

OMNICOM GROUP INC.  
Form 10-Q  
October 19, 2016

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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, 2016

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Commission File Number: 1-10551

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

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

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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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As of October 14, 2016, there were 235,880,835 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, 2016  
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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," "should," "would," "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 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 a deterioration in the credit markets; ability to attract new clients and retain existing clients in the manner anticipated; 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; currency exchange rate fluctuations; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company or its clients; 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 repatriation restrictions, social or political conditions and regulatory environment. 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, 2015 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

## CONSOLIDATED BALANCE SHEETS

(In millions)

	September 30, 2016	December 31, 2015
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,936.6	\$ 2,605.2
Short-term investments, at cost	32.6	14.5
Accounts receivable, net of allowance for doubtful accounts of \$22.0 and \$22.5	6,488.9	7,220.9
Work in process	1,355.0	1,122.7
Other current assets	1,018.8	1,017.2
Total Current Assets	10,831.9	11,980.5
Property and Equipment at cost, less accumulated depreciation of \$1,258.5 and \$1,206.6	678.9	692.7
Equity Method Investments	137.2	136.6
Goodwill	9,046.1	8,676.4
Intangible Assets, net of accumulated amortization of \$768.0 and \$680.7	443.4	344.8
Other Assets	264.4	279.7
<b>TOTAL ASSETS</b>	<b>\$ 21,401.9</b>	<b>\$ 22,110.7</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 8,817.1	\$ 9,812.0
Customer advances	1,126.4	1,283.5
Current portion of debt	0.2	1,001.4
Short-term debt	25.0	5.2
Taxes payable	217.3	319.1
Other current liabilities	1,774.6	1,798.4
Total Current Liabilities	11,960.6	14,219.6
Long-Term Debt	5,007.3	3,564.2
Long-Term Liabilities	849.4	800.5
Long-Term Deferred Tax Liabilities	539.0	469.1
Commitments and Contingent Liabilities (See Note 10)		
Temporary Equity - Redeemable Noncontrolling Interests	218.9	167.9
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	787.6	859.9
Retained earnings	10,593.3	10,178.2
Accumulated other comprehensive income (loss)	(1,089.7)	(1,015.4)
Treasury stock, at cost	(8,026.9)	(7,629.9)
Total Shareholders' Equity	2,323.9	2,452.4
Noncontrolling interests	502.8	437.0
Total Equity	2,826.7	2,889.4
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 21,401.9</b>	<b>\$ 22,110.7</b>

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

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OMNICOM GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September, 30	
	2016	2015	2016	2015
Revenue	\$3,791.1	\$3,706.6	\$11,175.1	\$10,981.1
Operating Expenses:				
Salary and service costs	2,855.3	2,799.8	8,304.5	8,159.8
Occupancy and other costs	305.5	303.0	920.2	942.0
Cost of services	3,160.8	3,102.8	9,224.7	9,101.8
Selling, general and administrative expenses	104.1	103.7	323.1	316.0
Depreciation and amortization	73.1	71.8	220.3	218.7
	3,338.0	3,278.3	9,768.1	9,636.5
Operating Income	453.1	428.3	1,407.0	1,344.6
Interest Expense	52.9	45.6	157.6	134.0
Interest Income	10.9	9.7	30.6	29.3
Income Before Income Taxes and Income From Equity Method Investments	411.1	392.4	1,280.0	1,239.9
Income Tax Expense	134.3	128.9	417.7	406.9
Income From Equity Method Investments	1.4	3.2	4.0	6.2
Net Income	278.2	266.7	866.3	839.2
Net Income Attributed To Noncontrolling Interests	24.4	27.4	68.0	76.9
Net Income - Omnicom Group Inc.	\$253.8	\$239.3	\$798.3	\$762.3
Net Income Per Share - Omnicom Group Inc.:				
Basic	\$1.06	\$0.97	\$3.33	\$3.08
Diluted	\$1.06	\$0.97	\$3.31	\$3.06
Dividends Declared Per Common Share	\$0.55	\$0.50	\$1.60	\$1.50

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

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OMNICOM GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September, 30	
	2016	2015	2016	2015
Net Income	\$278.2	\$266.7	\$866.3	\$839.2
Forward-starting interest rate swap adjustment, net of income taxes of \$0.6 and (\$21.2) for the three months and (\$19.2) and (\$6.6) for the nine months ended September 30, 2016 and 2015, respectively	0.8	(29.7 )	(27.0 )	(9.2 )
Unrealized gain on available-for-sale securities, net of income taxes of \$0.1 for the nine months ended September 30, 2015	0.1	0.1	0.1	0.3
Foreign currency translation adjustment, net of income taxes of (\$16.0) and (\$109.4) for the three months and (\$18.8) and (\$203.7) for the nine months ended September 30, 2016 and 2015, respectively	(31.1 )	(212.6 )	(36.2 )	(395.7 )
Defined benefit pension and postemployment plans adjustment, net of income taxes of \$1.3 and \$1.4 for the three months and \$3.9 and \$4.4 for the nine months ended September 30, 2016 and 2015, respectively	1.9	2.2	6.0	6.6
Other Comprehensive Income (Loss)	(28.3 )	(240.0 )	(57.1 )	(398.0 )
Comprehensive Income	249.9	26.7	809.2	441.2
Comprehensive Income Attributed to Noncontrolling Interests	24.3	9.8	85.2	42.3
Comprehensive Income - Omnicom Group Inc.	\$225.6	\$16.9	\$724.0	\$398.9



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

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OMNICOM GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended September, 30	
	2016	2015
Cash Flows from Operating Activities:		
Net income	\$866.3	\$839.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	134.6	137.9
Amortization of intangible assets	85.7	80.8
Amortization of net deferred gain from settlement of interest rate swaps	(12.2 )	(5.4 )
Share-based compensation	69.8	75.4
Excess tax benefit from share-based compensation	(19.1 )	(22.8 )
Deferred gain from settlement of interest rate swap	54.2	—
Deferred loss from settlement of forward-starting interest rate swap	(54.5 )	—
Other, net	(24.1 )	32.8
Change in operating capital	(784.1 )	(697.1 )
Net Cash Provided By Operating Activities	316.6	440.8
Cash Flows from Investing Activities:		
Capital expenditures	(100.5 )	(145.6 )
Acquisition of businesses and interests in affiliates, net of cash acquired	(268.5 )	(36.2 )
Sale (purchase) of short-term investments, net	(16.4 )	13.1
Net Cash Used In Investing Activities	(385.4 )	(168.7 )
Cash Flows from Financing Activities:		
Change in short-term debt	(1.2 )	3.6
Proceeds from borrowings	1,389.6	—
Repayment of debt	(1,000.0 )	—
Dividends paid to common shareholders	(374.2 )	(373.9 )
Repurchases of common stock	(463.8 )	(507.9 )
Proceeds from stock plans	22.2	11.4
Acquisition of additional noncontrolling interests	(59.8 )	(7.7 )
Dividends paid to noncontrolling interest shareholders	(71.1 )	(86.7 )
Payment of contingent purchase price obligations	(93.6 )	(55.6 )
Excess tax benefit from share-based compensation	19.1	22.8
Other, net	(24.7 )	(28.0 )
Net Cash Used In Financing Activities	(657.5 )	(1,022.0 )
Effect of foreign exchange rate changes on cash and cash equivalents	57.7	(210.7 )
Net Decrease in Cash and Cash Equivalents	(668.6 )	(960.6 )
Cash and Cash Equivalents at the Beginning of Period	2,605.2	2,388.1
Cash and Cash Equivalents at the End of Period	\$1,936.6	\$1,427.5

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

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OMNICOM GROUP INC. AND SUBSIDIARIES  
NOTES TO 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 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 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. These unaudited consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 10-K”). Results for the interim periods are not necessarily indicative of results that may be expected for the year. Certain reclassifications have been made to the prior year financial information to conform to the current year presentation.

