OMNICOM GROUP INC.
Form 10-Q
October 17, 2013

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

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, 2013

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)

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 þ No o
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 þ No o
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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

As of October 15, 2013, there were 257,360,875 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. These statements relate to future events or future financial performance and involve known and unknown risks and other factors that may cause our actual or our industry’s results, levels of activity or achievement to be materially different from those expressed or implied by any forward-looking statements. These risks and uncertainties, including those resulting from specific factors identified under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” include, but are not limited to, our future financial position and results of operations, global economic conditions, losses on media purchases and production costs incurred on behalf of clients, reductions in client spending and/or a slowdown in client payments, competitive factors, changes in client communication requirements, managing conflicts of interest, the hiring and retention of personnel, maintaining a highly skilled workforce, our ability to attract new clients and retain existing clients, reliance on information technology systems, changes in government regulations impacting our advertising and marketing strategies, conditions in the credit markets, risks associated with assumptions we make in connection with our critical accounting estimates and legal proceedings, our ability to consummate the merger with Publicis Groupe and recognize the benefits therefrom, and our international operations, which are subject to the risks of currency fluctuations and foreign exchange controls. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of those tern comparable terminology. These statements are our present expectations. Actual events or results may differ. We undertake no obligation to update or revise any forward-looking statement, except as required by law.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$1,521.5	$2,678.3
Short-term investments, at cost	12.9	20.6
Accounts receivable, net of allowance for doubtful accounts of $32.8 and $35.9	6,577.8	6,958.2
Work in process	1,328.3	1,008.4
Other current assets	1,024.9	995.9
Total Current Assets	10,465.4	11,661.4
Property and Equipment at cost, less accumulated depreciation of $1,226.7 and $1,234.8	701.6	723.8
Equity Method Investments	152.2	155.2
Goodwill	8,869.0	8,844.2
Intangible Assets, net of accumulated amortization of $552.9 and $498.0	398.1	456.1
Other Assets	284.5	311.2
TOTAL ASSETS	$20,870.8	$22,151.9
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$7,533.1	$8,296.7
Customer advances	1,280.4	1,231.5
Current portion of debt	0.3	0.4
Short-term borrowings	18.3	6.4
Taxes payable	234.9	264.4
Other current liabilities	2,168.4	2,076.4
Total Current Liabilities	11,235.4	11,875.8
Long-Term Notes Payable	3,782.7	3,789.1
Convertible Debt	252.7	659.4

Long-Term Liabilities	718.0	739.9
Long-Term Deferred Tax Liabilities	879.3	933.0
Commitments and Contingent Liabilities (See Note 12)		
Temporary Equity - Redeemable Noncontrolling Interests	194.7	198.4
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	810.9	836.6
Retained earnings	8,766.7	8,394.4
Accumulated other comprehensive income (loss)	(220.6)	(129.5)
Treasury stock, at cost	(6,076.3)	(5,700.3)
Total Shareholders' Equity	3,340.3	3,460.8
Noncontrolling interests	467.7	495.5
Total Equity	3,808.0	3,956.3
TOTAL LIABILITIES AND EQUITY	$20,870.8	$22,151.9

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

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OMNICOM GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	$3,490.5	$3,406.6	$10,526.4	$10,274.8
Operating Expenses	3,111.1	3,019.3	9,252.2	9,018.6
Operating Income	379.4	387.3	1,274.2	1,256.2
Interest Expense	50.5	47.8	148.8	130.3
Interest Income	7.7	7.5	24.2	26.0
Income Before Income Taxes and Income From Equity Method Investments	336.6	347.0	1,149.6	1,151.9
Income Tax Expense	116.2	118.7	388.9	389.9
Income From Equity Method Investments	4.3	5.3	10.5	11.9
Net Income	224.7	233.6	771.2	773.9
Less: Net Income Attributed To Noncontrolling Interests	28.7	29.7	80.5	82.7
Net Income - Omnicom Group Inc.	$196.0	$203.9	$690.7	$691.2
Net Income Per Share - Omnicom Group Inc.:				
Basic	$0.74	$0.75	$2.60	$2.51
Diluted	$0.74	$0.74	$2.58	$2.49
Dividends Declared Per Common Share	$0.40	$0.30	$1.20	$0.90

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	$224.7	$233.6	$771.2	$773.9
Unrealized gain on available-for-sale securities, net of income taxes of $0.2 for the nine months ended September 30, 2013	—	—	0.3	—
Foreign currency translation adjustment, net of income taxes of $94.4 and $53.2 for the three months and ($63.6) and $36.9 for the nine months ended September 30, 2013 and 2012, respectively	183.4	103.2	(123.3)	71.3
Defined benefit pension and postemployment plans adjustment, net of income taxes of $0.7 and $0.9 for the three months and $3.1 and $2.5 for the nine months ended September 30, 2013 and 2012, respectively	1.1	1.3	4.5	3.7
Other Comprehensive Income	184.5	104.5	(118.5)	75.0
Comprehensive Income	409.2	338.1	652.7	848.9
Less: Comprehensive Income attributed to noncontrolling interests	36.4	38.7	53.1	86.7
Comprehensive Income - Omnicom Group Inc.	$372.8	$299.4	$599.6	$762.2

