OMNICOM GROUP INC.
Form 10-Q
July 17, 2018

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 JUNE 30, 2018

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, smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o
Smaller reporting company o		Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 July 11, 2018, there were 224,372,758 shares of Omnicom Group Inc. Common Stock outstanding.

OMNICOM GROUP INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2018
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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," "forec "guidance," "intend," "may," "will," "possible," "potential," "predict," "project" or similar words, phrases or expressions. Thes 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, 2017 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.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
OMNICOM GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,913.3	$ 3,796.0
Short-term investments, at cost	5.4	0.4
Accounts receivable, net of allowance for doubtful accounts of $24.7 and $32.1	6,760.5	8,083.8
Work in process	1,353.5	1,110.6
Other current assets	1,197.4	1,125.2
Total Current Assets	11,230.1	14,116.0
Property and Equipment at cost, less accumulated depreciation of $1,275.8 and $1,279.2	697.2	690.9
Equity Method Investments	120.3	120.3
Goodwill	9,442.6	9,337.5
Intangible Assets, net of accumulated amortization of $727.1 and $879.9	377.7	368.4
Other Assets	301.6	298.1
TOTAL ASSETS	$ 22,169.5	$ 24,931.2
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 9,568.1	$ 11,574.6
Customer advances	1,147.1	1,266.7
Short-term debt	20.8	11.8
Taxes payable	263.4	330.0
Other current liabilities	1,618.5	1,925.8
Total Current Liabilities	12,617.9	15,108.9
Long-Term Debt	4,866.8	4,912.9
Long-Term Liabilities	1,196.4	1,091.2
Deferred Tax Liabilities	451.0	483.6
Commitments and Contingent Liabilities (Note 11)		
Temporary Equity - Redeemable Noncontrolling Interests	178.5	182.4
Equity:		
Shareholders’ Equity:		
Preferred stock	—	—
Common stock	44.6	44.6
Additional paid-in capital	811.5	828.3
Retained earnings	6,587.7	6,210.6
Accumulated other comprehensive income (loss)	(1,167.3)	(963.0)
Treasury stock, at cost	(3,955.1)	(3,505.4)
Total Shareholders’ Equity	2,321.4	2,615.1
Noncontrolling interests	537.5	537.1
Total Equity	2,858.9	3,152.2
TOTAL LIABILITIES AND EQUITY	$ 22,169.5	$ 24,931.2

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	$3,859.6	$3,790.1	$7,489.2	$7,377.6
Operating Expenses:				
Salary and service costs	2,772.9	2,731.7	5,485.7	5,420.2
Occupancy and other costs	319.6	305.7	639.9	607.6
Cost of services	3,092.5	3,037.4	6,125.6	6,027.8
Selling, general and administrative expenses	117.4	110.1	222.9	218.8
Depreciation and amortization	67.4	71.1	136.8	143.8
	3,277.3	3,218.6	6,485.3	6,390.4
Operating Profit	582.3	571.5	1,003.9	987.2
Interest Expense	66.4	62.8	128.6	121.9
Interest Income	13.9	11.5	29.3	25.3
Income Before Income Taxes and Income From Equity Method Investments	529.8	520.2	904.6	890.6
Income Tax Expense	136.7	166.7	227.7	274.7
Income From Equity Method Investments	1.7	1.6	2.6	1.6
Net Income	394.8	355.1	679.5	617.5
Net Income Attributed To Noncontrolling Interests	30.6	26.5	51.2	47.1
Net Income - Omnicom Group Inc.	$364.2	$328.6	$628.3	$570.4
Net Income Per Share - Omnicom Group Inc.:				
Basic	$1.61	$1.41	$2.75	$2.44
Diluted	$1.60	$1.40	$2.73	$2.42
Dividends Declared Per Common Share	$0.60	$0.55	$1.20	$1.10

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income	$394.8	$355.1	$679.5	$617.5
Other Comprehensive Income:				
Cash flow hedge:				
Amortization of loss included in interest expense	1.4	1.4	2.8	2.8
Income tax effect	(0.4)	(0.6)	(0.8)	(1.2)
	1.0	0.8	2.0	1.6
Defined benefit pension plans and postemployment arrangements:				
Amortization of prior service cost	1.9	2.2	3.9	4.2
Amortization of actuarial losses	2.2	1.7	4.2	3.6
Income tax effect	(1.3)	(1.9)	(2.4)	(3.6)
	2.8	2.0	5.7	4.2
Available-for-sale securities:				
Unrealized gain for the period	—	0.3	—	0.5
Income tax effect	—	(0.1)	—	(0.2)
Reclassification	—	—	0.3	—
	—	0.2	0.3	0.3
Foreign currency translation adjustment	(325.8)	140.1	(237.1)	254.8
Other Comprehensive Income	(322.0)	143.1	(229.1)	260.9
Comprehensive Income	72.8	498.2	450.4	878.4
Comprehensive Income Attributed To Noncontrolling Interests	0.9	28.5	26.5	63.9
Comprehensive Income - Omnicom Group Inc.	$71.9	$469.7	$423.9	$814.5