Effective January 1, 2016, selling, general and administrative expenses (“SG&A”) for the current and prior periods are reported as a separate line in the unaudited consolidated statements of income. Historically, we included SG&A expenses in salary and service costs and occupancy and other costs. In addition, we present cost of services in two distinct categories: salary and service costs, and occupancy and other costs. As a service business, salary and service costs make up the vast majority of our operating expenses and substantially all these costs comprise the essential components directly linked to the delivery of our services, such as employee compensation, including freelance labor, employee benefit costs, direct service costs, including the costs of third-party suppliers, and client-related travel costs. Occupancy and other costs consist of the indirect costs related to the delivery of our services, including office and equipment rent, other occupancy costs, technology costs, general office expenses and other expenses. SG&A expenses primarily consist of third-party marketing costs, professional fees and compensation and related benefit costs and occupancy and other costs of our corporate and executive offices, including group-wide finance and accounting, treasury, legal and governance, human resource oversight and similar costs.

2. New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which will replace all existing revenue recognition guidance under U.S. GAAP. On July 9, 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09 to all annual and interim periods beginning after December 15, 2017, with early application permitted only for annual and interim periods beginning after December 31, 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 as of the beginning of the period of initial application. Presently, we are not yet in a position to conclude on the application date or the transition method we will choose. Based on our initial assessment, the impact of the application of the new standard will likely result in a change in the timing of our revenue recognition for performance incentives received from clients.

Performance incentives are currently recognized in revenue when specific quantitative goals are achieved, or when our performance against qualitative goals is determined by the client. Under the new standard, we will be required to estimate the amount of the incentive that will be earned at the inception of the contract and recognize the incentive over the term of the contract. While performance incentives are not material to our revenue, this will result in an acceleration of revenue recognition for certain contract incentives compared to the current method. Additionally, in certain of our businesses we record revenue as a principal and include certain third-party pass-through and out-of-pocket costs, which are billed to clients in connection with our services, in revenue. In March 2016, the FASB issued further guidance on principal versus agent considerations. We are currently evaluating the impact of the principal versus agent guidance on our revenue and cost of service, however we do not expect the change, if any, to have a material effect on our results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”), which eliminates the current tests for lease classification under U.S. GAAP and requires lessees to recognize the right-to-use assets and related lease liabilities on

the balance sheet. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018 and early application is permitted. ASU 2016-02 provides for a modified retrospective application for leases existing at, or entered into after, the earliest comparative period presented in the financial statements. We will apply ASU 2016-02 on January 1, 2019. While we are not yet in a position to assess the full impact of the application of the new standard, we expect that the impact of recording the lease liabilities and the corresponding right-to-use assets will have a significant impact on our total assets and liabilities with a minimal impact on our equity.

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In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which changes certain aspects of the accounting for share-based payments to employees. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016 and early application is permitted. Certain changes will be applied prospectively and other changes will be applied using a modified retrospective approach with the recognition of the cumulative effect of the application of the new standard as of the beginning of the period of initial application. We will apply ASU 2016-09 on January 1, 2017. We do not expect that the application of the new standard will have a significant impact on income before income taxes. However, the new standard requires excess tax benefits or deficiencies related to share-based compensation to be recognized in income taxes as a tax benefit or expense upon vesting of restricted stock awards and the exercise of stock option awards. The excess tax benefit or expense will be calculated as the difference between the grant date price and the price of our common stock on the vesting or exercise date. As a result, the effect on tax expense is dependent on the price of our common stock and it is not possible to estimate with any accuracy the impact of the new standard on income tax expense.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim periods beginning after December 15, 2018. We will apply ASU 2016-13 on January 1, 2020. However, we are not yet in a position to assess the impact of the application of the new standard on our results of operations or financial position.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. However, we are not yet in a position to assess the impact of the application of the new standard on our statement of cash flows.

### 3. Net Income per Common Share

The computations of basic and diluted net income per common share for the three and nine months ended September 30, 2016 and 2015 were (in millions, except per share amounts):

	Three Months Ended September 30, 2016		Nine Months Ended September, 30 2015	
Net Income Available for Common Shares:				
Net income - Omnicom Group Inc.	\$253.8	\$239.3	\$798.3	\$762.3
Net income allocated to participating securities	(1.2 )	(2.5 )	(4.8 )	(9.0 )
	\$252.6	\$236.8	\$793.5	\$753.3
Weighted Average Shares:				
Basic	237.4	243.2	238.4	244.7
Dilutive stock options and restricted shares	1.3	1.2	1.2	1.1
Diluted	238.7	244.4	239.6	245.8
Anti-dilutive stock options and restricted shares	—	0.1	—	0.1
Net Income per Common Share - Omnicom Group Inc.:				
Basic	\$1.06	\$0.97	\$3.33	\$3.08
Diluted	\$1.06	\$0.97	\$3.31	\$3.06



## 4. Goodwill and Intangible Assets

Goodwill and intangible assets at September 30, 2016 and December 31, 2015 were (in millions):

	2016			2015		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$9,565.7	\$ (519.6 )	\$9,046.1	\$9,205.7	\$ (529.3 )	\$8,676.4
Intangible assets:						
Purchased and internally developed software	\$343.9	\$ (270.6 )	\$73.3	\$310.5	\$ (239.9 )	\$70.6
Customer related and other	867.5	(497.4 )	370.1	715.0	(440.8 )	274.2
	\$1,211.4	\$ (768.0 )	\$443.4	\$1,025.5	\$ (680.7 )	\$344.8

Changes in goodwill for the nine months ended September 30, 2016 and 2015 were (in millions):

	2016	2015
January 1	\$8,676.4	\$8,822.2
Acquisitions	228.9	18.3
Noncontrolling interests in acquired businesses	66.0	4.5
Contingent purchase price of acquired businesses	150.9	65.5
Foreign currency translation and other	(76.1 )	(227.8 )
September 30	\$9,046.1	\$8,682.7

There were no goodwill impairment losses recorded in the nine months of 2016 or 2015 and there are no accumulated goodwill impairment losses.

## 5. Debt

## Credit Facilities

As a source of short-term financing, we have a \$2.5 billion revolving credit facility (“Credit Facility”) that expires July 31, 2021 and domestic and international uncommitted credit lines, and we can issue up to \$2 billion of commercial paper. The uncommitted credit lines aggregated \$1.1 billion and \$1.2 billion at September 30, 2016 and December 31, 2015, respectively. There were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines at September 30, 2016 and December 31, 2015.

Available and unused credit lines at September 30, 2016 and December 31, 2015 were (in millions):

	2016	2015
Credit Facility	\$2,500.0	\$2,500.0
Uncommitted credit lines	1,141.3	1,157.7
Available and unused credit lines	\$3,641.3	\$3,657.7

The Credit Facility 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, 2016 we were in compliance with these covenants as our Leverage Ratio was 2.2 times and our Interest Coverage Ratio was 11.1 times. The Credit Facility does not limit our ability to declare or pay dividends or repurchase our common stock.



## Short-Term Debt

Short-term debt at September 30, 2016 and December 31, 2015 of \$25.0 million and \$5.2 million, respectively, represents bank overdrafts and short-term borrowings of our international subsidiaries. Due to the short-term nature of this debt, carrying value approximates fair value.