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

OMNICOM GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net income	$771.2	$773.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	136.6	135.4
Amortization of intangible assets	76.3	75.2
Amortization of deferred gain from termination of interest rate swaps	(5.5)	(5.5)
Income from equity method investments, net of dividends received	0.4	(1.6)
Provision for doubtful accounts	4.4	5.3
Share-based compensation	64.9	63.1
Excess tax benefit from share-based compensation	(34.2)	(79.8)
Change in operating capital	(654.2)	(665.9)
Net Cash Provided By Operating Activities	359.9	300.1
Cash Flows from Investing Activities:		
Payments to acquire property and equipment	(123.3)	(158.7)
Payments to acquire businesses and interests in affiliates, net of cash acquired	(26.5)	(117.3)
Proceeds from investments	17.3	8.4
Net Cash Used In Investing Activities	(132.5)	(267.6)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	12.5	1.4
Proceeds from borrowings	—	1,273.2
Redemption of convertible debt	(406.7)	—
Payments of dividends	(212.6)	(235.4)
Payments for repurchase of common stock	(571.3)	(1,001.6)
Proceeds from stock plans	44.8	207.6
Payments for acquisition of additional noncontrolling interests	(11.0)	(19.2)
Payments of dividends to noncontrolling interest shareholders	(81.1)	(78.9)
Payments of contingent purchase price obligations	(68.9)	(30.6)
Excess tax benefit on share-based compensation	34.2	79.8
Other, net	(24.2)	(86.9)

Net Cash (Used In) Provided By Financing Activities	(1,284.3)	109.4
Effect of exchange rate changes on cash and cash equivalents	(99.9)	33.2
Net (Decrease) Increase in Cash and Cash Equivalents	(1,156.8)	175.1
Cash and Cash Equivalents at the Beginning of the Period	2,678.3	1,781.2
Cash and Cash Equivalents at the End of the Period	$1,521.5	$1,956.3

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

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

1. Presentation of Financial Statements

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

In our opinion, the accompanying unaudited condensed 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 condensed financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 (“2012 Form 10-K”). Results for the interim periods are not necessarily indicative of results that may be expected for the year.

2. Business Combination Agreement

On July 27, 2013, the Company and Publicis Groupe S.A. (“Publicis”) entered into a Business Combination Agreement (the “Agreement”) pursuant to which the Company and Publicis agreed, subject to the terms and conditions of the Agreement, to combine their respective businesses (the “Business Combination”). In the Business Combination, Publicis will merge (the “Publicis Merger”) with and into Publicis Omnicom Group N.V., a newly-formed Dutch holding company (“Publicis Omnicom Group” or “HoldCo”), with Publicis Omnicom Group being the surviving entity in the Publicis Merger, and immediately after consummation of the Publicis Merger, a corporation wholly-owned by Publicis Omnicom Group will merge (the “Omnicom Merger” and together with the Publicis Merger, the “Mergers”) with and into the Company, with the Company being the surviving corporation in the Omnicom Merger.

In the Publicis Merger, each issued and outstanding share of Publicis will be exchanged for 1.000000 ordinary share of Publicis Omnicom Group. In addition, prior to completion of the Publicis Merger, Publicis intends to declare and pay a special dividend, in cash, in an amount equal to €1.00 per Publicis share (the “Publicis Transaction Dividend”). In the Omnicom Merger, each share of common stock of the Company will be converted into the right to receive 0.813008 of a Publicis Omnicom Group ordinary share, together with cash in lieu of fractional shares, subject to adjustment to account for certain changes in outstanding shares and certain excluded asset values as set forth in the Agreement. Similarly, prior to completion of the Omnicom Merger, the Company intends to declare and pay a special cash dividend of $2.00 per share of the Company’s outstanding common stock (the “Omnicom Transaction Dividend” and, together with the Publicis Transaction Dividend, the “Transaction Dividends”), subject to adjustment to account for certain changes in outstanding shares of the parties and certain excluded asset values, in each case as set forth in the Agreement, and, if necessary, to equalize the cumulative amount of regular dividends paid by the Company after July 27, 2013 with the cumulative amount of regular Publicis dividends paid after July 27, 2013. However, dividends of up to $0.80 in the aggregate paid to holders of the Company’s common stock in respect of record dates after July 27, 2013 and before the Mergers are not included in this equalization. The payment of the Transaction Dividends is also subject to applicable law.

Completion of the transactions contemplated by the Agreement (which include the Mergers, the Publicis Transaction Dividend, and the Omnicom Transaction Dividend, collectively, the “Transactions”) will be subject to the satisfaction or waiver, if legally permitted, of certain conditions including (a) approval and adoption of the Agreement and the Omnicom Merger by the holders of two-thirds of the outstanding shares of common stock of the Company, approval of the Cross-Border Merger Terms (as described in the Agreement), and the Publicis Merger by the holders of two-thirds of the voting rights attached to the Publicis shares present at a meeting of the Publicis shareholders, and the approval of the Publicis Transaction Dividend by the holders of a majority of the voting rights attached to the Publicis shares present at a meeting of the Publicis shareholders; (b) approval by requisite governmental regulators and authorities, including approvals under applicable competition laws; (c) the listing of the Publicis Omnicom Group ordinary shares on applicable stock exchanges; (d) the absence of any law or order prohibiting the completion of the

Transactions; and (e) the absence of a material adverse effect on either the Company or Publicis.
The completion of the Transactions contemplated by the Agreement will have a material effect on our future results of operations and financial position.

