

OMNICOM GROUP INC.  
Form 10-Q  
October 20, 2015

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

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FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

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Commission File Number: 1-10551

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OMNICOM GROUP INC.  
(Exact name of registrant as specified in its charter)

New York 13-1514814  
(State or other jurisdiction of incorporation or (IRS Employer Identification No.)  
organization)

437 Madison Avenue, New York, New York 10022  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 415-3600

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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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 web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

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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As of October 15, 2015, there were 242,255,205 shares of Omnicom Group Inc. Common Stock outstanding.

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OMNICOM GROUP INC.  
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements, including statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, the Company or its representatives have made, or may make, forward-looking statements, orally or in writing. These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of the Company's management as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements may be accompanied by words such as "aim," "anticipate," "believe," "plan," "could," "would," "should," "estimate," "expect," "forecast," "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or similar words, phrases or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company's control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include: international, national or local economic, social or political conditions that could adversely affect the Company or its clients; losses on media purchases and production costs incurred on behalf of clients; reductions in client spending, a slowdown in client payments and changes in client advertising, marketing and corporate communications requirements; failure to manage potential conflicts of interest between or among clients; unanticipated changes relating to competitive factors in the advertising, marketing and corporate communications industries; ability to hire and retain key personnel; ability to attract new clients and retain existing clients in the manner anticipated; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company or its clients; conditions in the credit markets; risks associated with assumptions the Company makes in connection with its critical accounting estimates and legal proceedings; and the Company's international operations, which are subject to the risks of currency fluctuation and currency repatriation restrictions. The foregoing list of factors is not exhaustive. You should carefully consider the

foregoing factors and the other risks and uncertainties that may affect the Company's business, including those described in Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2014 and in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. Except as required under applicable law, the Company does not assume any obligation to update these forward-looking statements.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

OMNICOM GROUP INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In millions)

	September 30, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$1,427.5	\$2,388.1
Short-term investments, at cost	2.5	2.2
Accounts receivable, net of allowance for doubtful accounts of \$21.4 and \$24.9	6,313.9	6,524.7
Work in process	1,455.3	1,166.6
Other current assets	1,053.6	1,108.9
Total Current Assets	10,252.8	11,190.5
Property and Equipment at cost, less accumulated depreciation of \$1,227.5 and \$1,221.2	691.3	708.0
Equity Method Investments	136.5	148.2
Goodwill	8,682.7	8,822.2
Intangible Assets, net of accumulated amortization of \$662.1 and \$611.4	338.9	389.4
Other Assets	355.1	301.4
<b>TOTAL ASSETS</b>	<b>\$20,457.3</b>	<b>\$21,559.7</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$8,336.5	\$8,797.5
Customer advances	1,181.6	1,180.9
Current portion of debt	1,003.4	0.4
Short-term borrowings	9.7	7.2
Taxes payable	240.7	301.1
Other current liabilities	1,615.0	1,774.0
Total Current Liabilities	12,386.9	12,061.1
Long-Term Notes Payable	3,602.2	4,562.6
Long-Term Liabilities	772.6	774.3
Long-Term Deferred Tax Liabilities	613.5	654.7
Commitments and Contingent Liabilities (See Note 11)		
Temporary Equity - Redeemable Noncontrolling Interests	178.5	185.7
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	857.3	818.6
Retained earnings	9,968.8	9,576.9
Accumulated other comprehensive income (loss)	(981.6)	(618.2)
Treasury stock, at cost	(7,426.1)	(6,986.9)
Total Shareholders' Equity	2,478.0	2,850.0
Noncontrolling interests	425.6	471.3
Total Equity	2,903.6	3,321.3
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$20,457.3</b>	<b>\$21,559.7</b>

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue	\$3,706.6	\$3,749.6	\$10,981.1	\$11,122.7
Operating Expenses	3,278.3	3,316.0	9,636.5	9,758.0
Operating Income	428.3	433.6	1,344.6	1,364.7
Interest Expense	45.6	42.2	134.0	135.4
Interest Income	9.7	10.8	29.3	31.3
Income Before Income Taxes and Income From Equity	392.4	402.2	1,239.9	1,260.6
Method Investments				
Income Tax Expense	128.9	134.4	406.9	410.9
Income From Equity Method Investments	3.2	5.8	6.2	10.4
Net Income	266.7	273.6	839.2	860.1
Net Income Attributed To Noncontrolling Interests	27.4	29.8	76.9	85.6
Net Income - Omnicom Group Inc.	\$239.3	\$243.8	\$762.3	\$774.5
Net Income Per Share - Omnicom Group Inc.:				
Basic	\$0.97	\$0.95	\$3.08	\$2.97
Diluted	\$0.97	\$0.95	\$3.06	\$2.95
Dividends Declared Per Common Share	\$0.50	\$0.50	\$1.50	\$1.40

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	\$266.7	\$273.6	\$839.2	\$860.1
Unrealized loss on cash flow hedge, net of income taxes of (\$21.2) for the three months and (\$6.6) for the nine months ended September 30, 2015	(29.7	) —	(9.2	) —
Unrealized gain on available-for-sale securities, net of income taxes of \$0.0 and \$0.0 for the three months and \$0.1 and \$0.2 for the nine months ended September 30, 2015 and 2014, respectively	0.1	0.1	0.3	0.3
Foreign currency translation adjustment, net of income taxes of (\$109.4) and (\$181.7) for the three months and (\$203.7) and (\$128.4) for the nine months ended September 30, 2015 and 2014, respectively	(212.6	) (352.6	) (395.7	) (249.3
Defined benefit pension and postemployment plans adjustment, net of income taxes of \$1.4 and \$0.9 for the three months and \$4.4 and \$2.7 for the nine months ended September 30, 2015 and 2014, respectively	2.2	1.3	6.6	4.1
Other Comprehensive Income (Loss)	(240.0	) (351.2	) (398.0	) (244.9
Comprehensive Income (Loss)	26.7	(77.6	) 441.2	615.2
Comprehensive Income (Loss) Attributed to Noncontrolling Interests	9.8	2.2	42.3	69.2
Comprehensive Income (Loss) - Omnicom Group Inc.	\$ 16.9	\$ (79.8	) \$ 398.9	\$ 546.0

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net income	\$839.2	\$860.1
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	137.9	140.3
Amortization of intangible assets	80.8	77.1
Share-based compensation	75.4	69.5
Excess tax benefit from share-based compensation	(22.8)	(20.2)
Other, net	1.1	(1.8)
Change in operating capital	(670.8)	(1,091.9)
Net Cash Provided By Operating Activities	440.8	33.1
Cash Flows from Investing Activities:		
Capital expenditures	(145.6)	(138.3)
Acquisition of businesses and interests in affiliates, net of cash acquired	(36.2)	(65.3)
Other, net	13.1	6.5
Net Cash Used In Investing Activities	(168.7)	(197.1)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	3.6	27.3
Redemption of convertible debt	—	(252.7)
Dividends paid to common shareholders	(373.9)	(340.7)
Repurchases of common stock	(507.9)	(864.8)
Proceeds from stock plans	11.4	14.6
Acquisition of additional noncontrolling interests	(7.7)	(22.0)
Dividends paid to noncontrolling interest shareholders	(86.7)	(83.2)
Payment of contingent purchase price obligations	(55.6)	(74.5)
Excess tax benefit on share-based compensation	22.8	20.2
Other, net	(28.0)	(21.7)
Net Cash Used In Financing Activities	(1,022.0)	(1,597.5)
Effect of foreign exchange rate changes on cash and cash equivalents	(210.7)	(111.3)
Net Decrease in Cash and Cash Equivalents	(960.6)	(1,872.8)
Cash and Cash Equivalents at the Beginning of Period	2,388.1	2,710.5
Cash and Cash Equivalents at the End of Period	\$1,427.5	\$837.7

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.



OMNICOM GROUP INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Presentation of Financial Statements

The terms “Omnicom,” the “Company,” “we,” “our” and “us” each refer to Omnicom Group Inc. and our subsidiaries, unless the context indicates otherwise. The accompanying unaudited condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP” or “GAAP”) for interim financial information and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosure have been condensed or omitted.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation, in all material respects, of the information contained herein. Certain reclassifications have been made to the prior year financial information to conform to the current year presentation. These unaudited condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 10-K”). Results for the interim periods are not necessarily indicative of results that may be expected for the year.

2. New Accounting Standards

In May 2014, the FASB issued FASB ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which replaces all existing revenue recognition guidance under U.S. GAAP. On July 9, 2015, the FASB board approved a one year deferral of the effective date of ASU 2014-09 for all annual and interim reporting periods beginning December 15, 2017 and permits early application for all annual and interim periods beginning after December 15, 2016. ASU 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. The FASB has proposed further amendments to ASU 2014-09 for certain technical changes. Presently, we are not yet in a position to assess the application date, the transition method we will choose or the impact of the application on our results of operations or financial position.

In February 2015, the FASB issued FASB ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”), which changes the consolidation analysis for both the variable interest model and for the voting model for limited partnerships and similar entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 and early application is permitted. ASU 2015-02 provides for one of two methods of transition: retrospective application to each prior period presented or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. We will apply ASU 2015-02 on January 1, 2016 and we do not expect that the application of the new standard will have a significant impact on our results of operations or financial position.

In April 2015, the FASB issued FASB ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”), which requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of debt. ASU 2015-03 is effective for annual and interim periods beginning after December 15, 2015 and early application is permitted and requires retrospective application to each prior period presented. ASU 2015-03 only affects the presentation of debt issuance costs in the balance sheet and has no impact on results of operations. We will apply ASU 2015-03 on January 1, 2016 and we do not expect that the application of the new standard will have any impact on our results of operations or financial position.