## Long-Term Debt

Long-term debt at September 30, 2016 and December 31, 2015 was (in millions):

	2016	2015
5.9% Senior Notes due 2016	\$—	\$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
3.60% Senior Notes due 2026	1,400.0	—
Other debt	0.2	0.3
	4,900.2	4,500.3
Unamortized premium (discount) on senior notes, net	8.0	10.1
Debt issuance costs	(25.2 )	(16.9 )
Adjustment to carrying value for interest rate swaps	124.5	72.1
	5,007.5	4,565.6
Current portion	(0.2 )	(1,001.4 )
Long-term debt	\$5,007.3	\$3,564.2

On April 6, 2016, we issued \$1.4 billion principal amount of 3.60% Senior Notes due April 15, 2026 (“2026 Notes”). The net proceeds received by us, after deducting the underwriting discount and offering expenses, were \$1.387 billion. A portion of the net proceeds were used to retire the outstanding \$1 billion 5.9% Senior Notes due 2016 (“2016 Notes”) at maturity on April 15, 2016. On March 28, 2016, we settled the outstanding forward-starting interest rate swap, which was entered into in connection with the refinancing of the 2016 Notes, at a loss of \$54.5 million, which was paid to the counterparties on April 6, 2016. Beginning in April 2016, the loss is being amortized in interest expense over the term of the 2026 Notes resulting in an effective interest rate on the 2026 Notes of approximately 4.1%. On January 19, 2016, we settled the outstanding \$1 billion interest rate swap on our 3.625% Senior Notes due 2022 (“2022 Notes”) and realized a gain of \$54.2 million. The gain is being amortized in interest expense over the remaining term of the 2022 Notes. In connection with the outstanding \$750 million interest rate swap on the 3.65% Senior Notes due 2024 (“2024 Notes”), at September 30, 2016 we recorded a receivable, which is included in other assets, of \$28.2 million and at December 31, 2015 we recorded a liability, which was included in long-term liabilities of \$10.0 million. The asset and liability represent the fair value of the swap that was substantially offset by the change in the carrying value of the 2024 Notes reflecting the change in fair value of the notes. Accordingly, any hedge ineffectiveness was not material to our results of operations.

On April 6, 2016, in connection with the issuance of the 2026 Notes, we entered into a \$500 million notional amount fixed-to-floating interest rate swap. The swap hedges the risk of changes in fair value of a portion of the notes attributable to changes in the benchmark LIBOR interest rate. We will receive fixed interest rate payments equal to the coupon interest rate on the notes and will pay a variable interest rate equal to three month LIBOR, plus a spread of 1.982%. The swap qualifies and is designated as a fair value hedge on the 2026 Notes. Gains and losses attributed to changes in the fair value of the swap are expected to substantially offset changes in the fair value of the notes attributed to changes in the benchmark interest rate. The net interest settlement is recorded in interest expense. At September 30, 2016, we recorded a receivable, which was included in other assets, of \$6.9 million. The asset represents the fair value of the swap that was substantially offset by the change in the fair value of the notes. As of September 30, 2016, the total aggregate principal amount of our fixed rate senior notes was \$4.9 billion and the total notional amount of the fixed-to-floating interest rate swaps was \$1.25 billion.



## 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. Our networks, virtual client networks and agencies increasingly share clients and provide clients with integrated services. 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.

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.

Revenue and long-lived assets and goodwill by geographic region as of and for the three and nine months ended September 30, 2016 and 2015 were (in millions):

	Americas	EMEA	Asia Pacific
2016			
Revenue - Three months ended	\$2,366.4	\$1,005.8	\$418.9
Revenue - Nine months ended	6,993.5	3,008.1	1,173.5
Long-lived assets and goodwill	6,577.0	2,606.7	541.3
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

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 and nine months ended September 30, 2016 and 2015 was \$2,110.7 million and \$6,308.8 million and \$2,098.5 million and \$6,203.0 million, respectively.

## 7. Income Taxes

Our effective tax rate for the nine months ended September 30, 2016, decreased slightly period-over-period to 32.6% from 32.8%. At September 30, 2016, our unrecognized tax benefits were \$102.4 million. Of this amount, approximately \$54.2 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, 2016 and 2015 were (in millions):

	2016	2015
Service cost	\$6.1	\$3.7
Interest cost	5.3	5.2
Expected return on plan assets	(2.2 )	(2.3 )
Amortization of prior service cost	3.3	3.1
Amortization of actuarial (gains) losses	3.6	4.3
	\$16.1	\$14.0

We contributed \$0.8 million to our defined benefit pension plans in each of the nine months ended September 30, 2016 and 2015.

Postemployment Arrangements

The components of net periodic benefit cost for the nine months ended September 30, 2016 and 2015 were (in millions):

	2016	2015
Service cost	\$3.0	\$3.6
Interest cost	2.6	3.2
Amortization of prior service cost	2.2	2.4
Amortization of actuarial (gains) losses	0.8	1.2
	\$8.6	\$10.4

9. Supplemental Cash Flow Data

The change in operating capital for the nine months ended September 30, 2016 and 2015 was (in millions):

	2016	2015
(Increase) decrease in accounts receivable	\$818.1	\$(67.4 )
(Increase) decrease in work in process and other current assets	(212.3 )	(418.4 )
Increase (decrease) in accounts payable	(1,105.9)	(132.2 )
Increase (decrease) in customer advances and other current liabilities	(279.1 )	(94.4 )
Change in other assets and liabilities, net	(4.9 )	15.3
Cash used for operating capital	\$(784.1)	\$(697.1)
Income taxes paid	\$427.6	\$402.4
Interest paid	\$158.5	\$125.3

10. 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.

11. Changes in Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2016 and 2015 were (in millions):

2016	Forward-Starting Interest Rate Swap	Unrealized Loss on Available-for-Sale Securities	Defined Benefit Pension and Postemployment Plans	Foreign Currency Translation	Total		
January 1	\$ (3.3 )	\$ (0.9 )	\$ (87.9 )	\$ (923.3 )	\$(1,015.4)		
Other comprehensive income (loss) before reclassifications	(28.5 )	0.1	—	(53.4 )	(81.8 )		
Amounts reclassified from accumulated other comprehensive income (loss)	1.5	—	6.0	—	7.5		
Other comprehensive income (loss)	(27.0 )	0.1	6.0	(53.4 )	(74.3 )		
September 30	\$ (30.3 )	\$ (0.8 )	\$ (81.9 )	\$ (976.7 )	\$(1,089.7)		
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)

On March 28, 2016, we settled the outstanding forward-starting interest rate swap at a loss of \$54.5 million, \$31.8 million net of income taxes. Beginning in April 2016, the loss is being amortized in interest expense over the term of the 2026 Notes (see Note 5).

Reclassifications from accumulated other comprehensive income (loss) for the nine months ended September 30, 2016 and 2015 were (in millions):

	2016	2015
Amortization of loss on cash flow hedge:		
Interest expense	\$2.6	\$—
Income taxes	1.1	—
Interest expense, net of income tax	\$1.5	\$—
Amortization of defined benefit pension and postemployment plans:		
Prior service cost	\$5.5	\$5.5
Actuarial (gains) losses	4.4	5.5
Net periodic benefit cost (see Note 8)	9.9	11.0
Income taxes	3.9	4.4
Periodic benefit cost, net of income tax	\$6.0	\$6.6

## 12. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at September 30, 2016 and December 31, 2015 were (in millions):

2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$1,936.6			\$1,936.6
Short-term investments	32.6			32.6
Available-for-sale securities	5.3			5.3
Interest rate and foreign currency derivative instruments		\$36.1		36.1
Liabilities:				
Foreign currency derivative instruments		\$0.7		\$0.7
Contingent purchase price obligations			\$404.5	404.5
2015				
Assets:				
Cash and cash equivalents	\$2,605.2			\$2,605.2
Short-term investments	14.5			14.5
Available-for-sale securities	4.8			4.8
Interest rate and foreign currency derivative instruments		\$32.4		32.4
Liabilities:				
Interest rate and foreign currency derivative instruments		\$15.9		\$15.9
Contingent purchase price obligations			\$322.0	322.0

The changes in Level 3 contingent purchase price obligations for the nine months ended September 30, 2016 and 2015 were (in millions):

	2016	2015
January 1	\$322.0	\$300.7
Acquisitions	156.0	68.2
Revaluation and interest	16.7	26.3
Payments	(86.8 )	(55.6 )
Foreign currency translation	(3.4 )	(11.9 )
September 30	\$404.5	\$327.7

The carrying amount and fair value of our financial instruments at September 30, 2016 and December 31, 2015 were (in millions):

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$1,936.6	\$1,936.6	\$2,605.2	\$2,605.2
Short-term investments	32.6	32.6	14.5	14.5
Available-for-sale securities	5.3	5.3	4.8	4.8
Interest rate and foreign currency derivative instruments	36.1	36.1	32.4	32.4
Cost method investments	14.4	14.4	21.5	21.5
<b>Liabilities:</b>				
Short-term debt	\$25.0	\$25.0	\$5.2	\$5.2
Interest rate and foreign currency derivative instruments	0.7	0.7	15.9	15.9
Contingent purchase price obligations	404.5	404.5	322.0	322.0
Long-term debt, including current portion	5,007.5	5,303.3	4,565.6	4,655.9

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.