3. New Accounting Standards

On January 1, 2013, we adopted FASB Accounting Standards Update ("ASU") No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ("ASU 2013-01"). ASU 2013-01 amended existing guidance by requiring additional disclosure about financial instruments and derivative instruments that are either (1) offset in the statement of financial position or (2) subject to an enforceable master netting arrangement. ASU 2013-01 requires retrospective disclosure for all comparative periods. The adoption of ASU 2013-01 did not have a material impact on our financial position or financial statement disclosure.

As of March 31, 2013, we adopted FASB ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 amended existing guidance by requiring additional disclosure either on the face of the income statement or in the notes to the financial statements of significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-02 required prospective adoption, and effected financial statement disclosure only. The adoption of ASU 2013-02 had no affect on our results of operations or financial position.

4. Net Income per Common Share

Net income per common share is based on the weighted average number of common shares outstanding during each period. Diluted net income per common share is based on the weighted average number of common shares outstanding, plus, if dilutive, common share equivalents, which include outstanding stock options and restricted stock, and shares issuable for the conversion value of our convertible debt.

Net income per common share is calculated using the two-class method, which is an earnings allocation method for computing net income per common share when a company's capital structure includes common stock and participating securities. The majority of our unvested restricted stock awards receive non-forfeitable dividends at the same rate as our common stock and therefore are considered participating securities. Under the two-class method, basic and diluted net income per common share is reduced for a presumed hypothetical distribution of earnings to holders of our unvested restricted stock. The computation of basic and diluted net income per common share for the three and nine months ended September 30, 2013 and 2012 is (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income Available for Common Shares:				
Net income - Omnicom Group Inc.	$196.0	$203.9	$690.7	$691.2
Net income allocated to participating securities	(4.8)	(4.5)	(18.1)	(15.4)
	$191.2	$199.4	$672.6	$675.8
Weighted Average Shares:				
Basic	258.2	266.6	259.0	269.6
Dilutive stock options and restricted shares and shares issuable for the conversion value of convertible debt	1.7	1.9	1.4	1.9
Diluted	259.9	268.5	260.4	271.5
Anti-dilutive stock options and restricted shares	—	0.2	0.1	0.2
Net Income per Common Share - Omnicom Group Inc.:				

Basic	$0.74	$0.75	$2.60	$2.51
Diluted	$0.74	$0.74	$2.58	$2.49

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5. Goodwill and Intangible Assets

Goodwill and intangible assets at September 30, 2013 and December 31, 2012 were (in millions):

	2013			2012		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	$9,450.6	$581.6	$8,869.0	$9,424.3	$580.1	$8,844.2
Intangible assets:						
Purchased and internally developed software	$285.3	$226.7	$58.6	$283.3	$218.8	$64.5
Customer related and other	665.7	326.2	339.5	670.8	279.2	391.6
	$951.0	$552.9	$398.1	$954.1	$498.0	$456.1

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. At June 30, 2013, 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 tests, we concluded that our goodwill was not impaired at June 30, 2013 because the fair value of each of our reporting units was substantially in excess of their respective net book value.

Change in goodwill for the nine months ended September 30, 2013 and 2012 were (in millions):

	2013	2012
Balance January 1	$8,844.2	$8,456.3
Acquisitions	55.5	225.6
Dispositions	(8.5)	(2.5)
Foreign currency translation	(22.2)	49.2
Balance September 30	$8,869.0	$8,728.6

There were no goodwill impairment losses recorded in the first nine months of 2013 or 2012 and there are no accumulated goodwill impairment losses. Goodwill resulting from acquisitions completed during 2013 and 2012 includes $9.2 million and $16.2 million, respectively, of goodwill attributed to noncontrolling interests in the acquired businesses.

6. Debt

Lines of Credit

We have committed and uncommitted lines of credit. We have a $2.5 billion committed line of credit (“Credit Agreement”) with a consortium of banks expiring on October 12, 2016. We have the ability to classify borrowings under the Credit Agreement as long-term. The Credit Agreement supports the issuance of up to $1.5 billion of commercial paper. Commercial paper issuances reduce the amount available under the Credit Agreement. At

September 30, 2013, there were no outstanding commercial paper issuances or borrowings under the Credit Agreement. At September 30, 2013 and December 31, 2012, we had various uncommitted lines of credit aggregating $1,083.4 million and $878.2 million, respectively.

Our available and unused lines of credit at September 30, 2013 and December 31, 2012 were (in millions):

	2013	2012
Credit Agreement	$2,500.0	$2,500.0
Uncommitted lines of credit	1,083.4	878.2
Available and unused lines of credit	$3,583.4	$3,378.2

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The Credit Agreement contains financial covenants that restrict our ability to incur indebtedness as defined in the agreement. These financial covenants limit the Leverage Ratio of total consolidated indebtedness to total consolidated EBITDA to no more than 3 times for the most recently ended 12 month period (under the Credit Agreement, EBITDA is defined as earnings before interest, taxes, depreciation and amortization). We are also required to maintain a minimum 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, 2013 we were in compliance with these covenants, as our Leverage Ratio was 1.9 times and our Interest Coverage Ratio was 10.6 times. The Credit Agreement does not limit our ability to declare or pay dividends.