## 3. Net Income per Common Share

The computation of basic and diluted net income per common share for the three and nine months ended September 30, 2015 and 2014 is (in millions, except per share amounts):

	Three Months		Nine Months	
	2015	2014	2015	2014
Net Income Available for Common Shares:				
Net income - Omnicom Group Inc.	\$239.3	\$243.8	\$762.3	\$774.5
Net income allocated to participating securities	(2.5 )	(4.3 )	(9.0 )	(14.7 )
	\$236.8	\$239.5	\$753.3	\$759.8
Weighted Average Shares:				
Basic	243.2	251.4	244.7	255.6
Dilutive stock options and restricted shares	1.2	1.0	1.1	1.7
Diluted	244.4	252.4	245.8	257.3
Anti-dilutive stock options and restricted shares	0.1	—	0.1	—
Net Income per Common Share - Omnicom Group Inc.:				
Basic	\$0.97	\$0.95	\$3.08	\$2.97
Diluted	\$0.97	\$0.95	\$3.06	\$2.95

## 4. Goodwill and Intangible Assets

Goodwill and intangible assets at September 30, 2015 and December 31, 2014 were (in millions):

	2015			2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$9,219.2	\$(536.5 )	\$8,682.7	\$9,377.6	\$(555.4 )	\$8,822.2
Intangible assets:						
Purchased and internally developed software	\$309.2	\$(238.1 )	\$71.1	\$298.7	\$(221.4 )	\$77.3
Customer related and other	691.8	(424.0 )	267.8	702.1	(390.0 )	312.1
	\$1,001.0	\$(662.1 )	\$338.9	\$1,000.8	\$(611.4 )	\$389.4

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. At June 30, 2015, we performed Step 1 of the annual impairment test and compared the fair value of each of our reporting units to its respective carrying value, including goodwill. Based on the results of our impairment test, we concluded that our goodwill was not impaired at June 30, 2015 because the fair value of each of our reporting units was substantially in excess of its respective net book value.

Changes in goodwill for the nine months ended September 30, 2015 and 2014 were (in millions):

	2015	2014
January 1	\$8,822.2	\$8,916.0
Acquisitions	88.3	131.4
Dispositions	(2.9 )	(1.6 )
Foreign currency translation	(224.8 )	(170.6 )
September 30	\$8,682.7	\$8,875.2

There were no goodwill impairment losses recorded in the first nine months of 2015 or 2014 and there are no accumulated goodwill impairment losses. Goodwill for acquisitions completed in 2015 and 2014 includes \$4.5 million and \$27.6 million, respectively, of goodwill attributed to noncontrolling interests in the acquired businesses.

## 5. Debt

## Credit Lines

On July 31, 2015, we extended the maturity of our \$2.5 billion revolving credit facility (“Credit Agreement”) to July 31, 2020. In addition to the Credit Agreement, we can issue up to \$2 billion of commercial paper and we have domestic and international uncommitted credit lines aggregating \$1.3 billion and \$937.8 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015 and December 31, 2014 there were no outstanding commercial paper issuances or borrowings under the Credit Agreement and the uncommitted credit lines.

Available and unused credit lines at September 30, 2015 and December 31, 2014 were (in millions):

	2015	2014
Credit Agreement	\$2,500.0	\$2,500.0
Uncommitted credit lines	1,267.7	937.8
Available and unused credit lines	\$3,767.7	\$3,437.8

The Credit Agreement contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation and amortization) and an Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12-month period. At September 30, 2015 we were in compliance with these covenants as our Leverage Ratio was 2.1 times and our Interest Coverage Ratio was 12.6 times. The Credit Agreement does not limit our ability to declare or pay dividends or repurchase our common stock.

## Short-Term Borrowings

Short-term borrowings of \$9.7 million and \$7.2 million at September 30, 2015 and December 31, 2014, respectively, represent bank overdrafts and credit lines of our international subsidiaries. These borrowings are treated as unsecured loans pursuant to the agreements supporting the facilities. Due to the short-term nature of these borrowings, carrying value approximates fair value.

## Long-Term Notes Payable

Long-term notes payable at September 30, 2015 and December 31, 2014 were (in millions):

	2015	2014
5.9% Senior Notes due 2016	\$1,000.0	\$1,000.0
6.25% Senior Notes due 2019	500.0	500.0
4.45% Senior Notes due 2020	1,000.0	1,000.0
3.625% Senior Notes due 2022	1,250.0	1,250.0
3.65% Senior Notes due 2024	750.0	750.0
Other notes and loans	0.4	0.5
	4,500.4	4,500.5
Unamortized premium (discount) on Senior Notes, net	10.4	11.1
Adjustment to carrying value for interest rate swaps	94.8	51.4
	4,605.6	4,563.0
Current portion of debt	(1,003.4	) (0.4
Long-term notes payable	\$3,602.2	\$4,562.6

In connection with the maturity of our \$1 billion 5.9% Senior Notes on April 15, 2016 (“2016 Notes”), on March 26, 2015, we entered into a \$1 billion receive floating (three month LIBOR) pay fixed (2.3209%) forward-starting 10-year

interest rate swap. The swap mitigates the risk of changes in the semi-annual interest payments during the period from March 26, 2015 to May 2, 2016, the contractual termination date of the swap, and effectively locks in the fixed interest rate, excluding the effect of our credit spread, on any refinancing of the 2016 Notes. The swap is designated as a cash flow hedge of the semi-annual interest rate payments attributable to changes in the benchmark interest rate. We expect that the swap will have almost no

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ineffectiveness and is carried on the balance sheet at fair value. Any net gain or loss on the swap is recorded in accumulated other comprehensive income. Upon termination of the swap, any gain or loss will be amortized to interest expense over the life of the new debt or will be recorded in our results of operations if the refinancing is not completed. At September 30, 2015, we recorded a liability of \$15.8 million, which is included in other current liabilities and the related loss of \$9.2 million, net of income taxes, is recorded in other comprehensive income. The 2016 Notes are classified as current.

In 2014, we entered into receive fixed pay floating interest rate swaps on the \$1.25 billion principal amount of our 3.625% Senior Notes due 2022 (“2022 Notes”) and on the \$1 billion principal amount of our 4.45% Senior Notes due 2020 (“2020 Notes”). The interest rate swaps hedge the risk of changes in fair value of the 2022 Notes and the 2020 Notes attributable to changes in the benchmark LIBOR interest rate. Under the swap contracts, we receive fixed interest rate payments equal to the coupon interest rate on the 2022 Notes and the 2020 Notes and pay a variable interest rate on the total principal amount of the notes, equal to three month LIBOR in arrears, plus a spread of 1.05% on the 2022 Notes and a spread of 2.16% on the 2020 Notes. The swaps qualify and are designated as fair value hedges on the 2022 Notes and 2020 Notes and have the economic effect of converting the 2022 Notes and the 2020 Notes from fixed rate debt to floating rate debt. Gains and losses attributed to changes in the fair value of the interest rate swaps substantially offset changes in the fair value of the 2022 Notes and the 2020 Notes attributed to changes in the benchmark interest rate. The net interest settlement is recorded in interest expense. At September 30, 2015 and December 31, 2014, we recorded a receivable, which is included in other assets, of \$91.5 million and \$42.7 million, respectively, representing the fair value of the swaps that was substantially offset by the increase in the carrying value of the 2022 Notes and the 2020 Notes reflecting the change in fair value of the notes. Accordingly, any hedge ineffectiveness was not material to our results of operations.

## 6. Segment Reporting

Our five branded agency networks operate in the advertising, marketing and corporate communications services industry, and are organized into agency networks, virtual client networks, regional reporting units and operating groups. The agency networks' regional reporting units comprise three principal regions; the Americas, EMEA and Asia Pacific. The regional reporting units monitor the performance and are responsible for the agencies in their region. Agencies within the regional reporting units serve similar clients in similar industries and in many cases the same clients and have similar economic characteristics. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs which include rent and occupancy costs, technology costs and other overhead expenses. Therefore, given these similarities, we aggregate our operating segments, which are our five agency networks, into one reporting segment.

Revenue and long-lived assets and goodwill by geographic area as of and for the periods ended September 30, 2015 and 2014 were (in millions):

	Americas	EMEA	Asia Pacific
2015			
Revenue - Three months ended	\$2,292.0	\$1,027.8	\$386.8
Revenue - Nine months ended	6,807.1	3,035.9	1,138.1
Long-lived assets and goodwill	6,107.8	2,750.4	515.8
2014			
Revenue - Three months ended	\$2,224.4	\$1,119.5	\$405.7
Revenue - Nine months ended	6,600.9	3,355.1	1,166.7
Long-lived assets and goodwill	6,103.9	2,902.1	582.8

The Americas comprises North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes Mexico. EMEA comprises the United Kingdom, the Euro currency countries, other European countries that have not adopted the European Union Monetary standard, the Middle East and Africa. Asia

Pacific comprises Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries. Revenue in the United States for the three months ended September 30, 2015 and 2014 was \$2,098.5 million and \$2,004.3 million, respectively, and for the nine months ended September 30, 2015 and 2014 was \$6,203.0 million and \$5,937.4 million, respectively.