### 13. 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 consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

We are a strategic holding company providing advertising, marketing and corporate communications services to clients through our branded networks and agencies around the world. On a global, pan-regional and local basis, our networks and agencies provide a comprehensive range of services in four fundamental 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 networks and 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 requires that multiple agencies collaborate 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 and have a large and diverse client base. For the nine months ended September 30, 2016, our largest client accounted for 2.8% of our revenue and our 100 largest clients accounted for approximately 54% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 14.0% of our revenue for the nine months ended September 30, 2016. 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, for the nine months ended September 30, 2016, revenue increased \$194.0 million or 1.8%, compared to the nine months ended September 30, 2015. Throughout 2015 and continuing into the third quarter of 2016, substantially all foreign currencies weakened against the U.S. Dollar. Changes in foreign exchange rates reduced revenue \$209.1 million, or 1.9%, acquisitions, net of dispositions increased revenue \$24.3 million, or 0.3%, and organic growth increased revenue \$378.8 million, or 3.4%.

Global economic conditions have a direct impact on our business and financial performance. In particular, a contraction in global or regional economic conditions poses a risk that our clients may reduce, postpone or cancel spending on advertising, marketing and corporate communications services which would reduce the demand for our services. In the nine months of 2016, the United States continued its modest economic growth. However, the upcoming elections and the actions the Federal Reserve may take regarding interest rates has created uncertainty regarding the economic environment in the fourth quarter, which may impact our business. The uncertain economic conditions in the Euro Zone, which have resulted in uneven growth across the region, have been further complicated by the recent vote in the United Kingdom, or U.K., to exit the European Union. In Brazil, unstable political and economic conditions contributed to its continuing downward economic trend that began in the second quarter of 2015. The economic and fiscal issues facing these and other countries, particularly in Europe and Latin America, continue to cause economic uncertainty in those markets; however, the impact on our business varies by country. The major economies of Asia continued their modest economic growth. We will continue to monitor economic conditions closely, as well as 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 our 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 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 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.

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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 2016 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, 2016, our revenue increased 2.3% compared to the quarter ended September 30, 2015. Changes in foreign exchange rates reduced revenue by 1.3%, acquisitions, net of dispositions increased revenue 0.4% and organic growth increased revenue 3.2%. Across our principal regional markets, the changes in revenue were: North America increased 1.4%, Europe decreased 3.0%, Asia Pacific increased 8.3% and Latin America increased 60.0%. In North America, strong growth in Canada was partially offset by slower growth in the United States as compared to more robust growth in the prior year period. In Europe, growth in the U.K., Spain and Russia was offset by the weakening of the British Pound against the U.S. Dollar and negative performance in Germany. The increase in revenue in Latin America was a result of growth in Mexico and our acquisition activity in Brazil and the strengthening of the Brazilian Real against the U.S. Dollar. In Asia Pacific, the major economies in the region continued to expand and changes in foreign exchange rates increased revenue in the region primarily related to the strengthening of the Japanese Yen and Australian Dollar against the U.S. Dollar, which was partially offset by the weakening of the Chinese Yuan against the U.S. Dollar. The change in revenue in the third quarter of 2016 compared to the third quarter of 2015, including the negative impact of currency changes, in our four fundamental disciplines was: advertising increased 3.6%, CRM decreased 1.4%, public relations increased 5.5% and specialty communications increased 5.9%.

For the nine months ended September 30, 2016, our revenue increased 1.8% compared to the nine months ended September 30, 2015. Changes in foreign exchange rates reduced revenue by 1.9%, acquisitions, net of dispositions increased revenue 0.3% and organic growth increased revenue 3.4%. Across our principal regional markets, the changes in revenue were: North America increased 2.1%, Europe decreased 0.9%, Asia Pacific increased 3.1% and Latin America increased 21.1%. 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, Spain and Russia was offset by the weakening of the British Pound and Russian Ruble against the U.S. Dollar and negative performance in The Netherlands. The increase in revenue in Latin America was a result of our acquisition activity in Brazil, which was substantially offset by the weakening of most currencies in the region against the U.S. Dollar, especially the Brazilian Real. The continuing uncertainty in both the economic and political climate in Brazil resulted in organic revenue declines that partially offset the growth from our acquisition and also overshadowed strong growth in Mexico. In Asia Pacific, growth in the major economies in the region was partially offset by the weakening of most currencies in the region. The change in revenue in the nine months of 2016 compared to the nine months of 2015, including the negative impact of currency changes, in our four fundamental disciplines was: advertising increased 4.6%, CRM decreased 3.0%, public relations increased 1.7% and specialty communications increased 3.3%.

In addition to cost of services, operating expenses include SG&A expenses and depreciation and amortization. SG&A expenses primarily consist of third-party marketing costs, professional fees and compensation and related benefit costs and occupancy and other costs of our corporate and executive offices, including group-wide finance and accounting, treasury, legal and governance, human resource oversight and similar costs.

We measure cost of services in two distinct cost categories: salary and service costs and occupancy and other costs. As a service business, salary and service costs make up the vast majority of our operating expenses and substantially all these costs comprise the essential components directly linked to the delivery of our services, such as employee compensation, including freelance labor, employee benefit costs, direct service costs, including the costs of third-party suppliers, and client-related travel costs. Occupancy and other costs consist of the indirect costs related to the delivery

of our services, including office and equipment rent, other occupancy costs, technology costs, general office expenses and other 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 similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software.

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Operating expenses increased 1.8% and 1.4% period-over-period for the third quarter and nine months. Operating expenses decreased by 0.4% as a percentage of revenue for the third quarter and nine months. Salary and service costs, which tend to fluctuate with changes in revenue, increased \$55.5 million, or 2.0% in the third quarter of 2016 compared to the third quarter of 2015 and increased \$144.7 million or 1.8% in the nine months of 2016 compared to the nine months of 2015. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased \$2.5 million, or 0.8%, in the third quarter of 2016 compared to the third quarter of 2015 and decreased \$21.8 million or 2.3% in the nine months of 2016 compared to the nine months of 2015.

Operating margins for the third quarter and nine months of 2016 were 12.0% and 12.6% compared to 11.6% and 12.2% for the third quarter and nine months of 2015, respectively. Earnings before interest, taxes and amortization of intangible assets, or EBITA, margins for the third quarter and nine months of 2016 were 12.7% and 13.4%, respectively, compared to 12.3% and 13.0% for the third quarter and the nine months of 2015.

Net interest expense increased \$6.1 million to \$42.0 million in the third quarter of 2016 from \$35.9 million in the third quarter of 2015 and net interest expense increased \$22.3 million to \$127.0 million in the nine months of 2016 from \$104.7 million in the nine months of 2015. Interest expense increased \$7.3 million to \$52.9 million in the third quarter of 2016 and increased \$23.6 million to \$157.6 million in the nine months of 2016 primarily resulting from the reduced benefit of the fixed-to-floating interest rate swaps on a portion of our 3.625% Senior Notes due 2022, or 2022 Notes.

In January 2016, we settled the outstanding \$1 billion notional value interest rate swap on the 2022 Notes. By settling the swap, we were able to lock interest savings over the remaining term of the 2022 Notes reducing the effective rate to 2.7% from 3.5%. On April 6, 2016, we issued \$1.4 billion principal amount of 3.60% senior notes due April 15, 2026 ("2026 Notes") and entered into a \$500 million notional amount fixed-to-floating interest rate swap on the 2026 Notes. At September 30, 2016, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations as compared to 61% fixed rate and 39% floating rate at December 31, 2015 and, as a result, in the nine months of 2016 there was less floating rate benefit from the swaps. We also expect to receive less floating rate benefit from the swaps during the fourth quarter of 2016 as compared to 2015. Interest income increased \$1.2 million in the third quarter of 2016 and increased \$1.3 million in the nine months of 2016 compared to the prior year periods.