Short-Term Borrowings

Short-term borrowings of $18.3 million and $6.4 million at September 30, 2013 and December 31, 2012, respectively, represent bank overdrafts and credit lines of our international subsidiaries. The bank overdrafts and credit lines are treated as unsecured loans pursuant to the agreements supporting the facilities. Due to the short-term nature of these instruments, carrying value approximates fair value.

Long-Term Notes Payable

Long-term notes payable at September 30, 2013 and December 31, 2012 were (in millions):

	2013	2012
5.90% Senior Notes due April 15, 2016	$1,000.0	$1,000.0
6.25% Senior Notes due July 15, 2019	500.0	500.0
4.45% Senior Notes due August 15, 2020	1,000.0	1,000.0
3.625% Senior Notes due May 1, 2022	1,250.0	1,250.0
Other notes and loans	0.3	0.4
	3,750.3	3,750.4
Unamortized premium (discount) on Senior Notes, net	15.0	16.0
Deferred gain from termination of interest rate swaps on Senior Notes due 2016	17.7	23.1
	3,783.0	3,789.5
Less current portion	0.3	0.4
Long-term notes payable	$3,782.7	$3,789.1

Convertible Debt

Convertible debt at September 30, 2013 and December 31, 2012 was (in millions):

	2013	2012
Convertible Notes due July 31, 2032	$252.7	$252.7
Convertible Notes due June 15, 2033	—	0.1
Convertible Notes due July 1, 2038	—	406.6
	252.7	659.4
Less current portion	—	—

Convertible debt	$252.7	$659.4

On May 16, 2013, we called our Convertible Notes due June 15, 2033 (“2033 Notes”) and our Convertible Notes due July 1, 2038 (“2038 Notes”) for redemption on June 17, 2013 at a redemption price of 100% of the principal amount. As provided in the indenture governing the 2033 Notes and the 2038 Notes, prior to redemption the noteholders had the right to convert their notes into shares of our common stock at a conversion rate of 19.4174 shares per $1,000 principal amount at any time prior to June 13, 2013. Substantially all the noteholders exercised their conversion right. We paid $406.1 million in cash representing the principal amount of the 2033 Notes and 2038 Notes that were converted and issued 1,499,792 shares of our common stock to satisfy the conversion premium. On June 17, 2013, we paid $0.6 million to redeem the remaining 2033 Notes and 2038 Notes that were not converted.

Beginning August 1, 2013, our Convertible Notes due July 31, 2032 ("2032 Notes") will accrue contingent interest for the six-month period August 1, 2013 to January 31, 2014. Contingent interest of $2.81 per $1,000 principal amount is payable quarterly on October 31, 2013 and January 31, 2014. In the third quarter of 2013, we recorded a charge to interest expense of $2.8 million, representing the fair value of the contingent interest derivative. In addition, effective September 24, 2013, the conversion rate was adjusted to 18.249 shares of our common stock per $1,000 principal amount. The previous conversion rate was 18.18 shares of our common stock per $1,000 principal amount. On July 31, 2014, the holders of our 2032 Notes can put their notes back to us for cash and we have the right to call the notes at that time.

7. Segment Reporting

Our wholly and partially owned agencies operate within the advertising, marketing and corporate communications services industry. These agencies are organized into agency networks, virtual client networks, regional reporting units and operating groups. Consistent with our fundamental business strategy, our agencies serve similar clients, in similar industries and, in many cases, the same clients across a variety of geographic regions. In addition, our agency networks have similar economic characteristics including similar costs and long-term profit contribution. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs and other overhead expenses. Therefore, given these similarities, we aggregate our operating segments, which are our five agency networks, into one reporting segment.

Revenue and long-lived assets and goodwill by geographic area as of and for the periods ended September 30, 2013 and 2012 were (in millions):

	Americas	EMEA	Asia Pacific
2013			
Revenue - Three months ended	$2,054.4	$1,050.8	$385.3
Revenue - Nine months ended	6,252.3	3,138.5	1,135.6
Long-lived assets and goodwill	6,072.4	2,906.1	592.1
2012			
Revenue - Three months ended	$2,003.1	$1,007.2	$396.3
Revenue - Nine months ended	6,073.8	3,072.8	1,128.2
Long-lived assets and goodwill	6,088.5	2,738.1	602.0

The Americas is composed of the United States, Canada and Latin American countries. EMEA is composed of various Euro currency countries, the United Kingdom, other European countries that have not adopted the European Union Monetary standard, the Middle-East and Africa. Asia Pacific is composed of Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries.

8. Income Taxes

Our effective tax rate for the nine months ended September 30, 2013 and 2012 was 33.8%.

In connection with the conversion of our 2033 Notes and 2038 Notes, we reclassified $52.7 million, representing the excess of the accreted value of the notes for income tax purposes over the conversion value, from long-term deferred tax liability to current taxes payable. In addition, we reclassified $34.5 million, representing the difference between the issue price of the notes and the conversion value, from long-term deferred tax liability to additional paid-in capital. In third quarter of 2013, we paid approximately $40 million of the tax liability resulting from the conversion of the notes and we expect to pay the remaining liability in the fourth quarter of 2013.

At September 30, 2013, our unrecognized tax benefits were $141.5 million. Of this amount, approximately $62.8 million would affect our effective tax rate upon resolution of the uncertain tax positions.

