the Company entered into a contract with a client priced in Australian dollars (AUD). The Company has hedged a portion of its exposure related to the anticipated cash flow requirements denominated in these foreign currencies by entering into forward exchange contracts and options with several financial institutions to acquire a total of PHP 31,479.0 at a fixed price of \$732.9 at various dates through December 2016, INR 11,006.0 at a fixed price of \$181.2 at various dates through December 2016, CAD 20.9 at a fixed price of \$20.1 at various dates through December 2015 and COP 20,100.0 at a fixed price of \$10.5 at various dates through December 2014, and to sell a total of AUD 20.3 at a fixed price of \$20.7 at various dates through September 2014. These instruments mature within the next 36 months and had a notional value of \$965.5 at December 31, 2013 and \$590.4 at December 31, 2012. The

derivative instruments discussed above are designated and are effective as cash flow hedges. The following table reflects the fair values of these derivative instruments:

	At December 31,	
	2013	2012
Forward exchange contracts and options designated as hedging instruments:		
Included within other current assets	\$4.3	\$16.4
Included within other non-current assets	0.2	11.6
Included within other current liabilities	21.2	6.1
Included within other long-term liabilities	19.8	3.5

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The Company recorded a deferred tax benefit of \$14.1 and deferred tax expense of \$7.1 related to these derivatives at December 31, 2013 and 2012, respectively. A total of \$22.5 of deferred losses and \$11.4 of deferred gains, net of tax, related to these cash flow hedges at December 31, 2013 and 2012, respectively, were included in accumulated other comprehensive loss (OCL). As of December 31, 2013, deferred losses of \$16.9 (\$10.5 net of tax), on derivative instruments included in accumulated OCL are expected to be reclassified into earnings during the next 12 months. The following tables provide the effect of these derivative instruments on the Company's Consolidated Financial Statements during 2013 and 2012, respectively:

2013:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCL on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCL into Income (Effective Portion)
Foreign exchange contracts	\$ (57.1	) \$ (2.1	) Cost of providing services and products sold and Selling, general and administrative

2012:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCL on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCL into Income (Effective Portion)
Foreign exchange contracts	\$ 35.8	\$ 14.8	Cost of providing services and products sold and Selling, general and administrative

The gain/loss recognized related to the ineffective portion of the derivative instruments was immaterial for the years ended December 31, 2013 and 2012.

During 2013, 2012 and 2011, the Company recorded a net loss of \$2.1, and net gains of \$14.8 and \$11.6, respectively, related to the settlement of forward contracts and options which were designated as cash flow hedges.

The Company also enters into derivative instruments (forwards) to economically hedge the foreign currency impact of assets and liabilities denominated in nonfunctional currencies. During the year ended December 31, 2013, a gain of \$2.4 was recognized related to changes in fair value of these derivative instruments not designated as hedges, compared to a loss of \$0.4 in the same period in 2012. The gains and losses largely offset the currency gains and losses that resulted from changes in the assets and liabilities denominated in nonfunctional currencies. These gains and losses are classified within other income, net in the accompanying Consolidated Statements of Income. The fair value

of these derivative instruments not designated as hedges at December 31, 2013, was a liability of \$0.1.

A few of the Company's counterparty agreements related to derivative instruments contain provisions that require that the Company maintain collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments in liability position at December 31, 2013 was \$41.5 for which the Company has no posted collateral. Future downgrades in the Company's credit ratings and/or changes in the foreign currency markets could result in collateral to counterparties.

Short-term Investments

In December 2011, the Company made investments in certain securities, included within short-term investments in the Consolidated Balance Sheets, which are held in a grantor trust for the benefit of participants of the executive deferred compensation plan, which was frozen during the fourth quarter of 2011. This investment was made in securities reflecting the hypothetical investment balances of plan participants. As of December 31, 2013 and 2012, the Company maintained investment securities with a fair value of \$14.2 and \$19.5, respectively, classified as trading securities. The investment securities include exchange-traded mutual funds, common stock of the Company and money market accounts. These securities are carried at fair value, with gains and losses, both realized and unrealized, reported in other income (expense), net in the Consolidated Statements of Income. The cost of securities sold is based upon the specific identification method. Interest and dividends on securities classified as trading are included in other income (expense), net.

Additionally, during 2013 and 2012, the Company made investments in time deposits with maturities greater than 90 days and less than 180 days, included within short-term investments in the Consolidated Balance Sheets. As of December 31, 2013 and 2012, the Company maintained short-term time deposits with a fair value of \$68.7 and \$64.3, respectively.

13. FAIR VALUE DISCLOSURES

U.S. GAAP defines a hierarchy which prioritizes the inputs in measuring fair value. The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

At December 31, 2013 and 2012, the Company had foreign currency forward contracts measured at fair value. The fair values of these instruments were measured using valuations based upon quoted prices for similar assets and liabilities in active markets (Level 2) and are valued by reference to similar financial instruments, adjusted for terms specific to the contracts. There were no transfers between the three levels of the fair value hierarchy during the years ended December 31, 2013 and 2012. The derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012 were as follows:

	December 31, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives:				
Foreign currency forward contracts (asset position)	\$4.5	\$—	\$4.5	\$—
Foreign currency forward contracts (liability position)	\$41.0	\$—	\$41.0	\$—
	December 31, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives:				
Foreign currency forward contracts (asset position)	\$28.0	\$—	\$28.0	\$—
Foreign currency forward contracts (liability position)	\$9.6	\$—	\$9.6	\$—

The Company also had investment securities held in a grantor trust for the benefit of participants of the executive deferred compensation plan measured at fair value at December 31, 2013 and December 31, 2012. The fair value of these instruments was measured using the quoted prices in active markets for identical assets (Level 1). There were no