## 7. Income Taxes

Our effective tax rate for the nine months ended September 30, 2015 increased to 32.8% from 32.6% for the nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2014 reflects the recognition of an income tax benefit of approximately \$11 million related to previously incurred expenses for the proposed merger with Publicis Groupe S.A. (“Publicis”). On May 8, 2014, the proposed merger was terminated. Prior to the termination of the merger, the majority of the merger costs, which were incurred in 2013, were capitalized for income tax purposes and the related tax benefits were not recorded. Because the merger was terminated, the merger costs were no longer required to be capitalized for income tax purposes. Excluding the income tax benefit of \$11 million related to the proposed merger, the effective tax rate for the first nine months of 2014 was 33.5%. The decrease in the effective tax rate for the nine months ended September 30, 2015 from the effective tax rate for the nine months ended September 30, 2014 excluding the income tax benefit related to the proposed merger, is primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates.

At September 30, 2015, our net unrecognized tax benefits were \$60.9 million. Of this amount, approximately \$50.8 million would affect our effective tax rate upon resolution of the uncertain tax positions.

## 8. Pension and Other Postemployment Benefits

### Defined Benefit Pension Plans

The components of net periodic benefit cost for the nine months ended September 30, 2015 and 2014 were (in millions):

	2015	2014
Service cost	\$3.7	\$5.5
Interest cost	5.2	5.5
Expected return on plan assets	(2.3	) (2.2
Amortization of prior service cost	3.1	3.2
Amortization of actuarial (gains) losses	4.3	1.4
	\$14.0	\$13.4

We contributed \$0.8 million and \$0.7 million to our defined benefit pension plans in the nine months ended September 30, 2015 and 2014, respectively.

### Postemployment Arrangements

The components of net periodic benefit cost for the nine months ended September 30, 2015 and 2014 were (in millions):

	2015	2014
Service cost	\$3.6	\$3.0
Interest cost	3.2	3.3
Amortization of prior service cost	2.4	1.6
Amortization of actuarial (gains) losses	1.2	0.6
	\$10.4	\$8.5

## 9. Operating Expenses

Operating expenses for the three and nine months ended September 30, 2015 and 2014 were (in millions):

	Three Months		Nine Months	
	2015	2014	2015	2014
Salary and service costs	\$2,832.6	\$2,813.2	\$8,243.1	\$8,230.7
Office and general expenses	445.7	502.8	1,393.4	1,527.3
	\$3,278.3	\$3,316.0	\$9,636.5	\$9,758.0

10. Supplemental Cash Flow Data

The change in operating capital for the nine months ended September 30, 2015 and 2014 was (in millions):

	2015	2014
(Increase) decrease in accounts receivable	\$(67.4	) \$333.4
(Increase) decrease in work in process and other current assets	(367.0	) (333.5 )
Increase (decrease) in accounts payable	(132.2	) (724.2 )
Increase (decrease) in customer advances and other current liabilities	(68.1	) (252.1 )
Change in other assets and liabilities, net	(36.1	) (115.5 )
	\$(670.8	) \$(1,091.9 )
Income taxes paid	\$402.4	\$420.9
Interest paid	\$125.3	\$147.1

11. Commitments and Contingent Liabilities

In the ordinary course of business, we are involved in various legal proceedings. We do not presently expect that these proceedings will have a material adverse effect on our results of operations or financial position.

12. Changes in Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2015 and 2014 were (in millions):

	Unrealized Gain (Loss) on Cash Flow Hedge	Unrealized Gain (Loss) on Available-for-Sale Securities	Defined Benefit Pension and Postemployment Plans	Foreign Currency Translation	Total
2015					
January 1	\$—	\$ (1.2	) \$ (92.1	) \$ (524.9	) \$(618.2 )
Other comprehensive income (loss) before reclassifications	(9.2	) 0.3	—	(361.1	) (370.0 )
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	6.6	—	6.6
Other comprehensive income (loss)	(9.2	) 0.3	6.6	(361.1	) (363.4 )
September 30	\$(9.2	) \$ (0.9	) \$ (85.5	) \$(886.0	) \$(981.6 )
2014					
January 1	\$—	\$(1.6	) \$(68.8	) \$(121.2	) \$(191.6 )
Other comprehensive income (loss) before reclassifications	—	0.3	—	(232.9	) (232.6 )
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	4.1	—	4.1
Other comprehensive income (loss)	—	0.3	4.1	(232.9	) (228.5 )
September 30	\$—	\$(1.3	) \$(64.7	) \$(354.1	) \$(420.1 )

Reclassifications from accumulated other comprehensive income (loss) for the nine months ended September 30, 2015 and 2014 were (in millions):

	2015	2014
Amortization of defined benefit pension and postemployment plans:		
Prior service cost	\$5.5	\$4.8
Actuarial (gains) losses	5.5	2.0
Net periodic benefit cost (see Note 8)	11.0	6.8
Income taxes	4.4	2.7
Periodic benefit cost, net of income taxes	\$6.6	\$4.1



## 13. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014 were (in millions):

2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$1,427.5			\$1,427.5
Short-term investments	2.5			2.5
Available-for-sale securities	5.0			5.0
Interest rate and foreign currency derivative instruments		\$92.1		92.1
Liabilities:				
Interest rate and foreign currency derivative instruments		\$16.3		\$16.3
Contingent purchase price obligations			\$327.7	327.7
2014				
Assets:				
Cash and cash equivalents	\$2,388.1			\$2,388.1
Short-term investments	2.2			2.2
Available-for-sale securities	4.9			4.9
Interest rate and foreign currency derivative instruments		\$43.1		43.1
Liabilities:				
Foreign currency derivative instruments		\$0.4		\$0.4
Contingent purchase price obligations			\$300.7	300.7

The changes in Level 3 contingent purchase price obligations for the nine months ended September 30, 2015 and 2014 were (in millions):

	2015	2014
January 1	\$300.7	\$220.2
Acquisitions	68.2	103.1
Revaluation and interest	26.3	0.1
Payments	(55.6)	(74.5)
Foreign currency translation	(11.9)	(7.9)
September 30	\$327.7	\$241.0

The carrying amount and fair value of our financial instruments at September 30, 2015 and December 31, 2014 were (in millions):

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$1,427.5	\$1,427.5	\$2,388.1	\$2,388.1
Short-term investments	2.5	2.5	2.2	2.2
Available-for-sale securities	5.0	5.0	4.9	4.9
Interest rate and foreign currency derivative instruments	92.1	92.1	43.1	43.1
Cost method investments	21.6	21.6	21.8	21.8
Liabilities:				
Short-term borrowings	\$9.7	\$9.7	\$7.2	\$7.2
Interest rate and foreign currency derivative instruments	16.3	16.3	0.4	0.4
Contingent purchase price obligations	327.7	327.7	300.7	300.7
Debt	4,605.6	4,692.3	4,563.0	4,754.9

The estimated fair value of the foreign currency and interest rate derivative instruments is determined using model-derived valuations, taking into consideration foreign currency rates for the foreign currency derivatives and readily observable inputs for LIBOR interest rates and yield curves to derive the present value of the future cash flows for the interest rate swap derivatives and counterparty credit risk for each. The estimated fair value of the contingent purchase price obligations is calculated in accordance with the terms of each acquisition agreement and is discounted. The fair value of debt is based on quoted market prices.

#### 14. Subsequent Events

We have evaluated events subsequent to the balance sheet date and determined there have not been any events that have occurred that would require adjustment to or disclosure in the condensed consolidated financial statements.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
EXECUTIVE SUMMARY

We are a strategic holding company providing advertising and marketing services to clients through multiple agencies around the world. On a global, pan-regional and local basis, our agencies provide these services in the following disciplines: advertising, customer relationship management, or CRM, public relations and specialty communications. Our business model was built and continues to evolve around our clients. While our agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is that our clients' specific requirements should be the central focus in how we deliver our services and allocate our resources. This client-centric business model results in multiple agencies collaborating in formal and informal virtual networks that cut across internal organizational structures to deliver consistent brand messages for a specific client and execute against each of our clients' specific marketing requirements. We continually seek to grow our business with our existing clients by maintaining our client-centric approach, as well as expanding our existing business relationships into new markets and with new clients. In addition, we pursue selective acquisitions of complementary companies with strong entrepreneurial management teams that typically currently serve or have the ability to serve our existing client base.

As a leading global advertising, marketing and corporate communications company, we operate in all major markets around the world and have a large and diverse client base. For the nine months ended September 30, 2015, our largest client accounted for 2.7% of our revenue and our 100 largest clients accounted for approximately 52% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the nine months ended September 30, 2015. Although our revenue is generally balanced between the United States and international markets and we have a large and diverse client base, we are not immune to general economic downturns.

As described in more detail below, in the first nine months of 2015 our revenue decreased 1.3%, or \$141.6 million, compared to the first nine months of 2014. Beginning in the fourth quarter of 2014 and continuing into the third quarter of 2015, substantially all foreign currencies weakened against the U.S. Dollar. Changes in foreign exchange rates reduced revenue \$772.5 million, or 7%, acquisitions net of dispositions increased revenue \$20.3 million, or 0.2%, and organic growth increased revenue \$610.6 million, or 5.5%.

Global economic conditions have a direct impact on our business and financial performance. In particular, a contraction in global economic conditions poses a risk that our clients may reduce future spending on advertising, marketing and corporate communications services which could reduce the demand for our services. In the first nine months of 2015, the United States experienced modest economic growth and the major economies of Asia maintained their moderate expansion. The economies of the Euro Zone remain unsettled and economic conditions in Brazil continued a downward trend that began in the second quarter of 2015. The economic and fiscal issues facing certain countries in the European Union continue to cause economic uncertainty in those markets; however, the impact on our business varies by market. We will continue to monitor economic conditions closely, client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future adverse economic conditions, reductions in our client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include our clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing new communications technologies and emerging digital platforms. Additionally, in an effort to gain greater efficiency and effectiveness from their total marketing expenditures, clients continue to require greater coordination of marketing activities. We



believe these trends have benefited our business in the past and over the medium and long term will continue to provide a competitive advantage to us.