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

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

	Six Months Ended June 30, 2018	2017
Cash Flows from Operating Activities:		
Net income	$679.5	$617.5
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	82.3	84.9
Amortization of intangible assets	54.5	58.9
Share-based compensation	35.1	40.0
Other, net	7.5	(3.8)
Use of operating capital	(1,431.8)	(1,128.5)
Net Cash Used In Operating Activities	(572.9)	(331.0)
Cash Flows from Investing Activities:		
Capital expenditures	(89.8)	(67.9)
Acquisition of businesses and interests in affiliates, net of cash acquired	(207.3)	(19.5)
Sale of investments	4.0	25.4
Net Cash Used In Investing Activities	(293.1)	(62.0)
Cash Flows from Financing Activities:		
Change in short-term debt	9.7	(10.2)
Dividends paid to common shareholders	(278.1)	(260.7)
Repurchases of common stock	(469.2)	(474.7)
Proceeds from stock plans	6.5	6.5
Acquisition of additional noncontrolling interests	(40.3)	(8.0)
Dividends paid to noncontrolling interest shareholders	(57.3)	(67.3)
Payment of contingent purchase price obligations	(51.3)	(71.2)
Other, net	(22.4)	(17.1)
Net Cash Used In Financing Activities	(902.4)	(902.7)
Effect of foreign exchange rate changes on cash and cash equivalents	(114.3)	127.5
Net Decrease in Cash and Cash Equivalents	(1,882.7)	(1,168.2)
Cash and Cash Equivalents at the Beginning of Period	3,796.0	3,002.2
Cash and Cash Equivalents at the End of Period	$1,913.3	$1,834.0

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

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 its subsidiaries, unless th context indicates otherwise. The accompanying unaudited consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States, or 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, 2017, or 2017 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.
Accounting Changes
Except for the changes discussed below, Omnicom has consistently applied the accounting policies to all periods presented in these unaudited consolidated financial statements.
Effective January 1, 2018, we adopted FASB ASC Topic 606, Revenue from Contracts with Customers, or ASC 606. In accordance with ASC 606, we changed certain characteristics of our revenue recognition accounting policy as described below. ASC 606 was applied using the modified retrospective method, where the cumulative effect of the initial application was recognized as an adjustment to opening retained earnings at January 1, 2018. Therefore, comparative prior periods have not been adjusted and continue to be reported under FASB ASC Topic 605, Revenue Recognition, or ASC 605.
The impact of the adoption of ASC 606 on revenue, operating expenses and operating profit for the three and six months ended June 30, 2018 was (in millions):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Adjustments	Amounts without the Adoption of ASC 606	As Reported	Adjustments	Amounts without the Adoption of ASC 606
Revenue	$3,859.6	$ 49.0	$3,908.6	$7,489.2	$ 91.4	$7,580.6
Operating Expenses	3,277.3	41.5	3,318.8	6,485.3	77.4	6,562.7
Operating Profit	582.3	7.5	589.8	1,003.9	14.0	1,017.9

The impact of the adoption of ASC 606 on net income - Omnicom Group Inc., diluted net income per share - Omnicom Group Inc. and the unaudited consolidated financial statements was not material.
Upon adoption of ASC 606, we changed our accounting policy for certain third-party out-of-pocket costs, which are incurred in connection with our services and are billed to clients. We also changed our policy for performance incentives (variable consideration) included in certain client contracts. The inclusion of third-party out-of-pocket costs in revenue depends on whether we act as a principal or agent in the client arrangement. Under ASC 606, the principal versus agent assessment is based on whether we control the specified goods or services before they are transferred to the customer. As a result of the adoption of ASC 606, certain third-party costs are no longer included in revenue and cost of services. This change was the principal adjustment to our reported revenue and operating expenses included in the above table. However, the change had no impact on operating profit.
In addition, performance incentives included in certain client contracts can increase revenue if we meet certain quantitative or qualitative objectives in delivering our services. Under ASC 606, performance incentives are now

treated as variable consideration. Prior to the adoption of ASC 606, performance incentives were recognized in revenue under ASC 605 when specific quantitative goals were achieved or when our performance against qualitative goals was acknowledged by the client. Under ASC 606, variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. These estimates are based on historical award experience, anticipated performance and our best judgment at the time. As a result of this change, we recorded a cumulative effect adjustment to increase opening retained earnings at January 1, 2018 by $19.5 million, to reflect the transition requirements of ASC 606. The effect of this change on our financial position and cash flows was not material.

Effective January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU 2016-01, which revised the classification and measurement of investments in equity securities. ASU 2016-01 requires that equity investments, except those accounted for under the equity method of accounting, be measured at fair value and changes in fair value are recognized in net income, and provides a new measurement alternative for equity investments that do not have a readily determinable fair value (cost method investments). These investments are measured at cost, less any impairment, adjusted for observable price changes and, upon adoption, we elected to record our equity investments that do not have a readily determinable fair value using the alternative measurement method. We adopted ASU 2016-01 using the modified retrospective method and, accordingly, we recorded a cumulative effect adjustment to increase opening retained earnings at January 1, 2018 by $4.1 million.