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transfers between the three levels of the fair value hierarchy during the years ended December 31, 2013 and 2012. The assets measured at fair value on a recurring basis as of December 31, 2013 and 2012 were as follows:

	December 31, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities:				
Mutual funds	\$ 11.0	\$ 11.0	\$—	\$—
Convergys common stock	2.3	2.3	—	—
Money market accounts	0.9	0.9	—	—
Total	\$ 14.2	\$ 14.2	\$—	\$—

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	December 31, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities:				
Mutual funds	\$13.3	\$13.3	\$—	\$—
Convergys common stock	4.9	4.9	—	—
Money market accounts	1.3	1.3	—	—
Total	\$19.5	\$19.5	\$—	\$—

At December 31, 2013 and 2012, the Company held time deposits with maturities greater than 90 days and less than 180 days measured at fair value. The valuation technique used to measure the fair value of the time deposits was based on observable market data. There were no transfers between the three levels of the fair value hierarchy during 2013 and 2012. The assets measured at fair value on a recurring basis as of December 31, 2013 and 2012 were as follows:

	December 31, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term Investments:				
Cash time deposits	\$68.7	\$—	\$68.7	\$—
Total	\$68.7	\$—	\$68.7	\$—

	December 31, 2012	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term Investments:				
Cash time deposits	\$64.3	\$—	\$64.3	\$—
Total	\$64.3	\$—	\$64.3	\$—

Fair values of cash equivalents and current accounts receivable and payable approximate the carrying amounts because of their short-term nature.

14. INCOME TAXES

The Company's provision for income taxes from continuing operations consists of the following:

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	Year Ended December 31,		
	2013	2012	2011
Current:			
United States federal	\$(3.1)\$(0.9)\$79.7
Foreign	10.2	8.0	11.0
State and local	1.5	(1.8	)0.3
Total current	8.6	5.3	91.0
Deferred:			
United States federal	30.7	(4.7	)13.3
Foreign	34.0	(0.8	)4.7
State and local	(0.8	)1.3	6.9
Total deferred	63.9	(4.2	)15.5
Total	\$72.5	\$1.1	\$106.5

The Company's combined pre-tax earnings from continuing operations relating to foreign subsidiaries or branches were \$99.1, \$77.1 and \$52.0 during 2013, 2012 and 2011, respectively.

The following is a reconciliation of the statutory federal income tax rate with the effective tax rate from continuing operations for the tax expense in 2013, 2012 and 2011, respectively:

	Year Ended December 31,			
	2013	2012	2011	
U.S. federal statutory rate	35.0	% 35.0	% 35.0	%
Permanent differences	6.8	12.4	1.6	
State and local income taxes, net of federal income tax	0.4	(3.4	) 0.9	
International rate differential, including tax holidays	(14.0	) (54.2	) (3.3)
Foreign valuation allowances	—	(4.9	) 1.3	
Asset impairments and other	—	46.5	—	
Adjustments for uncertain tax positions	2.3	(1.8	) 4.7	
Restructuring	—	(9.2	) (10.6)
Tax credits and other	(10.4	) (16.6	) (2.2)
Unremitted earnings, net of foreign tax credits	35.2	—	—	
Effective rate	55.3	% 3.8	% 27.4	%

The increase in the income tax rate in 2013 is primarily due to additional tax expense of \$46.4 to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries, reflecting management's plans to repatriate undistributed earnings of the Company's foreign subsidiaries to contribute funding to our announced acquisition of SGS Holdings, Inc. The higher income tax rate in 2013 was also impacted by a shift in the geographical mix of worldwide income. The Company's foreign taxes for 2013, 2012 and 2011 included \$2.5, \$3.5 and \$2.5, respectively, of benefit derived from tax holidays in the Philippines, India and Costa Rica. This resulted in a (1.9)%, (11.6)% and (0.7)% impact to the effective tax rate in 2013, 2012 and 2011, respectively. The Company's foreign taxes for 2011 included \$0.9 of benefit related to a tax holiday in India which expired March 2011. The tax holidays in the Philippines were scheduled to expire by December 2013. The Company has applied for one- or two-year extensions of the Philippine tax holidays in accordance with local law.

The components of deferred tax assets and liabilities are as follows:

	At December 31,	
	2013	2012
Deferred tax assets:		
Loss and credit carryforwards	\$66.6	\$54.1
Pension and employee benefits	31.7	50.9
Restructuring	0.6	2.4
Deferred revenue	3.9	3.9
Foreign currency hedge	11.5	—
Other	28.9	43.1
Valuation allowances	(26.2)	(19.7)
Total deferred tax assets	117.0	134.7
Deferred tax liabilities:		
Depreciation and amortization	161.4	163.2
Deferred implementation costs	1.3	1.4
Contingent debt and accrued interest	57.6	50.4
Foreign currency hedge	—	7.2
Unremitted foreign earnings	61.8	15.1
Other	8.0	7.8
Total deferred tax liabilities	290.1	245.1
Net deferred tax liabilities	\$(173.1)	\$(110.4)

Deferred tax assets and liabilities in the preceding table, after netting by taxing jurisdiction, are in the following captions in the Consolidated Balance Sheets at December 31, 2013 and 2012.

	At December 31,	
	2013	2012
Current deferred tax asset	\$6.2	\$8.9
Non-current deferred tax asset	8.9	19.2
Current deferred tax liability	37.4	2.0
Non-current deferred tax liability	150.8	136.5
Total deferred tax liability	\$(173.1)	\$(110.4)

As of December 31, 2013 and 2012, \$0.3 of the valuation allowances relate to the Company's foreign operations.