Our effective tax rate for the third quarter and the nine months of 2016 was consistent period-over-period at 32.7% and 32.6%, respectively.

Net income - Omnicom Group Inc. in the third quarter of 2016 increased \$14.5 million, or 6.1%, to \$253.8 million from \$239.3 million in the third quarter of 2015 and net income - Omnicom Group Inc. in the nine months of 2016 increased \$36.0 million, or 4.7%, to \$798.3 million from \$762.3 million in the nine months of 2015. The period-over-period increase is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 9.3% to \$1.06 in the third quarter of 2016, compared to \$0.97 in the third quarter of 2015 and diluted net income per common share - Omnicom Group Inc. increased 8.2% to \$3.31 in the nine months of 2016, compared to \$3.06 in the nine months of 2015 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 - Third Quarter 2016 Compared to Third Quarter of 2015 (in millions):

	2016	2015		
Revenue	\$3,791.1	\$3,706.6		
Operating Expenses:				
Salary and service costs	2,855.3	2,799.8		
Occupancy and other costs	305.5	303.0		
Cost of services	3,160.8	3,102.8		
Selling, general and administrative expenses	104.1	103.7		
Depreciation and amortization	73.1	71.8		
	3,338.0	3,278.3		
Operating Income	453.1	428.3		
Add back: Amortization of intangible assets	29.0	26.4		
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	482.1	454.7		
EBITA Margin - %	12.7	% 12.3	%	
Deduct: Amortization of intangible assets	29.0	26.4		
Operating Income	453.1	428.3		
Operating Margin - %	12.0	% 11.6	%	
Interest Expense	52.9	45.6		
Interest Income	10.9	9.7		
Income Before Income Taxes and Income From Equity Method Investments	411.1	392.4		
Income Tax Expense	134.3	128.9		
Income From Equity Method Investments	1.4	3.2		
Net Income	278.2	266.7		
Net Income Attributed To Noncontrolling Interests	24.4	27.4		
Net Income - Omnicom Group Inc.	\$253.8	\$239.3		

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 intangible assets, primarily consisting of intangible assets related to acquired businesses. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measures for the periods presented. We believe that EBITA and EBITA Margin are useful measures for investors 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 2016, revenue increased \$84.5 million, or 2.3%, to \$3,791.1 million from \$3,706.6 million in the third quarter of 2015. Changes in foreign exchange rates reduced revenue \$49.9 million, acquisitions, net of dispositions increased revenue \$15.3 million and organic growth increased revenue \$119.1 million.

The components of revenue change for the third quarter of 2016 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International			
	\$	%	\$	%	\$	%		
September 30, 2015	\$3,706.6		\$2,098.5		\$1,608.1			
Components of revenue change:								
Foreign exchange impact	(49.9	) (1.3)%	—	—	(49.9	) (3.1)%		
Acquisitions, net of dispositions	15.3	0.4 %	(6.5	) (0.3)%	21.8	1.4 %		
Organic growth	119.1	3.2 %	18.7	0.9 %	100.4	6.2 %		
September 30, 2016	\$3,791.1	2.3 %	\$2,110.7	0.6 %	\$1,680.4	4.5 %		



The components of total revenue change and the respective percentages are calculated as follows:

The foreign exchange impact is calculated by translating the current period's local currency revenue using the prior period average exchange rates to derive current period constant currency revenue (in this case \$3,841.0 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue (\$3,791.1 million less \$3,841.0 million for the Total column).

Acquisitions, net of dispositions is calculated by aggregating the prior period revenue of the acquired businesses, less the prior period revenue of any business that was disposed of in the current 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 (\$3,706.6 million for the Total column).

For the third quarter of 2016, changes in foreign exchange rates reduced revenue by 1.3%, or \$49.9 million, compared to the third quarter of 2015, primarily resulting from the weakening of the British Pound against the U.S. Dollar.

During the third quarter of 2016 the Brazilian Real and Japanese Yen strengthened against the U.S. Dollar.

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 operating margin is minimized. Assuming exchange rates at October 14, 2016 remain unchanged, we expect the impact of changes in foreign exchange rates to reduce revenue by approximately 1.75% for the year and 1% in the fourth quarter of 2016.

Revenue for the third quarter of 2016 and the percentage change in revenue and organic growth from the third quarter of 2015 in our principal regional markets were (in millions):

	2016	2015	\$ Change	% Change	% Organic Growth		
Americas:							
North America	\$2,253.9	\$2,221.7	\$ 32.2	1.4 %	1.7 %		
Latin America	112.5	70.3	42.2	60.0 %	11.9 %		
EMEA:							
Europe	938.6	967.4	(28.8 )	(3.0 )%	3.3 %		
Middle East and Africa	67.2	60.4	6.8	11.3 %	15.6 %		
Asia Pacific	418.9	386.8	32.1	8.3 %	8.0 %		
	\$3,791.1	\$3,706.6	\$ 84.5	2.3 %	3.2 %		

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 third quarter of 2016, the percentage of revenue attributed to the U.K. and the Euro currency and other European countries was 9.2% and 15.6%, respectively. In the third quarter of 2016, revenue, including the impact of changes in foreign exchange rates, decreased 10.4% in the U.K. and increased 2.0% in the Euro currency and other European countries.

In North America, strong growth in Canada was partially offset by slower growth in the United States as compared to more robust growth in the prior year period. In Europe, growth in the U.K., Spain and Russia was offset by the weakening of the British Pound against the U.S. Dollar and negative performance in Germany. The increase in revenue in Latin America was a result of growth in Mexico and our acquisition activity in Brazil and the strengthening of the Brazilian Real against the U.S. Dollar. In Asia Pacific, the major economies in the region continued to expand and changes in foreign exchange rates increased revenue in the region primarily related to the strengthening of the Japanese Yen and Australian Dollar against the U.S. Dollar, which was partially offset by the weakening of the Chinese Yuan against the U.S. Dollar.





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 third quarter of 2016 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Our largest client represented 2.9% of our revenue for the third quarter of 2016 and 2015. Our ten largest and 100 largest clients represented 19.0% and 53.5% of our revenue for the third quarter of 2016, respectively, and 19.3% and 53.4% of our revenue for the third quarter of 2015, respectively.

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.

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 marketing, investor relations, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, outsource sales support, 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 2016 and 2015 and the percentage change in revenue and organic growth from the third quarter of 2015 by discipline were (in millions):

	Three Months Ended September 30,									
	2016		2015		2016 vs. 2015				% Organic Growth	
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change	\$	% Change	%	%
Advertising	\$1,972.8	52.0 %	\$1,903.8	51.4 %	\$69.0	3.6 %	\$69.0	3.6 %	3.6 %	3.6 %
CRM	1,203.8	31.8 %	1,221.3	32.9 %	(17.5)	(1.4) %	(17.5)	(1.4) %	1.6 %	1.6 %
Public relations	347.6	9.2 %	329.5	8.9 %	18.1	5.5 %	18.1	5.5 %	4.4 %	4.4 %
Specialty communications	266.9	7.0 %	252.0	6.8 %	14.9	5.9 %	14.9	5.9 %	6.2 %	6.2 %
	\$3,791.1		\$3,706.6		\$84.5	2.3 %	\$84.5	2.3 %	3.2 %	3.2 %

We operate in a number of industry sectors. The percentage of revenue by industry sector for the third quarter of 2016 and 2015 was:

	2016	2015
Food and Beverage	13 %	14 %
Consumer Products	10 %	10 %
Pharmaceuticals and Health Care	13 %	11 %
Financial Services	7 %	7 %
Technology	9 %	10 %
Auto	8 %	8 %
Travel and Entertainment	7 %	6 %
Telecommunications	5 %	5 %
Retail	6 %	6 %
Other	22 %	23 %