9. Pension and Other Postemployment Benefits

Defined Benefit Pension Plans

The components of net periodic benefit cost for the nine months ended September 30, 2013 and 2012 were (in millions):

	2013	2012
Service cost	$3.3	$4.6
Interest cost	4.6	4.6
Expected return on plan assets	(2.1)	(1.9)
Amortization of prior service cost	2.7	2.4
Amortization of actuarial (gains) losses	2.4	1.1
	$10.9	$10.8

We contributed $3.1 million and $5.3 million to our defined benefit pension plans in the nine months ended September 30, 2013 and 2012, respectively.

Postemployment Arrangements

The components of net periodic benefit cost for the nine months ended September 30, 2013 and 2012 were (in millions):

	2013	2012
Service cost	$3.0	$3.0
Interest cost	3.3	3.5
Amortization of prior service cost	1.5	1.5
Amortization of actuarial (gains) losses	1.0	0.6
	$8.8	$8.6

Net periodic benefit cost for our defined benefit pension plans and postemployment arrangements is included in the salary and service costs component of operating expenses.

10. Operating Expenses

Operating expenses for the three and nine months ended September 30, 2013 and 2012 were (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Salary and service costs	$2,579.2	$2,515.8	$7,711.5	$7,491.5
Office and general expenses	503.8	503.5	1,512.6	1,527.1
Merger expenses	28.1	—	28.1	—
Operating expenses	$3,111.1	$3,019.3	$9,252.2	$9,018.6

In the third quarter of 2013 we incurred $28.1 million of expenses in connection with the pending merger with Publicis, which were primarily comprised of professional fees. The merger expenses are shown as a separate component of operating expenses. We expect to incur significant additional merger expenses.

11. Supplemental Cash Flow Data

Change in operating capital for the nine months ended September 30, 2013 and 2012 were (in millions):

	2013	2012
(Increase) decrease in accounts receivable	$294.0	$438.1
(Increase) decrease in work in process and other current assets	(392.8)	(205.6)
Increase (decrease) in accounts payable	(668.9)	(697.4)
Increase (decrease) in customer advances and other current liabilities	97.6	(314.5)
Change in other assets and liabilities, net	15.9	113.5
	$(654.2)	$(665.9)
Income taxes paid	$335.2	$287.5
Interest paid	$134.8	$114.8

In connection with the conversion of our 2033 Notes and our 2038 Notes in May 2013, we issued 1,499,792 shares of our common stock to satisfy the conversion premium. These issuances resulted in a non-cash pre-tax financing activity of $95.4 million, excluding the cash tax benefit of $34.5 million, based on the closing prices of our common stock on the settlement dates.

12. Commitments and Contingent Liabilities

A putative class action challenging the merger was filed on August 5, 2013 on behalf of Omnicom shareholders in the Supreme Court of the State of New York, New York County. The action, entitled Paul Ansfield v. Wren, et al., names as defendants Omnicom and its board of directors, as well as Publicis and HoldCo. It alleges that the members of the Omnicom board breached their fiduciary duties by, inter alia, approving a merger that is purportedly detrimental to Omnicom's shareholders. The action also alleges that Publicis aided and abetted the Omnicom board's breach of their fiduciary duties. The action seeks an injunction barring or rescinding the Business Combination, damages and attorneys' fees and costs.

Two additional purported class actions were subsequently filed in the Supreme Court of the State of New York, New York County: Lee and Lee v. Omnicom Group, et al., filed on August 14, 2013, and Fultz v. Crawford et al., filed on August 20, 2013. Both of these actions name as defendants Omnicom and its board of directors, as well as Publicis, and make substantially the same allegations and seek substantially the same relief as the Ansfield case.

On August 19, 2013, the Plaintiffs in the Ansfield and Lee actions filed a motion to consolidate those actions with each other and with all subsequently filed or transferred actions arising out of the same facts and circumstances, to select plaintiffs as lead plaintiffs and to approve plaintiffs' selection of counsel as co-lead counsel. On October 3, 2013, the Plaintiffs in all three cases asked the Court to consolidate the three cases, and to approve lead plaintiffs and plaintiffs' selection of counsel as co-lead counsel.

Omnicom believes these lawsuits are without merit and intends to defend vigorously against them. Due to the inherent uncertainties of such matters, and because discovery is not yet completed, we are unable to predict potential outcomes or estimate of the range of potential damages, if any. Management does not presently expect that the outcome of these matters will have a material adverse effect on our results of operations or financial position.

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

13. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at September 30, 2013 and December 31, 2012 were (in millions):

September 30, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$1,521.5			$1,521.5
Short-term investments	12.9			12.9
Available-for-sale securities	4.6			4.6
Forward foreign exchange contracts		$1.3		1.3
Liabilities:				
Forward foreign exchange contracts		$0.3		$0.3
Contingent interest derivative		2.8		2.8
Contingent purchase price obligations			$213.3	213.3

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$2,678.3			$2,678.3
Short-term investments	20.6			20.6
Available-for-sale securities	3.9			3.9
Forward foreign exchange contracts		$0.5		0.5
Liabilities:				
Contingent purchase price obligations			$266.2	$266.2

The reduction in Level 3 contingent purchase price obligations from $266.2 million at December 31, 2012 to $213.3 million at September 30, 2013 resulted primarily from payments of $68.9 million.