As of December 31, 2013, the Company has federal, state, and foreign operating loss carryforwards of \$55.2, \$736.8 and \$32.2, respectively. The federal operating loss carryforwards and state operating loss carryforwards expire between 2017 and 2033. The foreign operating loss carryforwards include \$13.8 with no expiration date; the remainder will expire between 2014 and 2028. The federal and state operating loss carryforwards include losses of \$51.0 and \$98.5, respectively, which were acquired in connection with business combinations. Utilization of the acquired federal and state tax loss carryforwards may be limited pursuant to Section 382 of the Internal Revenue Code of 1986.

During the fourth quarter of 2013, the Company changed the classification for a portion of undistributed earnings of its foreign subsidiaries to reflect management's plans to repatriate undistributed earnings of the Company's foreign subsidiaries to contribute funding to our announced acquisition of SGS Holdings, Inc. As a result of this change, the Company recognized \$46.4 of additional income tax expense during 2013 to record the applicable deferred tax liability. As of December 31, 2013, the Company still had \$433.6 of undistributed earnings of its foreign subsidiaries for which it has not provided for U.S. federal income taxes or foreign withholding taxes because such earnings are intended to be reinvested indefinitely. It is not practicable to determine the amount of applicable taxes that would be due if such were distributed.

As of December 31, 2013 and 2012, the liability for unrecognized tax benefits was \$52.1 and \$54.0, respectively, including \$19.5 and \$19.1 of accrued interest and penalties, respectively, and is recorded within the other long-term liabilities in the accompanying Consolidated Balance Sheets. The total amount of net unrecognized tax benefits that would affect income tax expense, if ever recognized in the Consolidated Financial Statements, is \$43.8. This amount includes net interest and penalties of \$17.5. The Company's policy is to recognize interest and penalties accrued on unrecognized tax benefits as part of income tax expense. During 2013, the Company recognized expense of \$0.2 in interest and penalties, compared to a net benefit of \$2.9 during 2012.

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A reconciliation of the beginning and ending total amounts of unrecognized tax benefits (exclusive of interest and penalties) is as follows:

	2013	2012
Balance at January 1	\$34.9	\$88.8
Additions based on tax positions related to the current year	0.3	0.5
Additions for tax positions of prior years	—	2.8
Reductions for tax positions of prior years	(1.8	)(15.8
Settlements	(0.2	)(40.0
Lapse of statutes	(0.6	)(1.4
Balance at December 31	\$32.6	\$34.9

The liability for unrecognized tax benefits related to discontinued operations at December 31, 2013 and 2012 was \$10.5 and \$11.8, respectively.

The decrease in the liability for unrecognized tax benefits was largely due to resolution of tax audits and the lapsing of the statute of limitations in federal, state and foreign jurisdictions. The Company is currently attempting to resolve income tax audits relating to prior years in various jurisdictions. The Company has received assessments from these jurisdictions related to transfer pricing and deductibility of expenses. The Company believes that it is appropriately reserved with regard to these assessments as of December 31, 2013. Furthermore, the Company believes that it is reasonably possible that the total amounts of unrecognized tax benefits will decrease between \$2.0 and \$10.0 prior to December 31, 2014, based upon resolution of audits; however, actual developments could differ from those currently expected.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to examinations by tax authorities for years before 2002.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss):

	Foreign Currency	Derivative Financial Instruments	Pension Liability	Total
Balance at December 31, 2012	\$36.4	\$11.4	\$(58.3	)(10.5
Other comprehensive (loss) income before reclassifications	(1.3	)(35.1	)(10.3	(26.1
Adjustment of pension and other post employment obligations	—	—	15.9	15.9
Amounts reclassified from accumulated other comprehensive income	—	1.2	—	1.2
Net current-period other comprehensive (loss) income	(1.3	)(33.9	)(26.2	(9.0
Balance at December 31, 2013	\$35.1	\$(22.5	)(32.1	)(19.5

The following table summarizes the reclassification out of accumulated other comprehensive income (loss) during 2013:

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Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
Loss on derivative instruments	\$(2.1)	) Cost of providing services and products sold and Selling, general and administrative
Tax benefit	0.9	) Income tax benefit
Loss on derivative instruments, net of tax	(1.2)	) Net of tax
Adjustment of pension and other post employment obligations	(24.9)	) Selling, general and administrative
Tax benefit	9.0	) Income tax benefit
Adjustment of pension and other post employment obligations, net of tax	(15.9)	) Net of tax
Total reclassifications for the period	\$(17.1))

16. ADDITIONAL FINANCIAL INFORMATION

	At December 31,	
	2013	2012
Property and equipment, net:		
Land	\$6.9	\$12.7
Buildings	101.5	107.7
Leasehold improvements	189.3	180.6
Equipment	480.4	524.1
Software	311.9	305.5
Construction in progress and other	32.0	33.4
	1,122.0	1,164.0
Less: Accumulated depreciation	(875.6)	(884.8)
	\$246.4	\$279.2
Payables and other current liabilities:		
Accounts payable	\$30.9	\$50.6
Deferred tax liability	37.4	2.0
Accrued income and other taxes	22.3	19.2
Accrued payroll-related expenses	85.9	97.7
Derivative liabilities	21.2	6.1
Accrued expenses, other	68.9	73.6
Restructuring and exit costs	2.3	5.5
Deferred revenue and government grants	22.8	31.1
	\$291.7	\$285.8

17. INDUSTRY SEGMENT AND GEOGRAPHIC OPERATIONS

Industry Segment Information

As a result of the change in classification of the Information Management business to discontinued operations, the change in our Chief Executive Officer in the fourth quarter of 2012, and in order to reflect the internal financial

reporting structure and operating focus of our new management team and chief operating decision maker, we report operating results and assets and liabilities as a single segment on a consolidated basis. Segment information for previous periods has been reclassified to conform to the current reporting structure.