Effective January 1, 2018, we adopted ASU 2017-07, Compensation - Retirement Benefits, or ASU 2017-07, which requires that only the service cost component of periodic benefit cost is recorded in salary and service cost. All other components of net periodic benefit cost are excluded from operating profit. The adoption of ASU 2017-07 increased operating profit for the six months ended June 30, 2018 by $12.3 million but had no effect on income before income taxes and income from equity method investments, net income - Omnicom Group Inc. or net income per share - Omnicom Group Inc. ASU 2017-07 was applied retrospectively, and accordingly, for the six months ended June 30, 2017, we reclassified $11.7 million from salary and service costs to interest expense.

2. Revenue

We provide advertising, marketing and corporate communications services on a global basis to a broad range of clients. Our principal source of revenue is derived from fees for services on a rate per hour basis or per project basis. We also earn revenue from commissions and placement of advertising primarily related to our strategic media planning and buying businesses. Revenue is recorded net of sales, use and value added taxes. Our customer contracts are usually short term, typically for one year or less, and may be canceled on 90 days' notice.

Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We measure revenue based on the consideration specified in the client arrangement, and revenue is recognized when the performance obligations are satisfied. A performance obligation is a promise in a contract to transfer a distinct service to the customer. If the services are not distinct or a series of services are substantially the same, they should be combined as a single performance obligation. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as, the customer receives the benefit of the performance obligation. Clients typically receive the benefit of our services as they are performed. Substantially all our client contracts provide that we are compensated for services performed to date.

For short-term contracts, generally less than 90 days, we do not consider the underlying services as separate or distinct performance obligations because our services are highly interrelated, occur in close proximity, and the integration of the various components of a marketing message is essential to our services. As described below, in certain long-term client contracts, generally up to one year, the performance obligation is a stand-ready obligation where we may combine similar performance obligations into a single performance obligation. When not structured as a stand-ready obligation, we consider our services distinct performance obligations and allocate the fee to each separate service based on their stand-alone selling price.

Substantially all our revenue is recognized over time, as the services are performed. For fixed fee contracts with either a single performance obligation, or multiple performance obligations, revenue is recognized over time using input measures that correspond to the effort expended, including direct labor and materials and third-party costs to satisfy the performance obligation, which often coincide with the right to invoice the customer. For certain retainer contracts, we have a stand-ready obligation to perform services on an ongoing basis over the life of the contract, typically for periods up to one year. The scope of these arrangements is broad and generally there are no significant gaps in performing the services. In these instances, we recognize revenue using a time-based measure resulting in a straight-line revenue recognition. From time to time, there may be changes in the client service requirements during the term of the contract and the changes could be significant. These changes are typically negotiated as new contracts covering the additional requirements and the associated costs, as well as additional fees for the incremental work to be performed.

For certain other contracts where our performance obligations are satisfied in phases, we recognize revenue over time using certain output measures based on the measurement of the value transferred to the customer, including milestones achieved. Revenue for commissions on purchased media is recognized at a point in time, typically when the media is run.

In substantially all our businesses, we incur third-party-costs on behalf of clients, including direct costs and incidental, or out-of-pocket, costs. Direct costs incurred in connection with the creation and delivery of advertising or marketing communication services include, among others: purchased media, studio production services, specialized talent, including artists and other freelance labor, event marketing supplies, materials and services, promotional items, market research and third-party data, and other related expenditures. Out-of-pocket costs include, among others: transportation, hotel, meals, and telecommunication charges. These costs are included in revenue since we control the goods or services prior to delivery to the client.

However, the inclusion of direct costs in revenue depends on whether we act as a principal or as an agent in the client arrangement. In the majority of our businesses, we act as an agent and arrange, at the client's direction, for third-parties to perform certain services. In these cases, we do not control the goods or services prior to the transfer to the client. As a result, revenue is recorded net of these costs, equal to the amount retained for our fee or commission. In certain arrangements, we typically act as principal when contracting for third-party services on behalf of our clients in our events, field marketing and certain specialty marketing businesses within our CRM disciplines, as well as certain media buying efforts. We act as principal when we are responsible for directing and integrating third-party vendors to fulfill our performance obligation at the agreed upon fee, and thus take pricing risk under the terms of the client contract. In these circumstances we control the specified goods or services, including out-of-pocket costs, prior to the transfer to the client. Therefore, we record revenue at the gross amount billed including these costs.

Some of our client arrangements include variable consideration provisions, which include performance incentives, tiered commission structures and vendor rebates in certain markets outside of the United States. Variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. These estimates are based on historical award experience, anticipated performance and other factors known at the time. Performance incentives are typically recognized in revenue over time. In some cases, primarily related to variable fee structures in our media businesses, the amount of variable consideration is considered to be constrained and is not recognized in revenue until the point in time it is determined that a significant reversal of revenue will not occur. Variable consideration for our media businesses, including commission revenue, is recognized when it is probable that the media will be run, including when it is not subject to cancellation by the client. In addition, when we receive rebates or credits from vendors for transactions entered into on behalf of clients, they are remitted to the clients in accordance with contractual requirements or retained by us based on the terms of the client contract or local law. Amounts passed on to clients are recorded as a liability and amounts retained by us are recorded as revenue when earned, which is typically when the media is run.