The carrying amount and fair value of our financial instruments at September 30, 2013 and December 31, 2012 were (in millions):

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$1,521.5	$1,521.5	$2,678.3	$2,678.3
Short-term investments	12.9	12.9	20.6	20.6
Forward foreign exchange contracts	1.3	1.3	0.5	0.5
Available-for-sale securities	4.6	4.6	3.9	3.9
Cost method investments	21.7	21.7	23.1	23.1
Liabilities:				
Short-term borrowings	$18.3	$18.3	$6.4	$6.4
Forward foreign exchange contracts	0.3	0.3	—	—
Contingent interest derivative	2.8	2.8	—	—
Contingent purchase price obligations	213.3	213.3	266.2	266.2
Debt	4,035.7	4,250.7	4,448.9	4,857.3

The estimated fair value of derivative positions in forward foreign exchange contracts is determined using model-derived valuations, taking into consideration market rates and counterparty credit risk. The estimated fair value of the contingent purchase price obligation is calculated in accordance with the terms of each acquisition agreement and are appropriately discounted. The fair value of debt is based on quoted market prices.

14. Changes in Accumulated Other Comprehensive Income (Loss)
The changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2013 were (in millions):

	Unrealized Gain and (Loss) on Available-for-Sale Securities	Defined Benefit Pension and Postemployment Plans	Foreign Currency Translation	Total
Balance January 1	$ (2.0)	$(89.8)	$(37.7)	$(129.5)
Other comprehensive income before reclassifications	0.3	—	(95.9)	(95.6)
Amounts reclassified from accumulated other comprehensive income (loss)	—	4.5	—	4.5
Other comprehensive income	0.3	4.5	(95.9)	(91.1)
Balance September 30	$ (1.7)	$(85.3)	$(133.6)	$(220.6)

Reclassifications from accumulated other comprehensive income (loss) for the nine months ended September 30, 2013 were (in millions):

Amortization of defined benefit pension and postemployment plans:	
Prior service cost	$4.2
Actuarial (gains) losses	3.4
Net periodic benefit cost (see Note 9)	7.6
Income tax expense	3.1
Net of tax	$4.5

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

Item2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

EXECUTIVE SUMMARY

Business Combination Agreement

On July 27, 2013, the Company and Publicis Groupe S.A. ("Publicis") entered into a Business Combination Agreement (the "Agreement") pursuant to which the Company and Publicis agreed, subject to the terms and conditions of the Agreement, to combine their respective businesses (the "Business Combination"). In the Business Combination, Publicis will merge (the "Publicis Merger") with and into Publicis Omnicom Group N.V., a newly-formed Dutch holding company ("Publicis Omnicom Group" or "HoldCo"), with Publicis Omnicom Group being the surviving entity in the Publicis Merger, and immediately after consummation of the Publicis Merger, a corporation wholly-owned by Publicis Omnicom Group will merge (the "Omnicom Merger" and together with the Publicis Merger, the "Mergers") with and into the Company, with the Company being the surviving corporation in the Omnicom Merger.

In the Publicis Merger, each issued and outstanding share of Publicis will be exchanged for 1.000000 ordinary share of Publicis Omnicom Group. In addition, prior to completion of the Publicis Merger, Publicis intends to declare and pay a special dividend, in cash, in an amount equal to €1.00 per Publicis share (the "Publicis Transaction Dividend"). In the Omnicom Merger, each share of common stock of the Company will be converted into the right to receive 0.813008 of a Publicis Omnicom Group ordinary share, together with cash in lieu of fractional shares, subject to adjustment to account for certain changes in outstanding shares and certain excluded asset values as set forth in the Agreement. Similarly, prior to completion of the Omnicom Merger, the Company intends to declare and pay a special cash dividend of $2.00 per share of the Company's outstanding common stock (the "Omnicom Transaction Dividend" and, together with the Publicis Transaction Dividend, the "Transaction Dividends"), subject to adjustment to account for certain changes in outstanding shares of the parties and certain excluded asset values, in each case as set forth in the Agreement, and, if necessary, to equalize the cumulative amount of regular dividends paid by the Company after July 27, 2013 with the cumulative amount of regular Publicis dividends paid after July 27, 2013. However, dividends of up to $0.80 in the aggregate paid to holders of the Company's common stock in respect of record dates after July 27, 2013 and before the Mergers are not included in this equalization. The payment of the Transaction Dividends is also subject to applicable law.

Completion of the transactions contemplated by the Agreement (which include the Mergers, the Publicis Transaction Dividend, and the Omnicom Transaction Dividend, collectively, the "Transactions") will be subject to the satisfaction or waiver, if legally permitted, of certain conditions including (a) approval and adoption of the Agreement and the Omnicom Merger by the holders of two-thirds of the outstanding shares of common stock of the Company, approval of the Cross-Border Merger Terms (as described in the Agreement), and the Publicis Merger by the holders of two-thirds of the voting rights attached to the Publicis shares present at a meeting of the Publicis shareholders, and the approval of the Publicis Transaction Dividend by the holders of a majority of the voting rights attached to the Publicis shares present at a meeting of the Publicis shareholders; (b) approval by requisite governmental regulators and authorities, including approvals under applicable competition laws; (c) the listing of the Publicis Omnicom Group ordinary shares on applicable stock exchanges; (d) the absence of any law or order prohibiting the completion of the Transactions; and (e) the absence of a material adverse effect on either the Company or Publicis.