In the near term, barring unforeseen events and excluding the impact of changes in foreign exchange rates, as a result of continued improvement in operating performance by many of our agencies and new business activities, we expect our 2015 revenue to increase modestly in excess of the weighted average nominal GDP growth in our major markets. We expect to continue to identify acquisition opportunities intended to build upon the core capabilities of our strategic business platforms, expand our operations in the emerging markets and enhance our capabilities to leverage new technologies that are being used by marketers today.

Given our size and breadth, we manage our business by monitoring several financial indicators. The key indicators that we focus on are revenue and operating expenses. We analyze revenue growth by reviewing the components and mix of the growth, including growth by principal regional market, growth by marketing discipline, impact from foreign currency fluctuations, growth from acquisitions and growth from our largest clients.

For the quarter ended September 30, 2015, our revenue decreased 1.1% compared to the quarter ended September 30, 2014. Changes in foreign exchange rates reduced revenue 7.2% and organic growth increased revenue 6.1%. Across our principal regional markets, the changes in revenue were: North America increased 4.8%, Europe decreased 8.4%, Latin America decreased 32.6% and Asia Pacific decreased 4.7%. In North America, moderate growth in the United States and Canada was partially offset by the weakening of the Canadian Dollar against the U.S. Dollar. In Europe, growth in the United Kingdom, or U.K., Germany and Spain was offset by the weakening of all major European currencies against the U.S. Dollar and negative performance in France and The Netherlands. The decrease in revenue in Latin America was a result of the weakening of all currencies in the region and weakness in Brazil, which offset strong growth in Mexico. In Brazil the decline resulted from a difficult comparison to the prior year period resulting from the recent general softness in the market. In Asia Pacific, strong growth across the region was offset by the weakening of all the currencies in the region. The change in revenue in the third quarter of 2015 compared to the third quarter of 2014, including the negative impact of currency changes, in our four fundamental disciplines was: advertising increased 1.6%, CRM decreased 5.7%, public relations decreased 2% and specialty communications increased 3.7%.

For the nine months ended September 30, 2015, our revenue decreased 1.3% compared to the nine months ended September 30, 2014. Changes in foreign exchange rates reduced revenue 7%, acquisitions net of dispositions increased revenue 0.2% and organic growth increased revenue 5.5%. Across our principal regional markets, the changes in revenue were: North America increased 4.5%, Europe decreased 10.2%, Latin America decreased 24.0% and Asia Pacific decreased 2.5%. In North America, moderate growth in the United States and Canada was partially offset by the weakening of the Canadian Dollar against the U.S. Dollar. In Europe, growth in the U.K., Germany and Spain was offset by the weakening of all major European currencies against the U.S. Dollar and negative performance in The Netherlands and France. The decrease in revenue in Latin America was a result of the weakening of all currencies in the region and weakness in Chile and Brazil, which offset strong growth in Mexico. In Brazil the decline resulted from a difficult comparison to the prior year period which included additional client spending related to the World Cup primarily in the second quarter of 2014 and a recent decline in economic conditions. In Asia Pacific, strong growth in Australia, China and Singapore was offset by the weakening of the currencies in the region. The change in revenue in the first nine months of 2015 compared to the first nine months of 2014, including the negative impact of currency changes, in our four fundamental disciplines was: advertising increased 0.4%, CRM decreased 5%, public relations decreased 0.4% and specialty communications increased 4.2%.

We measure operating expenses in two distinct cost categories: salary and service costs and office and general expenses. Salary and service costs consist of employee compensation and related costs and direct service costs. Office and general expenses consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses. Each of our agencies requires professionals with the skill sets that are common across our disciplines. At the core of the skill sets is the ability to understand a client's brand or product and its selling proposition and the ability to develop a unique message to communicate the value of the brand or product to the client's target audience. The facility requirements of our agencies are also similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software.

Salary and service costs tend to fluctuate in conjunction with changes in revenue and have been effected by the weakening of substantially all foreign currencies against the U.S. Dollar. Salary and service costs increased \$19.4 million in the third quarter of 2015 compared to the third quarter of 2014 and increased \$12.4 million in the first nine months of 2015 compared to the first nine months of 2014.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs but have been similarly effected by the weakening of foreign currencies against the U.S. Dollar. Office and general expenses decreased \$57.1 million, or 11.4%, in the third quarter of 2015 compared to the third quarter of 2014 and decreased \$133.9 million, or 8.8%, in the first nine months of 2015 compared to the first nine months of 2014.

Operating margins and earnings before interest, taxes and amortization of intangible assets, or EBITA, margins for the third quarter were flat period-over-period at 11.6% and 12.3%, respectively. Operating margins for the first nine months decreased to 12.2% from 12.3% and EBITA margins for the first nine months were flat period-over-period at 13.0%. In the first nine months of 2014, we incurred \$8.8 million of expenses in connection with the proposed merger with Publicis Groupe, S.A., or Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated.

Net interest expense in the third quarter of 2015 increased \$4.5 million to \$35.9 million from \$31.4 million in the third quarter of 2014 and in the first nine months of 2015 increased \$0.6 million to \$104.7 million from \$104.1 million in the first nine months of 2014. Interest expense increased \$3.4 million to \$45.6 million in the third quarter of 2015, primarily resulting from the interest expense on the 3.65% Senior Notes due 2024, or 2024 Notes, issued in October 2014, partially offset by the benefit from the interest rate swaps on the 3.625% Senior Notes due 2022, or 2022 Notes and the 4.45% Senior Notes due 2020, or 2020 Notes. Interest expense in the first nine months of 2015 decreased \$1.4 million to \$134.0 million, primarily resulting from the benefit from the interest rate swaps on the 2022 Notes and 2020 Notes, which offset the interest expense on the 2024 Notes. Interest income decreased \$1.1 million to \$9.7 million in the third quarter of 2015 and decreased \$2.0 million to \$29.3 million in the first nine months of 2015, resulting from lower interest earned on cash balances in our international treasury centers and the negative impact of changes in foreign exchange rates.

Our effective tax rate for the third quarter of 2015 decreased to 32.8% from 33.4% for the third quarter of 2014 primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates. Our effective tax rate for the first nine months of 2015 increased to 32.8% from 32.6% for the first nine months of 2014. The effective tax rate for the nine months ended September 30, 2014 reflects the recognition of an income tax benefit of approximately \$11 million, related to expenses incurred in prior periods in connection with the proposed merger with Publicis, which was terminated on May 8, 2014. Prior to the termination of the merger, the majority of the merger costs, which were incurred in 2013, were capitalized for income tax purposes and the related tax benefits were not recorded. Because the merger was terminated, the merger costs were no longer required to be capitalized for income tax purposes. Excluding the income tax benefit related to the proposed merger, our effective tax rate for the nine months ended September 30, 2014 was 33.5%. The decrease in the tax rate for the nine months ended September 30, 2015 from the tax rate for the nine months ended September 30, 2014 excluding the income tax benefit related to the proposed merger is in line with the reduction in the third quarter.

Net income - Omnicom Group Inc. in the third quarter of 2015 decreased \$4.5 million, or 1.8%, to \$239.3 million from \$243.8 million in the third quarter of 2014 and net income - Omnicom Group Inc. in the first nine months of 2015 decreased \$12.2 million, or 1.6%, to \$762.3 million from \$774.5 million in the first nine months of 2014. The period-over-period change is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 2.1% to \$0.97 in the third quarter of 2015, compared to \$0.95 in the third quarter of 2014 and diluted net income per common share - Omnicom Group Inc. increased 3.7% to \$3.06 for the first nine months of 2015, compared to \$2.95 for the first nine months of 2014 due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for stock option exercises and shares issued under our employee stock purchase plan. Excluding the income tax benefit of approximately \$11 million related to the proposed merger from the first nine months of 2014, net income - Omnicom Group Inc. was \$763.3 million and diluted net income per common share - Omnicom Group Inc. was \$2.91.

RESULTS OF OPERATIONS - Third Quarter 2015 Compared to Third Quarter 2014 (in millions):

	2015		2014	
Revenue	\$3,706.6		\$3,749.6	
Operating Expenses:				
Salary and service costs	2,832.6		2,813.2	
Office and general expenses	445.7		502.8	
Total Operating Expenses	3,278.3		3,316.0	
Add back: Amortization of intangible assets	26.4		26.9	
	3,251.9		3,289.1	
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	454.7		460.5	
EBITA Margin - %	12.3	%	12.3	%
Deduct: Amortization of intangible assets	26.4		26.9	
Operating Income	428.3		433.6	
Operating Margin - %	11.6	%	11.6	%
Interest Expense	45.6		42.2	
Interest Income	9.7		10.8	
Income Before Income Taxes and Income From Equity Method Investments	392.4		402.2	
Income Tax Expense	128.9		134.4	
Income From Equity Method Investments	3.2		5.8	
Net Income	266.7		273.6	
Net Income Attributed To Noncontrolling Interests	27.4		29.8	
Net Income - Omnicom Group Inc.	\$239.3		\$243.8	

EBITA, which we define as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin, which we define as EBITA divided by Revenue, are Non-GAAP financial measures. We use EBITA and EBITA Margin as additional operating performance measures, which exclude the non-cash amortization expense of acquired intangible assets. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measure of Operating Income for the periods presented. We believe that EBITA and EBITA Margin are useful measures to evaluate the performance of our businesses. Non-GAAP financial measures should not be considered in isolation from or as a substitute for financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

Revenue

In the third quarter of 2015, revenue decreased \$43.0 million, or 1.1%, to \$3,706.6 million from \$3,749.6 million in the third quarter of 2014. Changes in foreign exchange rates reduced revenue \$272.0 million, acquisitions net of dispositions increased revenue \$1.4 million and organic growth increased revenue \$227.6 million.