Geographic Operations

The following table presents certain geographic information regarding the Company's operations:

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	Year Ended December 31,		
	2013	2012	2011
Revenues:			
North America	\$1,860.8	\$1,836.4	\$1,790.1
Rest of World	185.3	168.6	143.1
	\$2,046.1	\$2,005.0	\$1,933.2
		At December 31,	
		2013	2012
Long-lived Assets:			
North America		\$762.9	\$828.5
Rest of World		133.4	108.8
		\$896.3	\$937.3

Concentrations

The Company derives significant revenues from AT&T. Revenues from AT&T were 20.9%, 23.1% and 23.4% of the Company's consolidated revenues from continuing operations for 2013, 2012 and 2011, respectively. Related accounts receivable from AT&T totaled \$73.8 and \$73.0 at December 31, 2013 and 2012, respectively. The Company also derives significant revenues from DIRECTV and Comcast. Revenues for DIRECTV were 12.5%, 12.3% and 11.8% of the Company's consolidated revenues from continuing operations for 2013, 2012 and 2011, respectively. Revenues for Comcast were 12.4%, 12.4% and 12.0% of the Company's consolidated revenues from continuing operations for 2013, 2012 and 2011, respectively.

18. SUBSEQUENT EVENTS

Merger Agreement

On January 6, 2014, the Company and its wholly-owned subsidiary, Comet Merger Co. ("Merger Sub") entered into an Agreement and Plan of Merger (the "Merger Agreement") with SGS Holdings, Inc. ("Stream") and, for limited purposes, other Sellers listed in the Merger Agreement. In accordance with the Merger Agreement, Merger Sub will merge with and into Stream, with Stream surviving the Merger as a wholly-owned subsidiary of the Company.

The Board of Directors of each of the Company and Stream have approved the Merger. The Company has received a copy of an irrevocable written consent executed by holders of 100% of the currently outstanding shares of common stock of Stream, adopting the Merger Agreement and the anticipated transactions.

The aggregate purchase price of \$820.0 will be subject to an adjustment following the closing based on actual levels of Stream's cash, debt and working capital at closing.

Commitment Letter

In connection with the Merger Agreement, on January 6, 2014, the Company entered into a Commitment Letter with Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A. with respect to a \$650.0 senior credit facility consisting of a \$300.0 revolving credit facility and a \$350.0 term loan facility. The proceeds will be used to fund a portion of the purchase price payment under the Merger Agreement, as well as for general purposes determined by the Company.

Citigroup Global Markets Inc. and Bank of America, N.A. have each committed to fund 50% of the term loan facility and a portion of the revolving credit facility, subject to certain terms and conditions.

Accounts Receivable Securitization Facility

On January 6, 2014, the Company entered into an amendment to the Company's existing accounts receivable securitization facility with Liberty Funding LLC, The Bank of Nova Scotia, as a Committed Purchaser and as Scotiabank Group Agent, and Wells Fargo Bank, N.A., individually as a Purchaser and as Administrative Agent, to extend the term of the facility to January 6, 2017, subject to certain limitations and extensions, and other amendments to that facility.

19. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (a)	Total
2013:					
Revenues	\$493.5	\$504.3	\$521.0	\$527.3	\$2,046.1
Operating Income	36.5	30.1	31.3	39.5	137.4
Income (loss) from Continued Operations, net of tax	30.2	22.0	28.2	(21.9)	58.5
(Loss) Income from Discontinued Operations, net of tax	(5.1)	1.4	5.7	0.4	2.4
Net Income (loss)	25.1	23.4	33.9	(21.5)	60.9
Basic Earnings Per Common Share:					
Continuing Operations	\$0.28	\$0.21	\$0.27	\$(0.21)	\$0.57
Discontinued Operations	(0.04)	0.02	0.06	—	0.02
Basic Earnings Per Common Share	\$0.24	\$0.23	\$0.33	\$(0.21)	\$0.59
Diluted Earnings Per Common Share					
Continuing Operations	\$0.27	\$0.20	\$0.26	\$(0.21)	\$0.54
Discontinued Operations	(0.04)	0.02	0.05	—	0.02
Diluted Earnings Per Common Share	\$0.23	\$0.22	\$0.31	\$(0.21)	\$0.56
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (b)	Total
2012:					
Revenues	\$497.5	\$491.1	\$507.6	\$508.8	\$2,005.0
Operating Income (Loss)	29.0	(60.5)	39.1	31.0	38.6
Income (loss) from Continued Operations, net of tax	21.4	(53.7)	30.3	30.2	28.2
Income (loss) from Discontinued Operations, net of tax	4.7	68.3	(2.4)	1.8	72.4
Net Income	26.1	14.6	27.9	32.0	100.6
Basic Earnings Per Common Share:					
Continuing Operations	\$0.19	\$(0.47)	\$0.27	\$0.28	\$0.25
Discontinued Operations	0.04	0.60	(0.02)	0.02	0.65
Basic Earnings Per Common Share	\$0.23	\$0.13	\$0.25	\$0.30	\$0.90
Diluted Earnings Per Common Share					
Continuing Operations	\$0.18	\$(0.47)	\$0.26	\$0.27	\$0.24
Discontinued Operations	0.04	0.60	(0.02)	0.02	0.62
Basic Earnings Per Common Share	\$0.22	\$0.13	\$0.24	\$0.29	\$0.86

(a) Fourth quarter 2013 includes a decrease in operating income of \$3.9 resulting from \$2.7 of transaction expenses associated with Convergys' anticipated acquisition Stream and \$1.2 of net pension and other post employment benefit plan charges. The net pension and other post employment benefit plan charge consists of a \$1.5 pension settlement charge and settlement gain of \$0.3 related to the Executive Deferred Compensation Plan. Fourth quarter 2013 also includes \$46.4 of tax expense to record the deferred tax liability associated with a change in classification for a portion of undistributed earnings of the Company's foreign subsidiaries. See Note 14 of the Notes to Consolidated Financial Statements for further information.