The completion of the Transactions contemplated by the Agreement will have a material effect on our future results of operations and financial position.

General

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

Results of Operations

As a leading global advertising, marketing and corporate communications company, we operate in all major markets around the world. We have a large and diverse client base. Our largest client accounted for 2.8% of our revenue for the nine months ended September 30, 2013 and no other client accounted for more than 2.7% of our revenue. Our top 100 clients accounted for approximately 52% of our revenue for the nine months ended September 30, 2013. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the nine months ended September 30, 2013. Although our revenue is generally balanced between the United States and international markets and we have a large and diverse client base, we are not immune to general economic downturns.

As described in more detail below, in the first nine months of 2013, our revenue increased 2.4% compared to the first nine months of 2012. Increased revenue in the United States and continued growth in the emerging markets of Asia and Latin America was partially offset by the on-going economic weakness in the Euro Zone.

Global economic conditions have a direct impact on our business and financial performance. In particular, current global economic conditions pose a risk that our clients may reduce future spending on advertising and marketing services which could reduce the demand for our services. In the first nine months of 2013, the United States experienced modest economic growth and the major economies of Asia and Latin America continued to expand. However, the continuing fiscal issues faced by many countries in the Euro Zone has caused economic difficulty in certain of our Euro Zone markets. We will continue to closely monitor economic conditions, client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future economic conditions, reductions in our client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include our clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing new communications technologies and emerging digital platforms. Additionally, in an effort to gain greater efficiency and effectiveness from their total marketing budgets, clients are increasingly requiring greater coordination of marketing activities. We believe these trends have benefited our business in the past and over the medium and long term will continue to provide a competitive advantage to us.

In the near term, barring unforeseen events and excluding the impact from 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 2013 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 review focus on revenue and operating expenses. We analyze revenue growth by reviewing the components and mix of the growth, including growth by major geographic region, growth by major marketing discipline, impact from foreign currency fluctuations, growth from acquisitions and growth from our largest clients. In recent years, our revenue has been divided almost evenly between our domestic and international operations.

For the quarter ended September 30, 2013, our revenue increased 2.5% compared to the quarter ended September 30, 2012. Organic growth increased revenue 4.1%. Acquisitions net of dispositions reduced revenue 1.0% and the impact of foreign exchange rates reduced revenue 0.6%. Across our geographic markets, revenue increased 3.2% in the United States, 4.2% in the United Kingdom and 4.5% in our Euro markets. Revenue decreased 1.3% in our other markets, primarily Asia and Latin America. The change in revenue in the third quarter of 2013 compared to the third quarter of 2012 in our four fundamental disciplines was as follows: advertising increased 3.0%, CRM increased 1.2%, public relations increased 6.0% and specialty communications increased 0.9%.

For the nine months ended September 30, 2013, our revenue increased 2.4% compared to the nine months ended September 30, 2012. Organic growth increased revenue 3.2%. Acquisitions, net of dispositions reduced revenue 0.2%

and the impact of foreign exchange rates reduced revenue 0.6%. Across our geographic markets, revenue increased 3.3% in the United States, 5.0% in the United Kingdom and 1.5% in our other markets, primarily Asia and Latin America. Revenue decreased 0.2% in our Euro markets. The change in revenue in the first nine months of 2013 compared to the first nine months of 2012 in our four fundamental disciplines was as follows: advertising increased 3.9%, CRM decreased 0.5%, public relations increased 4.7% and specialty communications increased 4.7%.

We measure operating expenses in two distinct cost categories: salary and service costs and office and general expenses. Salary and service costs consist of employee compensation and related costs and direct service costs. Office and general expenses

consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses.
Each of our agencies requires professionals with a skill set that is common across our disciplines. At the core of this skill set 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. Because we are a service business, we monitor salary and service costs and office and general costs in relation to revenue.

Salary and service costs tend to fluctuate in conjunction with changes in revenue. In the third quarter of 2013, salary and service costs increased $63.4 million compared to the third quarter of 2012 and in the first nine months of 2013, salary and service costs increased $220.0 million compared to the first nine months of 2012.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs. In the third quarter of 2013, office and general expenses increased $0.3 million compared to the third quarter of 2012 and in the first nine months of 2013, office and general expenses decreased $14.5 million compared to the first nine months of 2012.

In the third quarter of 2013 we incurred $28.1 million of expenses in connection with the pending merger with Publicis, which were primarily comprised of professional fees. The merger expenses are shown as a separate component of operating expenses. We expect to incur significant additional merger expenses.

Operating margins decreased to 10.9% in third quarter of 2013 from 11.4% in third quarter of 2012 and operating margins were 12.1% for the first nine months of 2013 and 12.2% in 2012. Excluding the merger expenses of $28.1 million, operating margins for the third quarter of 2013 increased to 11.7% compared to 11.4% in 2012 and operating margins for the first nine months of 2013 increased to 12.4% compared to 12.2% in 2012.