The components of revenue change for the third quarter of 2015 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International	
	\$	%	\$	%	\$	%
September 30, 2014	\$3,749.6		\$2,004.3		\$1,745.3	
Components of revenue change:						
Foreign exchange impact	(272.0	) (7.2	)%	—	—	)%
Acquisitions, net of dispositions	1.4	—	)%	(9.1	) (0.5	)%
Organic growth	227.6	6.1	)%	103.3	5.2	)%
September 30, 2015	\$3,706.6	(1.1	)%	\$2,098.5	4.7	)%
					\$1,608.1	(7.9



The components and percentages are calculated as follows:

The foreign exchange impact is calculated by first converting the current period's local currency revenue using the average exchange rates from the equivalent prior period to arrive at a constant currency revenue (in this case \$3,978.6 million for the Total column). The foreign exchange impact equals the difference between the current period revenue in U.S. Dollars and the current period revenue in constant currency (\$3,706.6 million less \$3,978.6 million for the Total column).

The acquisition component is calculated by aggregating the applicable prior period revenue of the acquired businesses, less revenue of any business included in the prior period revenue that was disposed of subsequent to the prior period.

Organic growth is calculated by subtracting both the foreign exchange and acquisition components from total revenue growth.

The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component (\$3,749.6 million for the Total column).

For the third quarter of 2015, changes in foreign exchange rates reduced revenue by 7.2%, or \$272.0 million, compared to the third quarter of 2014. Substantially all currencies have weakened against the U.S. Dollar, with the most significant impacts resulting from the weakening of the Euro and British Pound, as well as the Australian Dollar, Brazilian Real, Canadian Dollar and Russian Ruble.

Our results of operations are subject to risk from the translation to U.S. Dollars of the revenue and expenses of our foreign operations, which are generally denominated in their local currency. However, for the most part, because the revenue and expenses of our foreign operations are denominated in the same currency, the economic impact on our results of operations from changes in foreign exchange rates is minimized. Assuming exchange rates at October 15, 2015 remain unchanged, we expect the impact of changes in foreign exchange rates to reduce revenue by approximately 6% for the year and 5% in the fourth quarter of 2015.

Revenue for the third quarter 2015 and the percentage change in revenue and organic growth from the third quarter of 2014 in our principal regional markets were (in millions):

	\$	% Change	% Organic Growth	
Americas:				
North America	\$2,221.7	4.8	)% 6.3	)%
Latin America	70.3	(32.6	)% (6.9	)%
EMEA:				
Europe	967.4	(8.4	)% 6.2	)%
Middle East and Africa	60.4	(5.4	)% 0.4	)%
Asia Pacific	386.8	(4.7	)% 8.6	)%
	\$3,706.6	(1.1	)% 6.1	)%

Europe comprises the U.K., the Euro currency countries, and other European countries that have not adopted the European Union Monetary standard. In the third quarter of 2015, the percentage of revenue attributed to the U.K. and the Euro currency and other European countries was 10.5% and 15.6%, respectively. In the third quarter of 2015, revenue increased 1.5% in the U.K. and decreased 14% in the Euro currency and other European countries.

In the normal course of business, our agencies both gain and lose business from clients each year due to a variety of factors. The net change during the third quarter of 2015 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Revenue from our largest client represented 2.9% and 2.7% of our revenue for the third quarter of 2015 and 2014, respectively. Our ten largest and 100 largest clients represented 19.3% and 53.4% of our revenue for the third quarter of 2015, respectively, and 18.3% and 50.7% of our revenue for the third quarter of 2014, respectively.

Driven by our clients' continuous demand for more effective and efficient marketing activities, we strive to provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. These services include advertising, brand consultancy, content marketing, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management, direct marketing, entertainment marketing, environmental design, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare communications, instore design, interactive

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marketing, investor relations, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, package design, product placement, promotional marketing, public affairs, public relations, reputation consulting, retail marketing, search engine marketing, social media marketing and sports and event marketing. In an effort to monitor the changing needs of our clients and to further expand the scope of our services to key clients, we monitor revenue across a broad range of disciplines and group them into the following four categories: advertising, CRM, public relations and specialty communications.

Revenue for the third quarter of 2015 and 2014 and the percentage change in revenue and organic growth from the third quarter of 2014 by discipline were (in millions):

	Three Months Ended September 30,		2014		2015 vs. 2014			
	2015	% of Revenue	\$	% of Revenue	\$	% Change	% Organic Growth	
Advertising	\$1,882.1	50.8	\$1,853.3	49.4	\$28.8	1.6	9.9	%
CRM	1,232.7	33.2	1,306.7	34.8	(74.0)	(5.7)	2.8	%
Public relations	336.4	9.1	343.3	9.2	(6.9)	(2.0)	(1.5)	%
Specialty communications	255.4	6.9	246.3	6.6	9.1	3.7	5.4	%
	\$3,706.6		\$3,749.6		\$(43.0)	(1.1)	6.1	%

We operate in a number of industry sectors. The percentage of our revenue by industry sector for the third quarter of 2015 and 2014 was:

	2015	2014	
Food and Beverage	13	13	%
Consumer Products	10	10	%
Pharmaceuticals and Health Care	11	10	%
Financial Services	7	7	%
Technology	10	9	%
Auto	8	8	%
Travel and Entertainment	6	6	%
Telecommunications	5	5	%
Retail	6	7	%
Other	24	25	%

Looking ahead to the remainder of the year, barring unforeseen events and excluding the impact of changes in foreign exchange rates, as a result of continued strong operating performance by many of our agencies and new business activities, we expect our revenue to increase modestly in excess of the weighted average nominal GDP growth in our major markets.

#### Operating Expenses

Operating expenses for the third quarter of 2015 compared to the third quarter of 2014 were (in millions):

	Three Months Ended September 30,		2014		2015 vs. 2014			
	2015	% of Revenue	\$	% of Revenue	\$	% Change	% Change	
Revenue	\$3,706.6		\$3,749.6		\$(43.0)	(1.1)		%
Operating Expenses:								
Salary and service costs	2,832.6	76.4	2,813.2	75.0	19.4	0.7		%

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Office and general expenses	445.7	12.0	%	13.6	%	502.8	13.4	%	15.2	%	(57.1	)	(11.4	)%
Operating Expenses	3,278.3	88.4	%			3,316.0	88.4	%			(37.7	)	(1.1	)%
Operating Income	\$428.3	11.6	%			\$433.6	11.6	%			\$(5.3	)	(1.2	)%

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Salary and service costs tend to fluctuate in conjunction with changes in revenue and have been similarly effected by the weakening of substantially all foreign currencies against the U.S. Dollar in the quarter. Salary and service costs increased slightly in the third quarter of 2015, compared to the third quarter of 2014, reflecting increases related to changes in the mix of our business during the period.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs but have been similarly effected by the weakening of foreign currencies against the U.S. Dollar in the quarter. Office and general expenses decreased \$57.1 million in the third quarter of 2015, compared to the third quarter of 2014, reflecting the continuing effort by our agencies to reduce operating costs.

Operating margins and EBITA margins for the third quarter were unchanged quarter-over-quarter at 11.6% and 12.3%, respectively.

#### Net Interest Expense

Net interest expense in the third quarter of 2015 increased to \$35.9 million from \$31.4 million in the third quarter of 2014. In the third quarter of 2015, interest expense increased \$3.4 million to \$45.6 million, primarily resulting from the interest expense on the 2024 Notes, issued in October 2014, partially offset by the benefit from the interest rate swaps on the 2022 Notes and the 2020 Notes. Interest income decreased \$1.1 million to \$9.7 million in the third quarter of 2015, resulting from lower interest earned on cash balances in our international treasury centers and the negative impact of changes in foreign exchange rates.

#### Income Taxes

Our effective tax rate for the third quarter of 2015 decreased to 32.8% from 33.4% for the third quarter of 2014. The decrease in the tax rate for the third quarter of 2015 from the tax rate for the third quarter of 2014 is primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates.

#### Net Income Per Common Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the third quarter of 2015 decreased \$4.5 million, or 1.8%, to \$239.3 million, from \$243.8 million in the third quarter of 2014. The period-over-period decrease is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 2.1% to \$0.97 in the third quarter of 2015 compared to \$0.95 in the third quarter of 2014, due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for stock option exercises and shares issued under our employee stock purchase plan.

RESULTS OF OPERATIONS - First Nine Months of 2015 Compared to First Nine Months of 2014 (in millions):

	2015		2014	
Revenue	\$10,981.1		\$11,122.7	
Operating Expenses:				
Salary and service costs	8,243.1		8,230.7	
Office and general expenses	1,393.4		1,527.3	
Total Operating Expenses	9,636.5		9,758.0	
Add back: Amortization of intangible assets	80.8		77.1	
	9,555.7		9,680.9	
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	1,425.4		1,441.8	
EBITA Margin - %	13.0	%	13.0	%
Deduct: Amortization of intangible assets	80.8		77.1	
Operating Income	1,344.6		1,364.7	
Operating Margin - %	12.2	%	12.3	%
Interest Expense	134.0		135.4	
Interest Income	29.3		31.3	
Income Before Income Taxes and Income From Equity Method Investments	1,239.9		1,260.6	
Income Tax Expense	406.9		410.9	
Income From Equity Method Investments	6.2		10.4	
Net Income	839.2		860.1	
Net Income Attributed To Noncontrolling Interests	76.9		85.6	
Net Income - Omnicom Group Inc.	\$762.3		\$774.5	

In the first nine months of 2014, we incurred \$8.8 million of expenses in connection with the proposed merger with Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated.