(b) Fourth quarter includes a decrease in operating income of \$6.8 related to a pension settlement charge due to a high volume of lump sum payouts as a result of the sale of the Information Management business.

The sum of the quarterly earnings (loss) per common share may not equal the annual amounts reported because per share amounts are computed independently for each quarter and for full year based on respective weighted-average common shares outstanding and other dilutive potential common shares.

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ITEM 9. AND 9A.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

No disagreements with accountants on any accounting or financial disclosure or auditing scope or procedure occurred during 2013.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer evaluated, together with General Counsel, the Chief Accounting Officer and other key members of management, the effectiveness of design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Act)) as of the year ended December 31, 2013 (Evaluation Date). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the Evaluation Date such that the information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF MANAGEMENT

Attestation Report on Internal Control Over Financial Reporting

Management's Responsibilities for and Audit Committee Oversight of the Financial Reporting Process

The management of Convergys Corporation is responsible for the preparation, integrity and fair presentation of the Consolidated Financial Statements and all related information appearing in this Annual Report. The Consolidated Financial Statements and notes have been prepared in conformity with accounting principles generally accepted in the United States and include certain amounts, which are estimates based upon currently available information, and management's judgment of current conditions and circumstances.

The Audit Committee, consisting entirely of independent directors, meets regularly with management, the compliance officer, internal auditors and the independent registered public accounting firm, and reviews audit plans and results, as well as management's actions taken in discharging responsibilities for accounting, financial reporting and internal control. Ernst & Young LLP, independent registered public accounting firm, and the internal auditors have direct and confidential access to the Audit Committee at all times to discuss the results of their examinations.

Management's Report on Internal Control over Financial Reporting

Convergys' management is also responsible for establishing and maintaining adequate internal control over financial reporting that is designed to produce reliable Financial Statements in conformity with accounting principles generally accepted in the United States. The system of internal control over financial reporting is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any internal control system, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and may not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to Financial Statement preparation and presentation.

Convergys' management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (1992). Based on its assessment, management has concluded that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

Convergys engaged Ernst & Young LLP in 2013 to perform an integrated audit of the Consolidated Financial Statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Their report appears on page 37. Additionally, Ernst & Young LLP has issued an audit report on the Company's internal control over financial reporting. That report appears on page 78.

/s/ Andrea J. Ayers
Andrea J. Ayers
Chief Executive Officer

/s/ Andre S. Valentine
Andre S. Valentine
Chief Financial Officer

February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Convergys Corporation

We have audited Convergys Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Convergys Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Report of Management." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Convergys Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Convergys Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 28, 2014, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP
Cincinnati, Ohio

February 28, 2014

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ITEM 9B.

ITEM 9B. OTHER INFORMATION

None.

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PART III

PART III, ITEM 10. THROUGH 14.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors, Audit Committee financial experts, Financial Code of Ethics and Section 16 compliance is incorporated herein by reference to the Company's proxy statement relating to its annual meeting of shareholders to be held on April 24, 2014. See "Corporate Governance," "Board of Directors and Committees," "Election of Directors" and "Share Ownership" sections in the Company's proxy statement.

Certain information concerning the executive officers of the Company is contained on page 13 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the Company's proxy statement relating to its annual meeting of shareholders to be held on April 24, 2014. See "Compensation and Benefits Committee Report," "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year End," "Option Exercises and Stock Vested," "Pension Benefits," "Non-Qualified Deferred Compensation," "Payments Upon Termination or In Connection With Change of Control," and "Director Compensation" sections of the Company's proxy statement. See also "Compensation and Benefits Committee Interlocks and Insider Participation" under the "Corporate Governance" section in the proxy statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The share ownership of certain beneficial owners, directors and officers is incorporated herein by reference to the Company's proxy statement relating to its annual meeting of shareholders to be held on April 24, 2014. See "Share Ownership" section of the Company's proxy statement.

The remaining information called for by this Item relating to "securities authorized for issuance under equity compensation plans" is incorporated by reference to Note 10 of the Notes to Consolidated Financial Statements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Relationships and related transactions section, and director independence is incorporated herein by reference to the Company's proxy statement relating to its annual meeting of shareholders to be held on April 24, 2014. See "Related Party Transactions" under the "Corporate Governance" section and "Director Independence" under the "Board of Directors and Committees" section of the Company's proxy statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Company's proxy statement relating to its annual meeting of shareholders to be held on April 24, 2014. See "Audit Fees" section of the Company's proxy statement.

PART IV, ITEMS 15., 15(a)(1) AND (2)

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

ITEM 15(a)(1) AND (2). LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of Convergys are included in Item 8:

	Page
(1) Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	<u>37</u>
Consolidated Statements of Income	<u>38</u>
Consolidated Statements of Comprehensive Income	<u>39</u>
Consolidated Balance Sheets	<u>40</u>
Consolidated Statements of Cash Flows	<u>41</u>
Consolidated Statements of Shareholders' Equity	<u>43</u>
Notes to Consolidated Financial Statements	<u>44</u>
(2) Financial Statement Schedule:	
II - Valuation and Qualifying Accounts	<u>81</u>

Financial statement schedules other than that listed above have been omitted because the required information is not required or applicable.