In the third quarter of 2013, net interest expense increased to $42.8 million compared to $40.3 million in the third quarter of 2012 and in the first nine months of 2013, net interest expense increased to $124.6 million compared to $104.3 million in the first nine months of 2012. Interest expense increased $2.7 million to $50.5 million in the third quarter of 2013 and interest expense increased $18.5 million to $148.8 million in the first nine months of 2013. The increase in interest expense in the first nine months of 2013 is primarily attributable to the issuance of our 3.625% Senior Notes due May 1, 2022, or the 2022 Notes, of which $750 million were issued in April 2012 and $500 million were issued in August 2012. Interest income increased $0.2 million in the third quarter of 2013, compared to the third quarter of 2012 and interest income decreased $1.8 million in the first nine months of 2013, compared to the first nine months of 2012.

For the third quarter of 2013, our effective tax rate increased to 34.5%, compared to 34.2% for the third quarter of 2012 and for the first nine months of 2013 and 2012, our effective tax rate was 33.8%. Excluding the income tax effect of the merger expenses of $6.4 million, which reflects the estimated impact of the non-deductibility of certain merger expenses, our effective tax rate for the third quarter of 2013 and the first nine months of 2013 was 33.6% compared to 34.2% for the third quarter of 2012 and 33.8% for the first nine months of 2012. This reduction was primarily as a result of the legal reorganization within the Asia Pacific region implemented in the fourth quarter of 2012.

Net income - Omnicom Group Inc. in the third quarter of 2013 decreased $7.9 million, or 3.9%, to $196.0 million from $203.9 million in the third quarter of 2012 and net income - Omnicom Group Inc. in the first nine months of 2013 decreased $0.5 million, or 0.1%, to $690.7 million from $691.2 million in the first nine months of 2012. The period-over-period decrease in net income - Omnicom Group Inc. is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. was $0.74 in the third quarter of 2013 and 2012 and diluted net income per common share - Omnicom Group Inc. increased 3.6% to $2.58 for the first nine months of 2013, compared to $2.49 for the first nine months of 2012 due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding. The reduction in our weighted average common shares outstanding was the result of repurchases of our common stock, net of stock option exercises, shares issued under our employee stock purchase plan and shares issued upon conversion of our Convertible Notes due June 15, 2033, or 2033 Notes, and our Convertible Notes due July 1, 2038, or 2038 Notes. Beginning in the third quarter of 2013, we suspended repurchases of our common stock in the open market. Excluding the net effect of the merger expenses, net income - Omnicom Group Inc. for the third quarter of 2013 was $217.7 million and diluted net income per common share - Omnicom Group Inc. was $0.82 and net income - Omnicom Group Inc. for the first nine months of 2013 was $712.4 million and diluted net income per common share - Omnicom Group Inc. was $2.66.

See the Reconciliation of Results of Operations to Certain Non-GAAP Financial Measures on pages 17 and 21 for a description of the Non-GAAP Financial Measures discussed above.

RESULTS OF OPERATIONS

Third Quarter 2013 Compared to Third Quarter 2012 (in millions)

	2013		2012	
Revenue	$3,490.5		$3,406.6	
Operating Expenses:				
Salary and service costs	2,579.2		2,515.8	
Office and general expenses	503.8		503.5	
Merger transaction costs	28.1		—	
Total Operating Expenses	3,111.1		3,019.3	
Add back: Amortization of intangible assets	25.8		27.3	
	3,085.3		2,992.0	
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	405.2		414.6	
EBITA Margin - %	11.6	%	12.2	%
Deduct: Amortization of intangible assets	25.8		27.3	
Operating Income	379.4		387.3	
Operating Margin - %	10.9	%	11.4	%
Interest Expense	50.5		47.8	
Interest Income	7.7		7.5	
Income Before Income Taxes and Income From Equity Method Investments	336.6		347.0	
Income Tax Expense	116.2		118.7	
Income From Equity Method Investments	4.3		5.3	
Net Income	224.7		233.6	
Less: Net Income Attributed To Noncontrolling Interests	28.7		29.7	
Net Income - Omnicom Group Inc.	$196.0		$203.9	

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

Reconciliation of Results of Operations to Certain Non-GAAP Financial Measures (in millions, except per share amounts)

The following table reconciles our reported results of operations for the quarter ended September 30, 2013 to the 2013 Non-GAAP presentation, which are Non-GAAP financial measures. The 2013 Non-GAAP financial measures exclude expenses incurred in connection with the proposed merger with Publicis and are primarily comprised of professional fees.

	2013 As Reported	Merger Expenses	2013 Non-GAAP Financial Measures
EBITA	$405.2	$28.1	$433.3

Operating Income	$379.4	$28.1	$407.5
Income Tax Expense	$116.2	$6.4	$122.6
Net Income - Omnicom Group Inc.	$196.0	$21.7	$217.7
Net income allocated to participating securities	(4.8)	(0.6)	(5.4)
Net income available for common shares	$191.2	$21.1	$212.3
Net Income per Common Share - Omnicom Group Inc.:			
Diluted	$0.74	$0.08	$0.82

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We believe that investors should consider these 2013 Non-GAAP financial measures as they are indicative of our ongoing performance and reflect how management evaluates our operating results. These 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. These Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

Revenue: Revenue for the third quarter of 2013 increased $83.9 million, or 2.5%, to $3,490.5 million from $3,406.6 million in the third quarter of 2012. Organic growth increased revenue $139.8 million. Acquisitions, net of dispositions reduced revenue $34.2 million and the impact of foreign exchange rates reduced revenue $21.7 million. The components of the third quarter of 2013 revenue change in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total	Domestic	International