EBITA, which we define as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin, which we define as EBITA divided by Revenue, are Non-GAAP financial measures. We use EBITA and EBITA Margin as additional operating performance measures, which exclude the non-cash amortization expense of acquired intangible assets. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measure of Operating Income for the periods presented. We believe that EBITA and EBITA Margin are useful measures to evaluate the performance of our businesses. Non-GAAP financial measures should not be considered in isolation from or as a substitute for financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

Revenue

In the first nine months of 2015, revenue decreased \$141.6 million, or 1.3%, to \$10,981.1 million from \$11,122.7 million in the first nine months of 2014. Changes in foreign exchange rates reduced revenue \$772.5 million, acquisitions net of dispositions increased revenue \$20.3 million and organic growth increased revenue \$610.6 million.

The components of revenue change for the first nine months of 2015 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International	
	\$	%	\$	%	\$	%
September 30, 2014	\$11,122.7		\$5,937.4		\$5,185.3	
Components of revenue change:						
Foreign exchange impact	(772.5	) (7.0	)% —	—	% (772.5	) (14.9
Acquisitions, net of dispositions	20.3	0.2	% (24.4	) (0.4	)% 44.7	0.9
Organic growth	610.6	5.5	% 290.0	4.9	% 320.6	6.2

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September 30, 2015	\$10,981.1	(1.3	)%	\$6,203.0	4.5	%	\$4,778.1	(7.9	)%
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The components and percentages are calculated as follows:

The foreign exchange impact is calculated by first converting the current period's local currency revenue using the average exchange rates from the equivalent prior period to arrive at a constant currency revenue (in this case \$11,753.6 million for the Total column). The foreign exchange impact equals the difference between the current period revenue in U.S. Dollars and the current period revenue in constant currency (\$10,981.1 million less \$11,753.6 million for the Total column).

The acquisition component is calculated by aggregating the applicable prior period revenue of the acquired businesses, less revenue of any business included in the prior period revenue that was disposed of subsequent to the prior period.

Organic growth is calculated by subtracting both the foreign exchange and acquisition components from total revenue growth.

The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component (\$11,122.7 million for the Total column).

For the first nine months of 2015, changes in foreign exchange rates reduced revenue by 7%, or \$772.5 million, compared to the first nine months of 2014. Substantially all currencies have weakened against the U.S. Dollar, with the most significant impacts resulting from the weakening of the Euro and British Pound, as well as the Australian Dollar, Brazilian Real, Canadian Dollar and Russian Ruble.

Our results of operations are subject to risk from the translation to U.S. Dollars of the revenue and expenses of our foreign operations, which are generally denominated in their local currency. However, for the most part, because the revenue and expenses of our foreign operations are denominated in the same currency, the economic impact on our results of operations from changes in foreign exchange rates is minimized.

Revenue for the first nine months of 2015 and the percentage change in revenue and organic growth from the first nine months of 2014 in our principal regional markets were (in millions):

	Revenue	% Change	% Organic Growth	
Americas:				
North America	\$6,570.4	4.5	% 5.7	%
Latin America	236.7	(24.0)	)% (4.8	)%
EMEA:				
Europe	2,847.6	(10.2	)% 5.2	%
Middle East and Africa	188.3	3.1	% 7.5	%
Asia Pacific	1,138.1	(2.5	)% 7.7	%
	\$10,981.1	(1.3	)% 5.5	%

Europe comprises the U.K., and the Euro currency countries, and other European countries that have not adopted the European Union Monetary standard. In the first nine months of 2015, the percentage of revenue attributed to the U.K. and the Euro currency and other European countries was 10.1% and 15.9%, respectively. In the first nine months of 2015, revenue for the U.K. increased 0.2% and revenue decreased 15.8% in the Euro currency and other European countries.

In the normal course of business, our agencies both gain and lose business from clients each year due to a variety of factors. The net change through the first nine months of 2015 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Revenue from our largest client represented 2.7% and 2.7% of our revenue for first nine months of 2015 and 2014, respectively. Our ten largest and 100 largest clients represented 18.6% and 52.3% of our revenue for the first nine months of 2015, respectively, and 18.2% and 50.6% of our revenue for the first nine months of 2014, respectively.



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Revenue for the first nine months of 2015 and 2014 and the percentage change in revenue and organic growth from the first nine months of 2014 by discipline were (in millions):

	Nine Months Ended September 30,		2014		2015 vs. 2014			
	2015	% of Revenue	\$	% of Revenue	\$	% Change	% Organic Growth	
Advertising	\$5,513.4	50.2	\$5,491.4	49.4	\$22.0	0.4	8.0	%
CRM	3,644.1	33.2	3,835.7	34.5	(191.6)	(5.0)	3.2	%
Public relations	1,021.1	9.3	1,025.6	9.2	(4.5)	(0.4)	0.6	%
Specialty communications	802.5	7.3	770.0	6.9	32.5	4.2	5.4	%
	\$10,981.1		\$11,122.7		\$(141.6)	(1.3)	5.5	%

We operate in a number of industry sectors. The percentage of our revenue by industry sector for the first nine months of 2015 and 2014 was:

Industry	2015	2014	
Food and Beverage	13	13	%
Consumer Products	10	10	%
Pharmaceuticals and Health Care	11	10	%
Financial Services	7	7	%
Technology	9	9	%
Auto	8	8	%
Travel and Entertainment	6	6	%
Telecommunications	5	5	%
Retail	6	7	%
Other	25	25	%

Looking ahead to the remainder of the year, barring unforeseen events and excluding the impact of changes in foreign exchange rates, as a result of continued strong operating performance by many of our agencies and new business activities, we expect our revenue to increase modestly in excess of the weighted average nominal GDP growth in our major markets.

Operating Expenses

Operating expenses for the first nine months of 2015 compared to the first nine months of 2014 were (in millions):

	Nine Months Ended September 30,		2014		2015 vs. 2014			
	2015	% of Revenue	\$	% of Revenue	\$	% Change	% Change	
Revenue	\$10,981.1		\$11,122.7		\$(141.6)	(1.3)		%
Operating Expenses:								
Salary and service costs	8,243.1	75.1	8,230.7	74.0	12.4	0.2		%
Office and general expenses	1,393.4	12.7	1,527.3	13.7	(133.9)	(8.8)		%
Operating Expenses	9,636.5	87.8	9,758.0	87.7	(121.5)	(1.2)		%
Operating Income	\$1,344.6	12.2	\$1,364.7	12.3	\$(20.1)	(1.5)		%





Salary and service costs tend to fluctuate in conjunction with changes in revenue and have been similarly effected by the weakening of substantially all foreign currencies against the U.S. Dollar in the first nine months of 2015. Salary and service costs increased slightly for the first nine months of 2015, compared to the first nine months of 2014, reflecting increases related to changes in the mix of our business during the period.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs but have been similarly effected by the weakening of foreign currencies against the U.S. Dollar in the first nine months of 2015. Office and general expenses decreased \$133.9 million in the first nine months of 2015, compared to the first nine months of 2014, reflecting the continuing effort by our agencies to reduce operating costs.

Operating margins for the the first nine months decreased slightly period-over-period to 12.2% from 12.3% and EBITA margins were unchanged period-over-period at 13.0%. In the first nine months of 2014, we incurred \$8.8 million of expenses in connection with the proposed merger with Publicis, which were primarily comprised of professional fees. On May 8, 2014, the proposed merger was terminated.

#### Net Interest Expense

Net interest expense increased slightly to \$104.7 million in the first nine months of 2015, compared to \$104.1 million in the first nine months of 2014. In the first nine months of 2015, interest expense decreased \$1.4 million to \$134.0 million, primarily resulting from the benefit from the interest rate swaps on the 2022 Notes and the 2020 Notes, which offset the interest expense on the 2024 Notes, issued in October 2014. Interest income decreased \$2.0 million to \$29.3 million in the first nine months of 2015, resulting from lower interest earned on cash balances in our international treasury centers and the negative impact of changes in foreign exchange rates.

#### Income Taxes

Our effective tax rate for the nine months ended September 30, 2015 increased to 32.8% from 32.6% for the nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2014 reflects the recognition of an income tax benefit of approximately \$11 million, related to expenses incurred in prior periods in connection with the proposed merger with Publicis, which was terminated on May 8, 2014. Prior to the termination of the merger, the majority of the merger costs, which were incurred in 2013, were capitalized for income tax purposes and the related tax benefits were not recorded. Because the merger was terminated, the merger costs were no longer required to be capitalized for income tax purposes. Excluding the income tax benefit related to the proposed merger, our effective tax rate for the first nine months of 2014 was 33.5%. The decrease in the tax rate for the nine months ended September 30, 2015 from the tax rate for the nine months ended September 30, 2014 excluding the income tax benefit related to the proposed merger, is primarily due to a legal entity restructuring of our European operations. As a result of the reorganization, a certain portion of the foreign earnings in the affected countries is subject to lower effective tax rates.