CONVERGYS CORPORATION
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
 (In millions)

Description	Balance at Beginning of Period	Additions Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Year 2013					
Allowance for Doubtful Accounts	\$5.9	\$12.2	\$—	\$12.8	[a] \$5.3
Deferred Tax Asset Valuation Allowance	\$19.7	\$6.0	[b] \$—	\$4.5	[c] \$21.2
Year 2012					
Allowance for Doubtful Accounts	\$9.3	\$11.9	\$—	\$15.3	[a] \$5.9
Deferred Tax Asset Valuation Allowance	\$21.3	\$4.2	[d] \$—	\$5.8	[e] \$19.7
Year 2011					
Allowance for Doubtful Accounts	\$8.4	\$13.4	\$(0.2)	\$12.3	[a] \$9.3
Deferred Tax Asset Valuation Allowance	\$20.7	\$2.6	[d] \$—	\$2.0	[f] \$21.3

- [a] Primarily includes amounts written-off as uncollectible.
- [b] Amounts relate to valuation allowances recorded for state operating loss carryforwards and federal operating loss carryforwards.
- [c] Primarily includes the release of state valuation allowances and adjustment of valuation related to state operating loss carryforwards.

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[d] Amounts relate to valuation allowances recorded for state operating loss carryforwards, foreign operating loss carryforwards and capital loss carryforwards.

[e] Primarily includes the release of foreign valuation allowances related to the utilization of foreign net operating losses in the current year and adjustment of valuation related to state tax credits.

[f] Primarily includes the release of state valuation allowances related to the utilization of state net operating losses in the current year, adjustment of valuation related to state tax credits and capital loss carryforwards.

(3) EXHIBITS:

Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

Exhibit Number

- 2.1 Agreement and Plan of Merger, dated January 6, 2014. (Incorporated by reference from Exhibit 2.1 to Form 8-K filed on January 7, 2014.)
- 3.1 Amended Articles of Incorporation of the Company. (Incorporated by reference from Exhibit 3.1 to Form 10-Q filed on May 5, 2010.)
- 3.2 Amended and Restated Code of Regulations of Convergys Corporation. (Incorporated by reference from Exhibit 3.1 to Form 8-K filed on May 2, 2011.)
- 4.1 Indenture, dated October 13, 2009, by and between Convergys Corporation and U.S. Bank National Association, as trustee, relating to Convergys Corporation's 5.75% Junior Subordinated Convertible Debentures due 2029. (Incorporated by reference from Exhibit 4.1 to Form 8-K filed October 13, 2009.)
- 4.2 Form of 5.75% Junior Subordinated Convertible Debenture due 2029. (Incorporated by reference from Exhibit 4.1 to Form 8-K filed October 13, 2009.)
- 4.3 Convergys Corporation Retirement and Savings Plan as amended and restated dated January 28, 2008. (Incorporated by reference from Exhibit 10.17 to Form 10-K filed on February 27, 2009.) *
- 4.4 Amendment to Convergys Corporation Retirement and Savings Plan dated March 31, 2008. (Incorporated by reference from Exhibit 10.18 to Form 10-K filed on February 27, 2009.) *
- 4.5 Amendment to Convergys Corporation Retirement and Savings Plan dated December 23, 2008. (Incorporated by reference from Exhibit 10.19 to Form 10-K filed on February 27, 2009.) *
- 4.6 Convergys Corporation Retirement and Savings Plan (PPA Restatement) dated January 28, 2013.
- 10.1 Termination of a Material Definitive Agreement, dated May 31, 2012, in connection with the Company's purchase of its leased office facility in Orlando, Florida, and discharge of the related capital lease. (Incorporated by reference from Form 8-K filed on June 1, 2012.)
- 10.2 Stock and Asset Purchase Agreement, dated March 22, 2012, among the Company, NEC Corporation and NetCracker Technology Corporation. (Incorporated by reference from Exhibit 2.1 to Form 8-K, filed on March 27, 2012.)
- 10.3 \$300,000,000 Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of March 11, 2011 among Convergys Corporation, The Lenders Party Hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent and BNP Paribas, The Bank of Nova Scotia, PNC Bank, National Association, and Wells Fargo Bank, N.A., as Co-Documentation Agents. (Incorporated by reference from Exhibit 10.1 to Form 8-K filed on March 16, 2011.)
- 10.4 Guarantee and Contribution Agreement dated as of March 11, 2011, among Convergys Corporation and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders party to the \$300,000,000 Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of March 11, 2011. (Incorporated by reference from Exhibit 10.2 to Form 8-K filed on March 16, 2011.)
- 10.5 Amendment No. 2 dated as of May 21, 2013, to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of March 11, 2011, among Convergys Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (Incorporated by reference from Exhibit 10.1 to Form 10-Q filed on July 30, 2013.)
- 10.6 Amendment No. 1 to Certain Operative Agreements, dated as of April 21, 2011, by and among Convergys Corporation, the Guarantors, Wachovia Development Corporation, the various banks and other lending institutions party thereto as lenders, and Wells Fargo Bank, National Association. (Incorporated by reference from exhibit 10.1 to Form 8-K filed on April 27, 2011.)
- 10.7 Form of Joinder Agreement, dated as of April 21, 2011, by and among Asset Ohio Fourth Street LLC, Brite Voice Systems, Inc., Convergys Cellular Systems Company, Convergys Customer Management Group Canada Holding Inc., Convergys Customer Management International Inc., and Convergys Finance Corp. as

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Subsidiary Guarantors, Convergys Corporation as Lessee, and Wells Fargo Bank, National Association, as Agent. Each of the Subsidiary Guarantors executed a Joinder Agreement identical in all material respects to the copy filed herewith except as to the Subsidiary Guarantor party thereto. (Incorporated by reference from exhibit 10.2 to Form 8-K filed on April 27, 2011.)