Nature of our services

We provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. Our branded networks and agencies operate in all major markets and provide services in the following fundamental disciplines: advertising, customer relationship management, or CRM, public relations, and healthcare. Advertising includes creative content development, as well as strategic media planning and buying and data analytics. CRM is grouped into two separate categories: CRM Consumer Experience, which includes Omnicom’s Precision Marketing Group and digital/direct agencies, as well as our branding, shopper marketing and experiential marketing agencies; and CRM Execution & Support, which includes field marketing, sales support, merchandising and point of sale, as well as other specialized marketing and custom communications services. Public relations services include corporate communications, crisis management, public affairs, media and media relations services and content marketing. Healthcare includes advertising and media services to global healthcare clients. At the core of all our services is the ability to create or develop a client’s marketing or corporate communications message into content that can be delivered to a target audience across different communications mediums. Our client-centric business model requires that multiple agencies within Omnicom collaborate in formal and informal virtual client networks utilizing our key client matrix organization structure. This collaboration allows us to cut across our internal organizational structures to execute our clients' marketing requirements in a consistent and comprehensive manner. In addition to collaborating through our client service models, our agencies and networks collaborate across technology platforms. Annalect, our data and analytics platform, serves as the strategic foundation for all of our agencies and networks to share when developing client service strategies across our virtual networks. Omni, our people-based precision marketing and insights platform, identifies and defines personalized consumer experiences at scale across creative, media and CRM, as well as other practice areas.

Revenue by discipline for the three and six months ended June 30, 2018 and 2017 was (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2018 Excluding Impact of Adoption of ASC 606	2017	2018	2018 Excluding Impact of Adoption of ASC 606	2017
Advertising	$2,067.6	$ 2,073.8	$2,027.2	$3,968.9	$ 3,982.7	$3,956.2
CRM Consumer Experience	660.0	704.1	654.7	1,294.9	1,372.3	1,268.3
CRM Execution & Support	498.7	497.2	517.3	1,007.2	1,007.1	1,006.6
Public Relations	362.7	362.9	350.3	709.1	709.3	685.4
Healthcare	270.6	270.6	240.6	509.1	509.2	461.1
	$3,859.6	$ 3,908.6	$3,790.1	$7,489.2	$ 7,580.6	$7,377.6

Economic factors affecting our revenue

Global economic conditions have a direct impact on our revenue. Adverse economic conditions pose a risk that our clients may reduce, postpone or cancel spending for our services, which would impact our revenue.

Revenue in our principal geographic markets for the three and six months ended June 30, 2018 and 2017 was (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2018 Excluding Impact of Adoption of ASC 606	2017	2018	2018 Excluding Impact of Adoption of ASC 606	2017
Americas:						
North America	$2,097.4	$ 2,144.6	$2,175.6	$4,083.1	$ 4,167.3	$4,314.9
Latin America	115.1	115.2	121.2	223.5	223.3	227.8
EMEA:						
Europe	1,142.6	1,145.2	1,012.5	2,212.7	2,220.8	1,900.2
Middle East and Africa	70.2	70.2	75.5	143.6	143.6	154.4
Asia Pacific	434.3	433.4	405.3	826.3	825.6	780.3
	$3,859.6	$ 3,908.6	$3,790.1	$7,489.2	$ 7,580.6	$7,377.6

The Americas comprises North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes South America and Mexico. EMEA comprises Europe, the Middle East and Africa. Asia Pacific comprises Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries. The reduction in revenue in 2018 for North America primarily reflects the sale of our specialty print media business in the second quarter of 2017.

Contract assets and liabilities

Contract assets (work in process) and contract liabilities (customer advances) at June 30, 2018, December 31, 2017 and June 30, 2017 were (in millions):

	June 30, 2018	December 31, 2017	June 30, 2017
Contract assets (Work in process):			
Unbilled fees and costs	$709.2	$ 546.3	$752.7
Media, production and other costs	644.3	564.3	648.9
	$1,353.5	$ 1,110.6	$1,401.6

Contract liabilities (Customer advances)	$1,147.1	$ 1,266.7	$1,141.1

Contract assets consist of accrued costs incurred on behalf of customers, including media and production costs, and fees and other third-party costs that have not yet been billed. Media and production costs are billed during the production process in accordance with the terms of the client contract. Unbilled fees and costs are in the process of being billed to clients, typically within the next 30 days or in accordance with the terms of the client contract. The contract liability represents advance billings to customers in accordance with the terms of the client contracts, primarily for the reimbursement of third-party costs that are generally incurred in the near term. There were no impairment losses to the contract assets recorded in 2018.

3. New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases, or ASU 2016-02, which will supersede the current guidance for lease accounting and will require 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 adoption 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 adopt 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 and no effect on our results of operations.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, or 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 expect to adopt ASU 2016-13 on January 1, 2020. However, we are not yet in a position to assess the impact of the new standard on our results of operations or financial position.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income, or ASU 2018-02, which requires the reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects arising from the change in the reduction of the U.S. federal statutory income tax rate to 21% from 35%. The tax effects of items included in accumulated comprehensive income at December 31, 2017 do not reflect the appropriate tax rate. ASU 2018-02 is effective for interim and annual periods beginning after December 15, 2018. We will adopt ASU 2018-02 on January 1, 2019. The adoption of ASU 2018-02 will result in a reclassification between accumulated other comprehensive income and retained earnings, and will have no impact on our results of operations or financial position.