## Operating Expenses

The change in operating expenses for the third quarter of 2016 compared to the third quarter of 2015 was (in millions):

	Three Months Ended September 30,				2016 vs. 2015	
	2016		2015		\$	%
	\$	% of Revenue	\$	% of Revenue	Change	Change
Revenue	\$3,791.1		\$3,706.6		\$84.5	2.3 %
Operating Expenses:						
Salary and service costs	2,855.3	75.3 %	2,799.8	75.5 %	55.5	2.0 %
Occupancy and other costs	305.5	8.1 %	303.0	8.2 %	2.5	0.8 %
Cost of services	3,160.8		3,102.8		58.0	1.9 %
Selling, general and administrative expenses	104.1	2.7 %	103.7	2.8 %	0.4	0.4 %
Depreciation and amortization	73.1	1.9 %	71.8	1.9 %	1.3	1.8 %
	3,338.0	88.0 %	3,278.3	88.4 %	59.7	1.8 %
Operating Income	\$453.1	12.0 %	\$428.3	11.6 %	\$24.8	5.8 %

Operating expenses increased 1.8% in third quarter of 2016 compared to the third quarter of 2015. Salary and service costs, which tend to fluctuate with changes in revenue, increased \$55.5 million, or 2.0%, in the third quarter of 2016 compared to the third quarter of 2015. Salary and service costs decreased as a percentage of revenue compared to the prior period reflecting decreased use of freelance labor and changes in the mix of our business. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased \$2.5 million, or 0.8%, in the third quarter of 2016 compared to the third quarter of 2015. Occupancy and other costs decreased as a percentage of revenue compared to the prior period resulting from our ongoing efforts to leverage scale and enhance efficiency.

As a result, operating margin increased 0.4% to 12.0% in the third quarter of 2016 from 11.6% in the third quarter of 2015, and EBITA margin, as defined on page 17, increased 0.4% to 12.7% in the third quarter of 2016 from 12.3% in the third quarter of 2015.

## Net Interest Expense

Net interest expense increased \$6.1 million to \$42.0 million in the third quarter of 2016 from \$35.9 million in the third quarter of 2015. In the third quarter of 2016, interest expense increased \$7.3 million to \$52.9 million, primarily resulting from the reduced benefit of the fixed-to-floating interest rate swaps on a portion of the 2022 Notes. In January 2016, we settled the outstanding \$1 billion notional value interest rate swap on the 2022 Notes. By settling the swap, we were able to lock interest savings over the remaining term of the 2022 Notes reducing the effective rate to 2.7% from 3.5%. On April 6, 2016, we issued \$1.4 billion principal amount of 2026 Notes and entered into a \$500 million notional amount fixed-to-floating interest rate swap on the 2026 Notes. At September 30, 2016, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations as compared to 61% fixed rate and 39% floating rate at December 31, 2015 and, as a result, in the third quarter of 2016 there was less floating rate benefit from the swaps. We also expect to receive less floating rate benefit from the swaps during the fourth quarter of 2016 as compared to 2015. Note 5 to the unaudited consolidated financial statements includes a complete discussion of our interest rate swaps. Interest income increased \$1.2 million in the third quarter of 2016 compared to the prior year period.

## Income Taxes

Our effective tax rate was consistent period-over-period at 32.7% and 32.8%.

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

Net income - Omnicom Group Inc. in the third quarter of 2016 increased \$14.5 million, or 6.1%, to \$253.8 million from \$239.3 million in the third quarter of 2015. The period-over-period increase is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 9.3% to \$1.06 in the third quarter of

2016, compared to \$0.97 in the third quarter of 2015, 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.

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RESULTS OF OPERATIONS - Nine Months of 2016 Compared to Nine Months of 2015 (in millions):

	2016	2015		
Revenue	\$11,175.1	\$10,981.1		
Operating Expenses:				
Salary and service costs	8,304.5	8,159.8		
Occupancy and other costs	920.2	942.0		
Cost of services	9,224.7	9,101.8		
Selling, general and administrative expenses	323.1	316.0		
Depreciation and amortization	220.3	218.7		
	9,768.1	9,636.5		
Operating Income	1,407.0	1,344.6		
Add back: Amortization of intangible assets	85.7	80.8		
Earnings before interest, taxes and amortization of intangible assets ("EBITA")	1,492.7	1,425.4		
EBITA Margin - %	13.4	% 13.0	%	
Deduct: Amortization of intangible assets	85.7	80.8		
Operating Income	1,407.0	1,344.6		
Operating Margin - %	12.6	% 12.2	%	
Interest Expense	157.6	134.0		
Interest Income	30.6	29.3		
Income Before Income Taxes and Income From Equity Method Investments	1,280.0	1,239.9		
Income Tax Expense	417.7	406.9		
Income From Equity Method Investments	4.0	6.2		
Net Income	866.3	839.2		
Net Income Attributed To Noncontrolling Interests	68.0	76.9		
Net Income - Omnicom Group Inc.	\$798.3	\$762.3		

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 intangible assets, primarily consisting of intangible assets related to acquired businesses. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measures for the periods presented. We believe that EBITA and EBITA Margin are useful measures for investors 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 nine months of 2016, revenue increased \$194.0 million, or 1.8%, to \$11,175.1 million from \$10,981.1 million in the nine months of 2015. Changes in foreign exchange rates reduced revenue \$209.1 million, acquisitions, net of dispositions increased revenue \$24.3 million and organic growth increased revenue \$378.8 million.

The components of revenue change for the nine months of 2016 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International		
	\$	%	\$	%	\$	%	
September 30, 2015	\$10,981.1		\$6,203.0		\$4,778.1		
Components of revenue change:							
Foreign exchange impact	(209.1	) (1.9)%	—	— %	(209.1	) (4.4)%	
Acquisitions, net of dispositions	24.3	0.3 %	(49.0	) (0.8)%	73.3	1.5 %	
Organic growth	378.8	3.4 %	154.8	2.5 %	224.0	4.7 %	
September 30, 2016	\$11,175.1	1.8 %	\$6,308.8	1.7 %	\$4,866.3	1.8 %	



The components of total revenue change and the respective percentages are calculated as follows:

The foreign exchange impact is calculated by translating the current period's local currency revenue using the prior period average exchange rates to derive current period constant currency revenue (in this case \$11,384.2 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue (\$11,175.1 million less \$11,384.2 million for the Total column).

Acquisitions, net of dispositions is calculated by aggregating the prior period revenue of the acquired businesses, less the prior period revenue of any business that was disposed of in the current 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 (\$10,981.1 million for the Total column).

For the nine months of 2016, changes in foreign exchange rates reduced revenue by 1.9%, or \$209.1 million, compared to the nine months of 2015. Substantially all currencies have weakened against the U.S. Dollar, with the most significant impacts resulting from the weakening of the British Pound, as well as the Australian Dollar, Brazilian Real, Canadian Dollar and Russian Ruble.

Revenue for the nine months of 2016 and the percentage change in revenue and organic growth from the nine months of 2015 in our principal regional markets were (in millions):

	2016	2015	\$ Change	% Change	% Organic Growth		
Americas:							
North America	\$6,706.9	\$6,570.4	\$136.5	2.1 %	3.1 %		
Latin America	286.6	236.7	49.9	21.1 %	1.4 %		
EMEA:							
Europe	2,822.0	2,847.6	(25.6 )	(0.9 )%	3.3 %		
Middle East and Africa	186.1	188.3	(2.2 )	(1.2 )%	5.1 %		
Asia Pacific	1,173.5	1,138.1	35.4	3.1 %	5.9 %		
	\$11,175.1	\$10,981.1	\$194.0	1.8 %	3.4 %		

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 nine months of 2016, the percentage of revenue attributed to the U.K. and the Euro currency and other European countries was 9.4% and 15.9%, respectively. In the nine months of 2016, revenue, including the impact of changes in foreign exchange rates, decreased 5.3% in the U.K. and increased 1.9% in the Euro currency and other European countries.