#### Net Income Per Common Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. for the first nine months of 2015 decreased \$12.2 million, or 1.6%, to \$762.3 million, from \$774.5 million for the first nine months of 2014. The period-over-period decrease is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 3.7% to \$3.06 in the first nine months of 2015 compared to \$2.95 in the first nine months of 2014, due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for stock option exercises and shares issued under our employee stock purchase plan. Excluding the income tax benefit of approximately \$11 million related to the proposed merger from the first nine months of 2014, net income - Omnicom Group Inc. was \$763.3 million and diluted net income per common share - Omnicom Group Inc. was \$2.91.



## CRITICAL ACCOUNTING POLICIES

For a more complete understanding of our accounting policies, the condensed consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, readers are encouraged to consider this information together with our discussion of our critical accounting policies under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 10-K. Acquisitions and Goodwill

We have made and expect to continue to make selective acquisitions. In making acquisitions, the valuation of potential acquisitions is based on various factors, including specialized know-how, reputation, competitive position, geographic coverage and service offerings of the target businesses, as well as our experience and judgment. Our acquisition strategy is focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of our various strategic business platforms and agency brands through the expansion of their geographic reach and/or their service capabilities to better serve our clients. Additional key factors we consider include the competitive position and specialized know-how of the acquisition targets. Accordingly, as is typical in most service businesses, a substantial portion of the intangible asset value we acquire is the know-how of the people, which is treated as part of goodwill and is not valued separately. For each acquisition, we undertake a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. A significant portion of the identifiable intangible assets acquired is derived from customer relationships, including the related customer contracts, as well as trade names. In valuing these identified intangible assets, we typically use an income approach and consider comparable market participant measurements.

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. We identified our regional reporting units as components of our operating segments, which are our five agency networks. The regional reporting units of each agency network are responsible for the agencies in their region. They report to the segment managers and facilitate the administrative and logistical requirements of our client-centric strategy for delivering services to clients in their regions. We have concluded that for each of our operating segments, their regional reporting units have similar economic characteristics and should be aggregated for purposes of testing goodwill for impairment at the operating segment level. Our conclusion was based on a detailed analysis of the aggregation criteria set forth in FASB ASC Topic 280, Segment Reporting, and the guidance set forth in FASB ASC Topic 350, Intangibles - Goodwill and Other. Consistent with our fundamental business strategy, the agencies within our regional reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our regional reporting units have similar economic characteristics. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the-shelf software and other overhead expenses. Finally, the expected benefits of our acquisitions are typically shared across multiple agencies and regions as they work together to integrate the acquired agency into our client service strategy.

### Goodwill Impairment Review - Estimates and Assumptions

We use the following valuation methodologies to determine the fair value of our reporting units: (1) the income approach, which utilizes discounted expected future cash flows, (2) comparative market participant multiples for EBITDA (earnings before interest, taxes, depreciation and amortization) and (3) when available, consideration of recent and similar acquisition transactions.

In applying the income approach, we use estimates to derive the expected discounted cash flows ("DCF") for each reporting unit that serves as the basis of our valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital and related discount rates and expected long-term cash flow growth rates. All of these estimates and assumptions are affected by conditions specific to our businesses, economic conditions related to the industry we operate in, as well as conditions in the global economy. The assumptions that have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting units' cash flows and (2) the weighted average cost of capital ("WACC").

The assumptions used for the long-term growth rate and WACC in our evaluations as of June 30, 2015 and 2014 were:

	June 30,	
	2015	2014
Long-Term Growth Rate	4%	4%
WACC	10.1% - 10.7%	9.9% - 10.6%

Long-term growth rate represents our estimate of the long-term growth rate for our industry and the markets of the global economy we operate in. For the past ten years, the average historical revenue growth rate of our reporting units and the Average Nominal GDP growth of the countries comprising the major markets that account for substantially all of our revenue was approximately 4.8% and 4.0%, respectively. We considered this history when determining the long-term growth rates used in our annual impairment test at June 30, 2015. We believe marketing expenditures over the long term have a high correlation to GDP. We also believe, based on our historical performance, that our long-term growth rate will exceed Average Nominal GDP growth in the markets we operate in. For our annual test as of June 30, 2015, we used an estimated long-term growth rate of 4% for our reporting units.

When performing our annual impairment test as of June 30, 2015 and estimating the future cash flows of our reporting units, we considered the current macroeconomic environment, as well as industry and market specific conditions at mid-year 2015. In the first half of 2015, we experienced an increase in our revenue of 5.2%, which excludes growth from acquisitions and the impact from changes in foreign exchange rates. Economic conditions in the Euro Zone are unsettled and the continuing fiscal issues faced by many countries in the European Union has caused economic difficulty in certain of our Euro Zone markets. During 2015, weakness in most Latin American economies we operate in has the potential to affect our near-term performance in that region. We considered the effect of these conditions in our annual impairment test.

The WACC is comprised of: (1) a risk-free rate of return, (2) a business risk index ascribed to us and to companies in our industry comparable to our reporting units based on a market derived variable that measures the volatility of the share price of equity securities relative to the volatility of the overall equity market, (3) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable to our reporting units and (4) a current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt. Our five reporting units vary in size with respect to revenue and the amount of debt allocated to them. These differences drive variations in fair value among our reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds book value among the reporting units. The reporting unit goodwill balances and debt vary by reporting unit primarily because our three legacy agency networks were acquired at the formation of Omnicom and were accounted for as a pooling of interests that did not result in any additional debt or goodwill being recorded. The remaining two agency networks were built through a combination of internal growth and acquisitions that were accounted for using the acquisition method and as a result, they have a relatively higher amount of goodwill and debt.

#### Goodwill Impairment Review - Conclusion

Under U.S. GAAP, we have the option of either assessing qualitative factors to determine whether it is more-likely-than-not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to Step 1 of the goodwill impairment test. Although not required, we performed Step 1 of the annual impairment test and compared the fair value of each of our reporting units to its respective carrying value, including goodwill. Based on the results of our impairment test, we concluded that our goodwill was not impaired at June 30, 2015, because the fair value of each of our reporting units was substantially in excess of its respective net book value. The minimum decline in fair value that one of our reporting units would need to experience in order to fail Step 1 of the goodwill impairment test was approximately 74%. Notwithstanding our belief that the assumptions we used in our impairment testing for our WACC and long-term growth rate are reasonable, we performed a sensitivity analysis for each of our reporting units. The results of this sensitivity analysis on our impairment test as of June 30, 2015 revealed that if the WACC increased by 1% and/or the long-term growth rate decreased by 1%, the fair value of each of our reporting units would continue to be substantially in excess of its respective net book value and would pass Step 1 of the impairment test.

We will continue to perform our impairment test at the end of the second quarter of each year unless events or circumstances trigger the need for an interim impairment test. The estimates used in our goodwill impairment test do not constitute forecasts or projections of future results of operations, but rather are estimates and assumptions based on historical results and assessments of macroeconomic factors affecting our reporting units. We believe that our estimates and assumptions are reasonable, but they are subject to change from period to period. Actual results of

operations and other factors will likely differ from the estimates used in our discounted cash flow valuation and it is possible that differences could be material. A change in the estimates we use could result in a decline in the estimated fair value of one or more of our reporting units from the amounts derived as of our latest valuation and could cause us to fail Step 1 of our goodwill impairment test if the estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit, including its goodwill. A large decline in estimated fair value of a reporting unit could result in a non-cash impairment charge and may have an adverse effect on our results of operations and financial position.

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## NEW ACCOUNTING STANDARDS

See Note 2 to the unaudited condensed consolidated financial statements for additional information.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Sources and Requirements

The majority of our non-discretionary cash requirements is funded from operating cash flow and cash on hand. Working capital is our principal non-discretionary funding requirement. In addition, we have contractual obligations related to our senior notes, recurring business operations, primarily related to lease obligations, as well as contingent purchase price obligations (earn-outs) for acquisitions made in prior years. Our \$1 billion 5.9% Senior Notes, or 2016 Notes, mature on April 15, 2016. The 2016 Notes are classified as current.

Our principal discretionary cash uses include dividend payments to common shareholders, capital expenditures, payments for strategic acquisitions and repurchases of our common stock. Our discretionary spending is funded from operating cash flow and cash on hand, as well as, if needed, other available sources of funding, such as issuing commercial paper, borrowing under our domestic and international credit lines or our \$2.5 billion revolving credit facility, or Credit Agreement, or other long-term borrowings to finance these activities. We expect to have sufficient liquidity to fund both our non-discretionary cash requirements and our discretionary spending through 2015.

However, we may access the capital markets at any time if favorable conditions exist.

We have a seasonal cash requirement normally peaking during the second quarter of the year primarily due to the timing of payments for incentive compensation, income taxes and contingent purchase price obligations. This typically results in a net borrowing requirement that decreases over the balance of the year.

During the first nine months of 2015, we generated \$440.8 million of cash from operations, which included the use of operating capital of \$670.8 million. Our discretionary spending during the first nine months of 2015 was: capital expenditures of \$145.6 million; dividends paid to common shareholders of \$373.9 million; dividends paid to shareholders of noncontrolling interests of \$86.7 million; repurchases of our common stock, net of proceeds from stock option exercises and related tax benefits and common stock sold to our employee stock purchase plan, of \$473.7 million; and, acquisition payments, including payment of contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, net of cash acquired, of \$99.5 million. In the first nine months of 2015, the impact of the translation of foreign cash balances to U.S. Dollars reduced cash and cash equivalents by \$210.7 million.