- 10.8 Purchase Agreement, dated June 2, 2011, among Convergys Cellular Systems Company, New Cingular Wireless PCS, LLC and SBC Tower Holdings LLC. (Incorporated by reference from Exhibit 2.1 to Form 8-K filed on June 3, 2011.)

- 10.9 Convergys Corporation Deferred Compensation and Long-Term Incentive Plan Award Deferral Plan for Non-Employee Directors as amended and restated effective February 24, 2004. (Incorporated by reference from Exhibit 10.24 to Form 10-Q filed on August 9, 2004.) *
- 10.10 Convergys Corporation Deferred Compensation Plan for Non-Employee Directors dated August 26, 2008. (Incorporated by reference from Exhibit 10.2 to Form 10-Q filed on November 5, 2008.) *
- 10.11 Convergys Corporation Amended and Restated Long-Term Incentive Plan, effective January 31, 2013. (Incorporated by reference to Exhibit 10.3 to Form 10-Q filed on April 30, 2013.)
- 10.12 Convergys Corporation Supplemental Executive Retirement Plan amended effective February 20, 2007. (Incorporated by reference from Exhibit 10.1 to Form 10-Q filed on August 7, 2007.) *
- 10.13 Convergys Corporation Supplemental Executive Retirement Plan as amended dated August 26, 2008. (Incorporated by reference from Exhibit 10.3 to Form 10-Q filed on November 5, 2008.) *
- 10.14 Amendment to Convergys Corporation Supplemental Executive Retirement Plan dated December 22, 2011. (Incorporated by reference from Exhibit 10.12 to Form 10-K filed on February 23, 2012.) *
- 10.15 Convergys Corporation Executive Deferred Compensation Plan as amended October 29, 2001. (Incorporated by reference from Exhibit 10.9 to Form 10-K filed on February 28, 2008.) *
- 10.16 Convergys Corporation Executive Deferred Compensation Plan as amended effective February 24, 2004. (Incorporated by reference from Exhibit 10.25 to Form 10-Q filed on August 9, 2004.) *
- 10.17 Convergys Corporation Executive Deferred Compensation Plan as amended dated December 21, 2005. (Incorporated by reference from Exhibit 10.14 to Form 10-K filed on February 27, 2009.) *
- 10.18 Convergys Corporation Executive Deferred Compensation Plan as amended dated October 21, 2008. (Incorporated by reference from Exhibit 10.15 to Form 10-K filed on February 27, 2009.) *
- 10.19 Amendment to Convergys Corporation Executive Deferred Compensation Plan dated April 1, 2011. (Incorporated by reference to Exhibit 10.50 to Form 10-K filed on February 23, 2012.) *
- 10.20 Amendment to Convergys Corporation Executive Deferred Compensation Plan dated December 22, 2011. (Incorporated by reference from Exhibit 10.17 to Form 10-K filed on February 23, 2012.) *
- 10.21 Amendment to Convergys Corporation Executive Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.1 to Form 10-Q filed on November 6, 2013.)
- 10.22 Convergys Corporation Employee Stock Purchase Plan. (Incorporated by reference from Appendix IV of Convergys Corporation's Definitive Schedule 14A filed on March 12, 2004.) *
- 10.23 Convergys Corporation Canadian Employee Share Plan. (Incorporated by reference from Exhibit 4.2.1 to Form S-8 Registration Statement (File No. 333-86137) filed on December 29, 1999.) *
- 10.24 Convergys Corporation Annual Executive Incentive Plan, as Amended and Restated, Effective on February 2, 2012. (Incorporated by reference from Exhibit 10.2 to Form 10-Q filed on May 8, 2012.)
- 10.25 Convergys Corporation Qualified and Non-Qualified Pension Plan as amended and restated dated January 28, 2008. (Incorporated by reference from Exhibit 10.22 to Form 10-K filed on February 27, 2009.) *
- 10.26 Amended Convergys Corporation Qualified and Non-Qualified Pension Plan dated March 31, 2008. (Incorporated by reference from Exhibit 10.23 to Form 10-K filed on February 27, 2009.) *
- 10.27 Amended Convergys Corporation Qualified and Non-Qualified Pension Plan dated December 17, 2008. (Incorporated by reference from Exhibit 10.24 to Form 10-K filed on February 27, 2009.) *
- 10.28 Amendment to Convergys Corporation Qualified and Non-Qualified Pension Plan dated June 29, 2011. (Incorporated by reference to Exhibit 10.51 to Form 10-K filed on February 23, 2012.) *
- 10.29 2012 Form of Executive Officer Severance Agreement. (Incorporated by reference from Exhibit 10.4 to Form 10-Q filed on July 31, 2012.) *
- 10.30 2012 Convergys Corporation Senior Executive Severance Pay Plan (Incorporated by reference from Exhibit 10.1 to Form 8-K filed on October 25, 2012.) *
- 10.31 2011 Form of Time-Based Restricted Stock Unit Award Agreement for Employees (Incorporated by reference from Exhibit 10.41 to Form 10-K filed on February 25, 2011).*
- 10.32 2011 Form of Performance-Based Restricted Stock Unit Award Agreement for Employees (Incorporated by reference from Exhibit 10.42 to Form 10-K filed on February 25, 2011).*

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- 10.33 2011 Form of Stock Option Award Agreement for Employees (Incorporated by reference from Exhibit 10.43 to Form 10-K filed on February 25, 2011).*
- 10.34 2013 Form of Time-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.1 to Form 10-Q filed on April 30, 2013).
- 10.35 2013 Form of Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.2 to Form 10-Q filed on April 30, 2013).