4. Net Income per Share

The computations of basic and diluted net income per share for the three and six months ended June 30, 2018 and 2017 were (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income Available for Common Shares:				
Net income - Omnicom Group Inc.	$364.2	$328.6	$628.3	$570.4
Net income allocated to participating securities	(0.1)	(0.5)	(0.1)	(1.0)
	$364.1	$328.1	$628.2	$569.4
Weighted Average Shares:				
Basic	226.8	232.1	228.5	233.3
Dilutive stock options and restricted shares	1.3	1.9	1.3	1.9
Diluted	228.1	234.0	229.8	235.2
Anti-dilutive stock options and restricted shares	1.0	1.0	1.0	1.0
Net Income per Share - Omnicom Group Inc.:				
Basic	$1.61	$1.41	$2.75	$2.44
Diluted	$1.60	$1.40	$2.73	$2.42

5. Goodwill and Intangible Assets

Goodwill and intangible assets at June 30, 2018 and December 31, 2017 were (in millions):

	2018 Gross Carrying Value	Accumulated Amortization	Net Carrying Value	2017 Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	$9,961.8	$ (519.2)	$9,442.6	$9,871.8	$ (534.3)	$9,337.5
Intangible assets:						
Purchased and internally developed software	$369.2	$ (312.0)	$57.2	$368.2	$ (303.0)	$65.2
Customer related and other	735.6	(415.1)	320.5	880.1	(576.9)	303.2
	$1,104.8	$ (727.1)	$377.7	$1,248.3	$ (879.9)	$368.4

Changes in goodwill for the six months ended June 30, 2018 and 2017 were (in millions):

	2018	2017
January 1	$9,337.5	$8,976.1
Acquisitions	164.9	15.8
Noncontrolling interests in acquired businesses	55.7	14.5
Contingent purchase price of acquired businesses	57.5	8.5
Foreign currency translation and other	(173.0)	167.1
June 30	$9,442.6	$9,182.0

6. Debt

Credit Facilities

At June 30, 2018, our short-term liquidity sources include a $2.5 billion revolving credit facility, or Credit Facility, expiring on July 31, 2021, uncommitted credit lines aggregating $1.2 billion and the ability to issue up to $2 billion of commercial paper.

There were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines at June 30, 2018 and December 31, 2017. Available and unused credit lines at June 30, 2018 and December 31, 2017 were (in millions):

	2018	2017
Credit Facility	$2,500.0	$2,500.0
Uncommitted credit lines	1,220.8	1,181.0
Available and unused credit lines	$3,720.8	$3,681.0

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 June 30, 2018 we were in compliance with these covenants as our Leverage Ratio was 2.1 times and our Interest Coverage Ratio was 10.3 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 June 30, 2018 and December 31, 2017 was $20.8 million and $11.8 million, respectively, consisting of 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 June 30, 2018 and December 31, 2017 was (in millions):

	2018	2017
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	1,400.0
	4,900.0	4,900.0
Unamortized premium (discount), net	5.6	6.2
Unamortized debt issuance costs	(18.3)	(20.3)
Unamortized deferred gain from settlement of interest rate swaps	57.2	66.4
Fair value adjustment attributed to outstanding interest rate swaps	(77.7)	(39.4)
	4,866.8	4,912.9
Current portion	—	—
Long-term debt	$4,866.8	$4,912.9

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 primarily 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.

At June 30, 2018, we recorded a long-term liability of $36.3 million in connection with the $750 million fixed-to-floating interest rate swap on our 3.65% Senior Notes due 2024, or 2024 Notes, and a long-term liability of $41.4 million in connection with the $500 million fixed-to-floating interest rate swap on our 3.60% Senior Notes due 2026, or 2026 Notes. The liabilities represent the fair value of the swaps on the 2024 Notes and 2026 Notes that was substantially offset by the change in the fair value of the notes. The fixed-to-floating interest rate swaps have the economic effect of converting our debt portfolio to approximately 75% fixed rate obligations and 25% floating rate obligations.

7. 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 occupancy and other 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 at and for the three and six months ended June 30, 2018 and 2017 were (in millions):

	Americas	EMEA	Asia Pacific
2018			
Revenue - Three months ended	$2,212.5	$1,212.8	$434.3
Revenue - Six months ended	4,306.6	2,356.3	826.3
Long-lived assets and goodwill	6,825.4	2,757.9	556.5
2017			
Revenue - Three months ended	$2,296.8	$1,088.0	$405.3
Revenue - Six months ended	4,542.7	2,054.6	780.3
Long-lived assets and goodwill	6,654.2	2,678.0	537.5

The Americas comprises North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes South America and Mexico. EMEA comprises Europe, 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 six months ended June 30, 2018 and 2017 was $1,990.8 million and $3,871.9 million and $2,060.9 million and $4,072.7 million, respectively. The reduction in revenue in 2018 for the Americas primarily reflects the sale of our specialty print media business in the second quarter of 2017.