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, Spain and Russia was offset by the weakening of the British Pound and Russian Ruble against the U.S. Dollar and negative performance in the Netherlands. The increase in revenue in Latin America was a result of our acquisition activity in Brazil, which was substantially offset by the weakening of most currencies in the region against the U.S. Dollar, especially the Brazilian Real. The continuing uncertainty in both the economic and political climate in Brazil resulted in organic revenue declines that partially offset the growth from our acquisition and also overshadowed strong growth in Mexico. In Asia Pacific, growth in the major economies in the region was partially offset by the weakening of most currencies in the region. 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 nine months of 2016 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Our largest client represented 2.8% and 2.7% of our revenue for the nine months of 2016 and 2015, respectively. Our ten largest and 100 largest clients represented 18.2% and 53.5% of our revenue for the nine months of 2016, respectively, and 18.6% and 52.3% of our revenue for the nine months of 2015, respectively.





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.

Revenue for the nine months of 2016 and 2015 and the percentage change in revenue and organic growth from the nine months of 2015 by discipline were (in millions):

	Nine Months Ended September, 30		2016		2015		2016 vs. 2015		% Organic Growth	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change	\$	%
Advertising	\$5,841.8	52.3 %	\$5,584.2	50.9 %	\$257.6	4.6 %	\$257.6	4.6 %	\$6.4	6.4 %
CRM	3,503.0	31.3 %	3,610.2	32.9 %	(107.2)	(3.0) %	(107.2)	(3.0) %	(0.6)	(0.6) %
Public relations	1,016.0	9.1 %	998.7	9.1 %	17.3	1.7 %	17.3	1.7 %	1.2	1.2 %
Specialty communications	814.3	7.3 %	788.0	7.1 %	26.3	3.3 %	26.3	3.3 %	4.3	4.3 %
	\$11,175.1		\$10,981.1		\$194.0	1.8 %	\$194.0	1.8 %	\$3.4	3.4 %

We operate in a number of industry sectors. The percentage of revenue by industry sector for the nine months of 2016 and 2015 was:

	2016	2015
Food and Beverage	13 %	13 %
Consumer Products	10 %	10 %
Pharmaceuticals and Health Care	12 %	11 %
Financial Services	7 %	7 %
Technology	9 %	10 %
Auto	8 %	8 %
Travel and Entertainment	7 %	6 %
Telecommunications	5 %	5 %
Retail	6 %	7 %
Other	23 %	23 %

Operating Expenses

The change in operating expenses for the nine months of 2016 compared to the nine months of 2015 was (in millions):

	Nine Months Ended September, 30		2016		2015		2016 vs. 2015	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Revenue	\$11,175.1		\$10,981.1		\$194.0	1.8 %	\$194.0	1.8 %
Operating Expenses:								
Salary and service costs	8,304.5	74.3 %	8,159.8	74.3 %	144.7	1.8 %	144.7	1.8 %
Occupancy and other costs	920.2	8.2 %	942.0	8.6 %	(21.8)	(2.3) %	(21.8)	(2.3) %
Cost of services	9,224.7		9,101.8		122.9		122.9	
Selling, general and administrative expenses	323.1	2.9 %	316.0	2.9 %	7.1	2.2 %	7.1	2.2 %
Depreciation and amortization	220.3	2.0 %	218.7	2.0 %	1.6	0.7 %	1.6	0.7 %
	9,768.1	87.4 %	9,636.5	87.8 %	131.6	1.4 %	131.6	1.4 %
Operating Income	\$1,407.0	12.6 %	\$1,344.6	12.2 %	\$62.4	4.6 %	\$62.4	4.6 %



Operating expenses increased 1.4% in the nine months of 2016 compared to the nine months of 2015. Salary and service costs, which tend to fluctuate with changes in revenue, increased \$144.7 million, or 1.8%, in the nine months of 2016 compared to the nine months of 2015. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased \$21.8 million, or 2.3%, in the nine months of 2016 compared to the nine months of 2015, principally resulting from our ongoing efforts to leverage scale and enhance efficiency. SG&A expenses increased period-over-period primarily related to professional fees incurred in connection with our acquisition activities.

As a result, operating margin increased 0.4% to 12.6% in the nine months of 2016 from 12.2% in the nine months of 2015, and EBITA margin, as defined on page 21, increased 0.4% to 13.4% in the nine months of 2016 from 13.0% in the nine months of 2015.

#### Net Interest Expense

Net interest expense increased \$22.3 million to \$127.0 million in the nine months of 2016 from \$104.7 million in the nine months of 2015. In the nine months of 2016, interest expense increased \$23.6 million to \$157.6 million, primarily resulting from the reduced benefit of the fixed-to-floating interest rate swaps on a portion of the 2022 Notes. In January 2016, we settled the outstanding \$1 billion notional value interest rate swap on the 2022 Notes. By settling the swap, we were able to lock interest savings over the remaining term of the 2022 Notes reducing the effective rate to 2.7% from 3.5%. On April 6, 2016, we issued \$1.4 billion principal amount of 3.60% senior notes due April 15, 2026 ("2026 Notes") and we entered into a \$500 million notional amount fixed-to-floating interest rate swap on the 2026 Notes. At September 30, 2016, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations as compared to 61% fixed rate and 39% floating rate at December 31, 2015 and, as a result, in the nine months of 2016 there was less floating rate benefit from the swaps. We also expect to receive less floating rate benefit from the swaps during the fourth quarter of 2016 as compared to 2015. Note 5 to the unaudited consolidated financial statements includes a complete discussion of our interest rate swaps. Interest income for the nine months of 2016 increased slightly period-over-period to \$30.6 million.

#### Income Taxes

Our effective tax rate was consistent period-over-period at 32.6% and 32.8%.

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

Net income - Omnicom Group Inc. in the nine months of 2016 increased \$36.0 million, or 4.7%, to \$798.3 million from \$762.3 million in the nine months of 2015. The period-over-period increase is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 8.2% to \$3.31 in the nine months of 2016, compared to \$3.06 in the nine months of 2015, 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.

## CRITICAL ACCOUNTING POLICIES

For a more complete understanding of our accounting policies, the unaudited 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 2015 10-K. Acquisitions and Goodwill

We have made and expect to continue to make selective acquisitions. The valuation of potential acquisitions is based on various factors, including specialized know-how, reputation, geographic coverage, competitive position 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 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 by multiple agencies in various 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 discounted expected 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, 2016 and 2015 were:

	June 30,	
	2016	2015
Long-Term Growth Rate	4%	4%
WACC	9.7% - 10.3%	10.1% - 10.7%

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 4.0% and 3.6%, respectively. We considered this history when determining the long-term growth rates used in our annual impairment test at June 30, 2016. We believe marketing expenditures over the long term have a high correlation to GDP. Based on our historical performance, we also believe that our long-term growth rate will exceed Average Nominal GDP growth in the markets we operate in, which are similar across our reporting units. For our annual test as of June 30, 2016, we used an estimated long-term growth rate of 4%.

When performing the annual impairment test as of June 30, 2016 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 2016. In the first half of 2016, we experienced an increase in our revenue of 3.4%, 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 2016, 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 at June 30, 2016 was not impaired, 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 77%. Notwithstanding our belief that the assumptions we used for WACC and long-term growth rate in our impairment testing 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, 2016 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.

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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 as of the valuation date. 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.

#### NEW ACCOUNTING STANDARDS

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

#### LIQUIDITY AND CAPITAL RESOURCES

##### Cash Sources and Requirements

Our primary source of liquidity is operating cash flow. In addition to our cash and cash equivalents and short-term investments, additional liquidity sources include access to the commercial paper market, our \$2.5 billion revolving credit facility, or Credit Facility, uncommitted domestic and international credit lines and access to the capital markets. These sources of liquidity fund our non-discretionary cash requirements and our discretionary spending. 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, and contingent purchase price obligations (earn-outs) from prior acquisitions. Our principal discretionary cash spending includes dividend payments to common shareholders, capital expenditures, strategic acquisitions and repurchases of our common stock. We have a short-term borrowing 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.