### Cash Management

We manage our cash and liquidity centrally through our regional treasury centers in North America, Europe and Asia. The treasury centers are managed by our wholly owned finance subsidiaries. Each day, operations with excess funds invest these funds with their regional treasury center. Likewise, operations that require funds borrow from their regional treasury center. The treasury centers aggregate the net position which is either invested with or borrowed from third parties. To the extent that our treasury centers require liquidity, they have the ability to access our uncommitted credit lines, the Credit Agreement or issue up to \$2 billion of U.S. Dollar-denominated commercial paper. This process enables us to manage our debt balances more efficiently and utilize our cash more effectively, as well as manage our risk to foreign exchange rate changes. In countries where we either do not conduct treasury operations or it is not feasible for one of our treasury centers to fund net borrowing requirements on an intercompany basis, we arrange for local currency uncommitted credit lines.

Cash and cash equivalents decreased \$960.6 million from December 31, 2014 and short-term investments increased \$0.3 million from December 31, 2014. Short-term investments principally consist of time deposits with financial institutions that we expect to convert into cash within our current operating cycle, generally one year.

Our net debt position, which we define as total debt outstanding less cash and cash equivalents and short-term investments, increased \$1.0 billion at September 30, 2015, as compared to December 31, 2014. The increase is primarily due to the typical use of operating capital during the first nine months of the year of \$670.8 million and the impact of changes in foreign currencies on the translation of foreign cash balances to U.S. Dollars which reduced cash and cash equivalents by \$210.7 million. The negative impact of changes in foreign currencies on the translation of our



foreign cash balances to U.S. Dollars for the twelve months ended September 30, 2015 was approximately \$370 million, however our treasury operations have been able to minimize the realized reduction on our foreign cash balances.

Net debt is a Non-GAAP financial measure. This presentation, together with the comparable U.S. GAAP measures, reflects one of the key metrics used by us to assess our cash management performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with US GAAP. Non-GAAP financial measures as reported by us may not be comparable to similarly titled amounts reported by other companies.

At September 30, 2015, our total cash and cash equivalents were \$1.4 billion, of which our foreign subsidiaries held approximately \$1.2 billion. The majority of this cash is available to us, net of any taxes payable upon repatriation to the United States. Changes in international tax rules or changes in U.S. tax rules and regulations covering international operations and foreign tax credits may affect our future reported financial results or the way we conduct our business. We have policies governing counterparty credit risk with financial institutions that hold our cash and cash equivalents and we have deposit limits for each institution. In countries where we conduct treasury operations, generally the counterparties are either branches or subsidiaries of the institutions that are party to the Credit Agreement. These institutions generally have credit ratings equal to or better than our credit ratings. In countries where we do not conduct treasury operations, we ensure that all cash and cash equivalents are held by counterparties that meet specific minimum credit standards.

#### Debt Instruments and Related Covenants

As a source of short-term financing to fund our day-to-day liquidity we can issue up to \$2 billion of commercial paper or borrow under our uncommitted domestic and international credit lines or Credit Agreement. On July 31, 2015, we extended the maturity of our Credit Agreement to July 31, 2020. At September 30, 2015, there were no outstanding commercial paper issuances or borrowings under our uncommitted credit lines or the Credit Agreement.

Commercial paper activity for the quarters ended September 30, 2015 and 2014 was (dollars in millions):

	2015	2014	
Average amount outstanding during the quarter	\$1,244.1	\$1,425.1	
Maximum amount outstanding during the quarter	\$1,597.6	\$1,795.2	
Total issuances during the quarter	\$6,042.0	\$5,270.4	
Average days outstanding	18.9	24.9	
Weighted average interest rate	0.48	% 0.29	%

At September 30, 2015, short-term borrowings of \$9.7 million are comprised of bank overdrafts and lines of credit of our international subsidiaries. These borrowings are treated as unsecured loans pursuant to the agreements supporting the facilities.

The Credit Agreement contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation and amortization) and an Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12-month period. At September 30, 2015 we were in compliance with these covenants as our Leverage Ratio was 2.1 times and our Interest Coverage Ratio was 12.6 times. The Credit Agreement does not limit our ability to declare or pay dividends or repurchase our common stock.

In connection with the upcoming maturity of the 2016 Notes, on March 26, 2015 we entered into a \$1 billion receive floating (three month LIBOR) pay fixed (2.3209%) forward-starting 10-year interest rate swap. The swap mitigates the risk of changes in the semi-annual interest payments during the period from March 26, 2015 to May 2, 2016, the contractual termination date of the swap, and effectively locks in the fixed interest rate, excluding the effect of our credit spread, on any refinancing of the 2016 Notes. The swap is designated as a cash flow hedge of the semi-annual interest rate payments attributable to changes in the benchmark interest rate. We expect that the swap will have almost no ineffectiveness and is carried on the balance sheet at fair value and any net gain or loss on the swap is recorded in accumulated other comprehensive income. Upon termination of the swap, any gain or loss will be amortized to interest expense or will be recorded in our results of operations if the refinancing is not completed.

#### Credit Markets and Availability of Credit

We will continue to take actions available to us to respond to changing economic conditions and actively manage our discretionary expenditures and we will continue to monitor and manage the level of credit made available to our clients. We believe that these actions, in addition to operating cash flow and the availability of our Credit Agreement, are sufficient to fund our working capital needs and our discretionary spending through the remainder of 2015.

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In funding our day-to-day liquidity, we have historically been a participant in the commercial paper market. We expect to continue funding our day-to-day liquidity through the commercial paper market. However, disruptions in the credit markets may lead to periods of illiquidity in the commercial paper market and higher credit spreads. To mitigate any future disruption in the credit markets and to fund our day-to-day liquidity we may use our uncommitted credit lines or borrow under our Credit Agreement. We will continue to closely monitor our liquidity and the credit markets. We cannot predict with any certainty the impact on us of any future disruptions in the credit markets.

#### CREDIT RISK

We provide advertising, marketing and corporate communications services to several thousand clients who operate in nearly every industry sector of the global economy and we grant credit to qualified clients in the normal course of business. Due to the diversified nature of our client base, we do not believe that we are exposed to a concentration of credit risk as our largest client accounted for 2.7% of our revenue for the first nine months of 2015. However, during periods of economic downturn, the credit profiles of our clients could change.

In the normal course of our business, our agencies enter into contractual commitments with media providers and production companies on behalf of our clients at levels that can substantially exceed the revenue from our services. These commitments are included in accounts payable when the services are delivered by the media providers or production companies. If permitted by local law and the client agreement, many of our agencies purchase media and production services for our clients as an agent for a disclosed principal. In addition, while operating practices vary by country, media type and media vendor, in the United States and certain foreign markets, many of our agencies' contracts with media and production providers specify that our agencies are not liable to the media and production providers under the theory of sequential liability until and to the extent we have been paid by our client for the media or production services.

Where purchases of media and production services are made by our agencies as a principal or are not subject to the theory of sequential liability, the risk of a material loss as a result of payment default by our clients could increase significantly and such a loss could have a material adverse effect on our business, results of operations and financial position.

In addition, methods of managing the risk of payment defaults, including obtaining credit insurance, requiring payment in advance, mitigating the potential loss in the marketplace or negotiating with media providers, may be less available or unavailable during a severe economic downturn.

#### ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a global business, we operate in multiple foreign currencies and issue debt in the capital markets. Our regional treasury centers use derivative financial instruments, such as forward foreign exchange contracts, as an economic hedge to manage the cash flow volatility arising from foreign exchange rate fluctuations. We use derivative financial instruments, such as fixed-to-floating interest rate swaps, to manage the cost of debt more efficiently.

As a result of using derivative instruments, we are exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we have a policy of only entering into contracts with carefully selected major financial institutions based on specific minimum credit standards and other factors. We do not use derivative financial instruments for trading or speculative purposes.

Our 2014 10-K provides a detailed discussion of the market risks affecting our operations. No material change has occurred in our market risks since the disclosure contained in our 2014 10-K. See our discussion regarding current economic conditions in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Executive Summary and Liquidity and Capital Resources sections.



#### ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file with the SEC is recorded, processed, summarized and reported within applicable time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure. Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2015. Based on that evaluation, our CEO and CFO concluded that, as of September 30, 2015, our disclosure controls and procedures are effective to ensure that decisions can be made timely with respect to required disclosures, as well as ensuring that the recording, processing, summarization and reporting of information required to be included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 are appropriate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, with the participation of our CEO, CFO and our agencies, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of September 30, 2015. There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

KPMG LLP, an independent registered public accounting firm that audited our consolidated financial statements included in our 2014 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2014, dated February 10, 2015.

## PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings. We do not presently expect that these proceedings will have a material adverse effect on our results of operations or financial position.

## ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A in our 2014 10-K.

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock purchase activity during the three months ended September 30, 2015 was:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 2015	455,275	\$70.49	—	—
August 2015	952,888	\$72.62	—	—
September 2015	—	—	—	—
	1,408,163	\$71.93	—	—

During the three months ended September 30, 2015, we purchased 1,240,000 shares of our common stock in the open market for general corporate purposes and withheld 168,163 shares from employees to satisfy estimated statutory income tax obligations related to stock option exercises and vesting of restricted stock. The value of the common stock withheld was based on the closing price of our common stock on the applicable exercise or vesting date.

There were no unregistered sales of our equity securities during the three months ended September 30, 2015.

## ITEM 6. Exhibits

- 12 Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Certification of the Chief Executive Officer and President required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of the Executive Vice President and Chief Financial Officer required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 32 Certification of the Chief Executive Officer and President and the Executive Vice President and Chief Financial Officer required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
- 101 Interactive Data File.

**SIGNATURES**

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

Dated: October 20, 2015

OMNICOM GROUP INC.

/s/ PHILIP J. ANGELASTRO

Philip J. Angelastro

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Authorized Signatory)