8. Income Taxes

Our effective tax rate for the six months ended June 30, 2018, decreased period-over-period to 25.2% from 30.8%. The decrease was primarily attributable to the reduction of the U.S. federal statutory income tax rate to 21% from 35% resulting from the Tax Cuts and Jobs Act, or Tax Act, which was enacted in December 2017. In addition, income tax expense in the six months of 2018 was reduced by approximately $25 million, primarily as a result of the successful resolution of foreign tax claims and a reduction of the expected incremental U.S. income tax applied against our overall foreign earnings.

At June 30, 2018, our unrecognized tax benefits were $166.3 million. Of this amount, approximately $149.0 million would affect our effective tax rate upon resolution of the uncertain tax positions.

9. Pension and Other Postemployment Benefits

Effective January 1, 2018, we retrospectively adopted ASU 2017-07 (see Note 1). As a result, only the service cost component of periodic benefit cost is recorded in salary and service cost and all other components of net periodic benefit cost are included in interest expense.

Defined Benefit Pension Plans

The components of net periodic benefit expense for the six months ended June 30, 2018 and 2017 were (in millions):

	2018	2017
Service cost	$4.0	$5.3
Interest cost	3.6	3.5
Expected return on plan assets	(1.4)	(1.4)
Amortization of prior service cost	2.2	2.4
Amortization of actuarial losses	3.3	3.1
	$11.7	$12.9

We contributed $1.1 million and $0.7 million to our defined benefit pension plans in the six months ended June 30, 2018 and 2017, respectively.

Postemployment Arrangements

The components of net periodic benefit expense for the six months ended June 30, 2018 and 2017 were (in millions):

	2018	2017
Service cost	$ 2.4	$ 2.2
Interest cost	1.8	1.8
Amortization of prior service cost	1.7	1.8
Amortization of actuarial losses	0.9	0.5
	$ 6.8	$ 6.3

10. Supplemental Cash Flow Data

The use of operating capital for the six months ended June 30, 2018 and 2017 was (in millions):

	2018			2017		
(Increase) decrease in accounts receivable	$	1,173.6		$	460.3	
(Increase) decrease in work in process and other current assets	(354.4		)	(277.5		)
Increase (decrease) in accounts payable	(1,803.2		)	(785.9		)
Increase (decrease) in customer advances, taxes payable and other current liabilities	(459.3		)	(490.5		)
Change in other assets and liabilities, net	11.5			(34.9		)
	$	(1,431.8	)	$	(1,128.5	)
Income taxes paid	$	276.4		$	339.0	
Interest paid	$	115.4		$	111.2	

11. Commitments and Contingent Liabilities

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

In December 2016, two of our subsidiaries received subpoenas from the U.S. Department of Justice Antitrust Division concerning its ongoing investigation of video production and post-production practices in the advertising industry. The Company is fully cooperating with the investigation. While the ultimate effect of the investigation is inherently uncertain, we do not at this time believe that the investigation will have a material adverse effect on our results of operations or financial position. However, the ultimate resolution of these matters could be different from our current assessment and the differences could be material.

12. Equity

Changes in accumulated other comprehensive income (loss), net of income taxes, for the six months ended June 30, 2018 and 2017 were (in millions):

2018	Cash Flow Hedge	Available-for-Sale Securities	Defined Benefit Pension Plans and Postemployment Arrangements	Foreign Currency Translation	Total
January 1	$(26.3)	$ (0.3)	$ (88.4)	$(848.0)	$(963.0)
Other comprehensive income (loss) before reclassifications	—	—	—	(212.3)	(212.3)
Reclassification from accumulated other comprehensive income (loss)	2.0	0.3	5.7	—	8.0
June 30	$(24.3)	$ —	$ (82.7)	$(1,060.3)	$(1,167.3)

2017					
January 1	$(29.5)	$(0.8)	$(90.6)	$(1,235.1)	$(1,356.0)
Other comprehensive income (loss) before reclassifications	—	0.3	—	237.9	238.2
Reclassification from accumulated other comprehensive income (loss)	1.6	—	4.2	—	5.8
June 30	$(27.9)	$(0.5)	$(86.4)	$(997.2)	$(1,112.0)

13. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and December 31, 2017 were (in millions):

2018	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$1,913.3			$1,913.3
Short-term investments	5.4			5.4
Investment in equity securities	1.6			1.6
Foreign currency derivative instruments		$0.2		0.2
Liabilities:				
Interest rate and foreign currency derivative instruments		$79.3		$79.3
Contingent purchase price obligations			$235.3	235.3
2017				
Assets:				
Cash and cash equivalents	$3,796.0			$3,796.0
Short-term investments	0.4			0.4
Investment in equity securities	1.4			1.4
Foreign currency derivative instruments		$1.0		1.0
Liabilities:				
Interest rate and foreign currency derivative instruments		$39.5		$39.5
Contingent purchase price obligations			$215.6	215.6