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- 10.36 Trust Agreement, dated as of December 23, 2011, between Convergys Corporate and Fidelity Management Trust Company for the Convergys Corporation Executive Deferred Compensation Plan and Convergys Corporate Deferred Compensation Plan for Non-Employee Directors Trust. (Incorporated by reference from Exhibit 10.42 to Form 10-K file on February 23, 2012.) *
- 10.37 Amended and Restated Participation Agreement, dated as of June 30, 2010, between Convergys Corporation, Various Guarantors, Wachovia Development Corporation, as the Borrower and Lessor, Various Credit Lenders, Various Mortgage Lenders and Wells Fargo Bank, National Association, as Agent. (Incorporated by reference from Exhibit 10.2 to Form 10-Q filed on August 9, 2010.)
- 10.38 Second Amended and Restated Lease Agreement, dated as of June 30, 2010, between Wachovia Development Corporation and Convergys Corporation. (Incorporated by reference from Exhibit 10.3 to Form 10-Q filed on August 9, 2010.)
- 10.39 Amended and Restated Security Agreement, dated as of June 30, 2010, between Wachovia Development Corporation and Wells Fargo Bank, National Association and accepted and agreed to by Convergys Corporation. (Incorporated by reference from Exhibit 10.4 to Form 10-Q filed on August 9, 2010.)
- 10.40 Assignment and Recharacterization Agreement, dated as of June 30, 2010, between Convergys Corporation, Existing Guarantors, Wachovia Development Corporation, Existing Credit Note Purchasers, Existing Debt Providers, Wells Fargo Bank, National Association, Wachovia Development Corporation and the Lenders. (Incorporated by reference from Exhibit 10.5 to Form 10-Q filed on August 9, 2010.)
- 10.41 Amended and Restated Letter Agreement, dated October 30, 2012, between the Company and Jeffrey H. Fox. (Incorporated by reference from Exhibit 10.42 to Form 10-K filed on February 21, 2013.)
- 10.42 Transition letter, dated April 26, 2013, between the Company and Jeffrey H. Fox. (Incorporated by reference from Exhibit 10.1 to Form 8-K filed on April 26, 2013.)
- 10.43 Receivables Sales Agreement, dated as of June 30, 2009, between Convergys Corporation, as Originator, and Convergys Funding Inc., as Buyer. (Incorporated by reference from Exhibit 10.1 to Form 10-Q filed on August 4, 2009.)
- 10.44 Receivables Purchase Agreement, dated as of June 30, 2009, among Convergys Funding Inc. as Seller, Convergys Corporation as Services, Wachovia Bank, National Association, Liberty Street Funding LLC, the Bank of Nova Scotia, The Bank of Nova Scotia as Scotiabank Group Agent, and Wachovia Bank, National Association as Administrative Agent. (Incorporated by reference from Exhibit 10.2 to Form 10-Q filed on August 4, 2009.)
- 10.45 Amendment No. 3 to Receivables Purchase Agreement, dated as of June 24, 2011, among Convergys Corporation, as initial Servicer and Performance Guarantor, Convergys Funding Inc., as Seller, Liberty Street Funding LLC, The Bank of Nova Scotia, as Purchaser and Scotiabank Group Agent, and Wells Fargo Bank, N.A., successor by merger to Wachovia Bank, National Association, as Purchaser and Administrative Agent. (Incorporated by reference from Exhibit 10.1 to Form 8-K filed on June 29, 2011.)
- 10.46 Amendment No. 5 to Receivables Purchase Agreement, dated as of January 6, 2014, among Convergys Corporation, as initial Servicer and Performance Guarantor, Convergys Funding Inc., as Seller, Liberty Street Funding LLC, The Bank of Nova Scotia, as a Committed Purchaser and as Scotiabank Group Agent, and Wells Fargo Bank, N.A., individually as a Purchaser and as Administrative Agent.
- 12 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
- 21 Subsidiaries of Convergys Corporation.
- 23 Consent of Ernst & Young LLP, Independent Registered Public accounting for the Company.
- 24 Powers of Attorney.
- 31.1 Rule 13a - 14(a) Certification by Chief Executive Officer.
- 31.2 Rule 13a - 14(a) Certification by Chief Financial Officer.
- 32.1 Certification by Chief Executive Officer of Periodic Financial Reports Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Chief Financial Officer of Periodic Financial Reports Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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101 The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 28, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income and Comprehensive Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Shareholders' Equity, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

ITEM 15(b) AND (c). EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

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The responses to these portions of Item 15 are submitted as a separate section of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 28, 2014	CONVERGYS CORPORATION By /s/ Andre S. Valentine Andre S. Valentine Chief Financial Officer
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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ ANDREA J. AYERS Andrea J. Ayers	Principal Executive Officer; Chief Executive Officer and Director	February 28, 2014
/s/ ANDRE S. VALENTINE Andre S. Valentine	Principal Financial Officer; Chief Financial Officer	February 28, 2014
/s/ TAYLOR C. GREENWALD Taylor C. Greenwald	Chief Accounting Officer; Senior Vice President and Controller	February 28, 2014
JOHN F. BARRETT* John F. Barrett	Director	
RICHARD R. DEVENUTI* Richard R. Devenuti	Director	
JEFFREY H. FOX* Jeffrey H. Fox	Chairman	
JOSEPH E. GIBBS* Joseph E. Gibbs	Director	
JOAN E. HERMAN* Joan E. Herman	Director	
THOMAS L. MONAHAN III* Thomas L. Monahan III	Director	
RONALD L. NELSON* Ronald L. Nelson	Director	
RICHARD F. WALLMAN* Richard F. Wallman	Director	

*By: /s/ Andre S. Valentine
Andre S. Valentine
as attorney-in-fact

February 28, 2014