Based on past performance and current expectations, we believe that our operating cash flow will be sufficient to meet our non-discretionary cash requirements, and our discretionary spending through 2016. Our cash and cash equivalents and short-term investments, access to the commercial paper market, Credit Facility, uncommitted credit lines and access to the capital markets provide additional sources of liquidity.

Cash and cash equivalents decreased \$668.6 million from December 31, 2015 and short-term investments increased \$18.1 million from December 31, 2015. During the nine months of 2016, we generated \$316.6 million of cash from operations, which included the use of operating capital of \$784.1 million. Our discretionary spending during the nine months of 2016 was: capital expenditures of \$100.5 million; dividends paid to common shareholders of \$374.2 million; dividends paid to shareholders of noncontrolling interests of \$71.1 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 \$422.5 million; and acquisition payments, including payment of contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, net of cash acquired, of \$421.9 million.

##### Cash Management

Our regional treasury centers in North America, Europe and Asia, which are structured as wholly owned finance subsidiaries, manage our cash and liquidity. 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 issue up to a total of \$2 billion of U.S.

Dollar-denominated commercial paper or borrow under the Credit Facility or the uncommitted credit lines. This process enables us to manage our debt 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.

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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 institutions that are party to the Credit Facility. These institutions generally have credit ratings equal to or better than our credit ratings. In countries where we do not conduct treasury operations, all cash and cash equivalents are held by counterparties that meet specific minimum credit standards. Our net debt position, which we define as total debt, including short-term debt, less cash and cash equivalents and short-term investments, at September 30, 2016 increased \$1.1 billion as compared to December 31, 2015. The increase in net debt is due to a decrease in cash and cash equivalents and short-term investments of \$650.5 million primarily arising from the unfavorable change in our operating capital, which typically occurs through the nine months, and a net increase in our senior notes. As compared to September 30, 2015, net debt decreased \$122.0 million primarily as a result of the increase in cash and cash equivalents partially offset by the net increase in our senior notes. The components of net debt as of September 30, 2016, December 31, 2015 and September 30, 2015 were (in millions):

	September 30, 2016	December 31, 2015	September 30, 2015
Short-term debt	\$ 25.0	\$ 5.2	\$ 9.7
Long-term debt, including current portion	5,007.5	4,565.6	4,605.6
Total debt	\$ 5,032.5	\$ 4,570.8	\$ 4,615.3
Less: Cash and cash equivalents and short-term investments	1,969.2	2,619.7	1,430.0
Net debt	\$ 3,063.3	\$ 1,951.1	\$ 3,185.3

Net debt is a Non-GAAP liquidity 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. Non-GAAP liquidity measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP. Non-GAAP liquidity measures as reported by us may not be comparable to similarly titled amounts reported by other companies.

At September 30, 2016, our foreign subsidiaries held approximately \$601.1 million of our total cash and cash equivalents of \$1.9 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.

#### Debt Instruments and Related Covenants

At September 30, 2016, as a source of short-term financing, we have the \$2.5 billion Credit Facility and domestic and international uncommitted credit lines that aggregated \$1.1 billion, and we can issue up to \$2 billion of commercial paper.

The Credit Facility 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, 2016, we were in compliance with these covenants as our Leverage Ratio was 2.2 times and our Interest Coverage Ratio was 11.1 times. The Credit Facility does not limit our ability to declare or pay dividends or repurchase our common stock.

On April 6, 2016, we issued \$1.4 billion principal amount of 2026 Notes and a portion of the net proceeds were used to retire the outstanding \$1 billion 5.9% Senior Notes due 2016 at maturity on April 15, 2016. On January 19, 2016, we settled the outstanding interest rate swap on the 2022 Notes, and on March 28, 2016, we settled our outstanding forward-starting interest rate swap, which was entered into in connection with the refinancing of the 2016 Notes. On April 6, 2016, we entered into a \$500 million notional amount fixed-to-floating interest rate swap on the 2026 Notes. Note 5 to the unaudited consolidated financial statements includes a complete discussion of our interest rate swaps. At September 30, 2016, the total aggregate principal amount of our fixed rate senior notes was \$4.9 billion and the total notional amount of the fixed-to-floating interest rate swaps was \$1.25 billion. The interest rate swaps have the

economic effect of converting our debt portfolio to approximately 75% fixed rate obligations and 25% floating rate obligations.

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Omnicom and its wholly owned finance subsidiary Omnicom Capital Inc., or OCI, are co-obligors under all the senior notes. The senior notes are a joint and several liability of us and OCI and we unconditionally guarantee OCI's obligations with respect to the senior notes. OCI provides funding for our operations by incurring debt and lending the proceeds to our operating subsidiaries. OCI's assets consist of cash and cash equivalents and intercompany loans made to our operating subsidiaries and the related interest receivable. There are no restrictions on the ability of OCI or us to obtain funds from our subsidiaries through dividends, loans or advances. Our senior notes are senior unsecured obligations that rank equal in right of payment with all existing and future unsecured senior indebtedness.

#### Credit Markets and Availability of Credit

We typically fund our day-to-day liquidity by issuing commercial paper. As an additional source of funding, we may borrow under the Credit Facility or the uncommitted credit lines. At September 30, 2016, there were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines.

Commercial paper activity for the quarters ended September 30, 2016 and 2015 was (dollars in millions):

	2016	2015		
Average amount outstanding during the quarter	\$1,047.1	\$1,244.1		
Maximum amount outstanding during the quarter	\$1,413.0	\$1,597.6		
Average days outstanding	16.0	18.9		
Weighted average interest rate	0.74	% 0.48	%	

Our access to the commercial paper market and the cost of these borrowings are affected by our credit ratings and market conditions. S&P rates our long-term and short-term debt BBB+ and A2, respectively, and Moody's rates our long-term and short-term debt Baa1 and P2, respectively. Our outstanding senior notes and Credit Facility do not contain provisions that require acceleration of cash payments in the event our debt credit ratings are downgraded. We expect to continue funding our day-to-day liquidity by issuing commercial paper. 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 liquidity we may borrow under the Credit Facility or access the capital markets if favorable conditions exist. We will continue to monitor closely our liquidity and conditions in the credit markets. We cannot predict with any certainty the impact on us of any future disruptions in the credit markets. In such circumstances, we may need to obtain additional financing to fund our day-to-day working capital requirements. Such additional financing may not be available on favorable terms, or at all.

#### 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 2.8% of our revenue for the nine months of 2016. However, during periods of economic downturn, the credit profiles of our clients could change.

In the normal course of 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, our methods of managing the risk of payment default, 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.

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

We manage our exposure to foreign exchange and interest rate risk through various strategies, including the use of derivative financial instruments. We use forward foreign exchange contracts as economic hedges to manage the cash flow volatility arising from foreign exchange rate fluctuations. Additionally, we use interest rate swaps to manage our interest expense and structure our debt portfolio to achieve a mix of fixed rate and floating rate debt. We do not use derivative instruments for trading or speculative purposes. Utilizing derivative instruments exposes us to the risk that counterparties to the derivative contracts will fail to meet their contractual obligations. To mitigate counterparty credit risk, we have a policy of only entering into derivative contracts with carefully selected major financial institutions based on specific minimum credit standards and other factors.

Our 2015 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 2015 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, 2016. Based on that evaluation, our CEO and CFO concluded that, as of September 30, 2016, 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, 2016 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, 2016. 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 2015 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2015, dated February 9, 2016.

## 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 2015 10-K.

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

Stock purchase activity during the three months ended September 30, 2016 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 1 - 31, 2016	212,820	\$82.26	—	—
August 1 - 31, 2016	2,810	\$84.02	—	—
September 1 - 30, 2016	715,000	\$84.42	—	—
	930,630	\$83.92	—	—

During the three months ended September 30, 2016, we purchased 715,000 shares of our common stock in the open market for general corporate purposes and withheld 215,630 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, 2016.

## 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.

OMNICOM GROUP INC.

Date: October 19,  
2016

/s/ PHILIP J. ANGELASTRO

Philip J. Angelastro

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