Changes in contingent purchase price obligations for the six months ended June 30, 2018 and 2017 were (in millions):

	2018	2017
January 1	$215.6	$386.1
Acquisitions	79.7	22.2
Revaluation and interest	4.9	(0.4)
Payments	(51.3)	(146.4)
Foreign currency translation	(13.6)	6.7
June 30	$235.3	$268.2

The carrying amount and fair value of our financial assets and liabilities at June 30, 2018 and December 31, 2017 were (in millions):

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$1,913.3	$1,913.3	$3,796.0	$3,796.0
Short-term investments	5.4	5.4	0.4	0.4
Investment in equity securities	1.6	1.6	1.4	1.4
Foreign currency derivative instruments	0.2	0.2	1.0	1.0
Investment in equity securities without readily determinable fair value	11.9	11.9	14.4	14.4
Liabilities:				
Short-term debt	$20.8	$20.8	$11.8	$11.8
Interest rate and foreign currency derivative instruments	79.3	79.3	39.5	39.5
Contingent purchase price obligations	235.3	235.3	215.6	215.6
Long-term debt, including current portion	4,866.8	4,865.1	4,912.9	5,056.9

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

14. Subsequent Events

We have evaluated events subsequent to the balance sheet date and determined there have not been any events that have occurred that would require adjustment to or disclosure in the 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 the following fundamental disciplines: advertising, CRM, which includes CRM Consumer Experience and CRM Execution & Support, public relations and healthcare. 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. Our fundamental business principle is that our clients’ specific marketing requirements are the central focus of how we structure our service offerings and allocate our resources. This client-centric business model requires that multiple agencies within Omnicom collaborate in formal and informal virtual client networks utilizing our key client matrix organization structure. This collaboration allows us to cut across our internal organizational structures to execute our clients’ marketing requirements in a consistent and comprehensive manner. 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 could 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 six months ended June 30, 2018, our largest client accounted for 2.9% of our revenue and our 100 largest clients, which represent many of the world's major marketers, accounted for approximately 51% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the six months ended June 30, 2018. 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 six months ended June 30, 2018, revenue increased $111.6 million, or 1.5%, compared to the six months ended June 30, 2017. Changes in foreign exchange rates increased revenue $229.9 million, or 3.1%, acquisition revenue, net of disposition revenue, reduced revenue $191.1 million, or 2.6%, reflecting the disposition of certain non-strategic businesses in the past year and organic growth increased revenue $164.2 million, or 2.2%. In addition, the impact of the adoption of ASC 606 (see Note 1 to the unaudited consolidated financial statements) reduced revenue by $91.4 million.
Global economic conditions have a direct impact on our business and financial performance. Adverse global or regional economic conditions pose 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. Revenue is typically lower in the first and third quarters and higher in the second and fourth quarters, reflecting client spending patterns during the year and additional project work that usually occurs in the fourth quarter. In the first six months of 2018, our agencies in North America continued their uneven performance across our service disciplines. Our businesses in Europe had improved performance. However, the continuing uncertain economic and political conditions in the European Union, or the EU, have been further complicated by the United Kingdom's ongoing negotiations with the European Council to withdraw from the EU. In Brazil, unstable economic and political conditions contributed to the continuing volatility in the market. Most of our businesses in Asia continue their modest growth consistent with recent periods. The economic and fiscal issues facing the countries we operate in can cause economic uncertainty and volatility; however, the impact on our business varies by country. We 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. As clients increase their demands for marketing effectiveness and efficiency, they have made it a practice to consolidate their business within one service provider in the pursuit of a single engagement covering all consumer touch points. We have structured our business around these trends. We believe that our key client matrix organization structure approach to collaboration and integration of our services and solutions have provided a competitive advantage to our business in the past and we expect this to continue over the medium and long term. In addition, we continued the process of forming practice areas within our global network structure to bring together agencies operating in common disciplines to leverage existing resources and to create, in close coordination with our key client matrix organization, additional custom client solutions. We expect to complete this process in 2018.

In the near term, barring unforeseen events and excluding the impact of changes in foreign exchange rates, because of continued improvement in operating performance by many of our agencies and new business activities, we expect our revenue to increase modestly for the remainder of 2018 and over the long term to be 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 disciplines and business platforms, expand our operations in high-growth and emerging markets and enhance our capabilities to leverage new technologies that are being used by marketers today.

We continually evaluate our portfolio of businesses to identify areas for investment and acquisition opportunities, as well as to identify non-strategic or underperforming businesses for disposition. We are currently in the process of completing several potential dispositions, primarily in our CRM Execution & Support discipline, the largest of which is a European based sales support business. We are also in the process of completing certain acquisitions primarily in our CRM Consumer Experience discipline. Although this disposition and acquisition activity has not yet been completed, we expect revenue from disposition activity to exceed revenue from acquisition activity for the remainder of 2018. Based on activity expected to be completed prior to September 30, 2018, the net reduction in revenue would approximately (1%) to (1.5)% in third quarter, (3)% in the fourth quarter and (2.5%) for the full year.

We are also in the process of accelerating certain operating efficiency and cost reduction activities which we expect to complete during the third quarter of 2018. We expect the reduction to our earnings for the disposition activity we are considering to be substantially offset by the savings achieved from these operating efficiency and cost reduction activities, as well as any incremental earnings from new acquisition activity. The timing of the currently contemplated dispositions, acquisitions and operating efficiency and cost reduction activity is subject to change.

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 and marketing discipline, the impact from foreign currency exchange rate changes, growth from acquisitions, net of dispositions and growth from our largest clients. Operating expenses are comprised of cost of services, selling, general and administrative expenses, or SG&A, and depreciation and amortization.

For the quarter ended June 30, 2018, our revenue increased 1.8% compared to the quarter ended June 30, 2017. Changes in foreign exchange rates increased revenue 2.1%, acquisition revenue, net of disposition revenue, reduced revenue 1.0%, and organic growth increased revenue 2.0%. Across our principal regional markets, the changes in revenue were: North America decreased 3.6%, Europe increased 12.8%, Asia Pacific increased 7.2% and Latin America decreased 5.0%. In North America, the decrease in revenue primarily resulted from the impact of the adoption of ASC 606, net disposition activity, and marginally negative performance in the United States and Canada. Revenue growth in the United States was led by our CRM Consumer Experience, public relations and healthcare businesses, and was offset by a decrease in revenue in certain of our advertising and media businesses due to client losses in prior periods, reductions in scope, as well as a change in mix in our programmatic planning and buying business, as some clients shift their preference to purchase this service on an unbundled basis rather than a bundled basis, and negative performance in our CRM Execution & Support discipline. The revenue increase in Europe resulted from strong growth in France and Spain and the continued strengthening of the Euro and the British Pound against the U.S. Dollar, which was partially offset by negative performance in the United Kingdom, or the U.K., relative to a very strong performance in the second quarter of 2017. The decrease in revenue in Latin America was primarily a result the weakening of the Brazilian Real against the U.S. Dollar, which offset modest growth in that region. In Asia Pacific, growth in most countries in the region, especially Australia, China and New Zealand, was partially offset by disposition activity and negative performance in Japan. The change in revenue in the second quarter of 2018 compared to the second quarter of 2017, in our four fundamental disciplines was: Advertising increased 2.0%, CRM Consumer Experience increased 0.8%, CRM Execution & Support decreased 3.6%, Public Relations increased 3.5% and Healthcare increased 12.5%.

For the six months ended June 30, 2018, our revenue increased 1.5% compared to the six months ended June 30, 2017. Changes in foreign exchange rates increased revenue 3.1%, acquisition revenue, net of disposition revenue, reduced revenue 2.6%, and organic growth increased revenue 2.2%. Across our principal regional markets, the changes in revenue were: North America decreased 5.4%, Europe increased 16.4%, Asia Pacific increased 5.9% and Latin America decreased 1.9%. In North America, the decrease in revenue primarily resulted from the disposition of our specialty print media business in the second quarter of 2017, the impact of the adoption of ASC 606 and negative performance in Canada. Revenue growth in the United States was led by our CRM Consumer Experience, public relations and healthcare businesses, and was offset by a decrease in revenue in certain of our advertising and media businesses due to client losses in prior periods, reductions in scope, as well as a change in mix in our programmatic planning and buying business, as some clients shift their preference to purchase this service on an unbundled basis rather than a bundled basis, and negative performance in our CRM Execution & Support discipline. The revenue increase in Europe resulted from strong growth in France and Spain and the continued strengthening of the Euro and the British Pound against the U.S. Dollar. The decrease in revenue in Latin America was primarily a result the weakening of the Brazilian Real against the U.S. Dollar, which offset modest growth in most countries in the region. In Asia Pacific, growth in most countries in the region, especially Australia, China, New Zealand and India, was partially offset by disposition activity. The change in revenue in the six months of 2018 compared to the six months of 2017, in our four fundamental disciplines was: Advertising increased 0.3%, CRM Consumer Experience increased 2.1% CRM Execution & Support increased 0.1%, Public Relations increased 3.5% and Healthcare increased 10.4%.

We measure 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 significant portion of our operating expenses and substantially all these costs comprise the essential components directly linked to the delivery of our services. Salary and service costs include employee compensation and benefits, freelance labor and direct service costs, which include third-party supplier costs and client-related travel costs. Occupancy and other costs consist of the indirect costs related to the delivery of our services, including office rent and other occupancy costs, equipment rent, technology costs, general office expenses and other expenses.

SG&A expenses primarily consist of third-party marketing costs, professional fees and compensation and benefits and occupancy and other costs of our corporate and executive offices, which includes group-wide finance and accounting, treasury, legal and governance, human resource oversight and similar costs.

Operating expenses increased 1.8% in second quarter of 2018 compared to the second quarter of 2017, but were unchanged as a percentage of revenue. Salary and service costs, which tend to fluctuate with changes in revenue, increased 1.5%, or $41.2 million, in the second quarter of 2018 compared to the second quarter of 2017. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased 4.5%, or $13.9 million, in the second quarter of 2018 compared to the second quarter of 2017, primarily due to the unfavorable impact from changes in foreign exchange rates. Operating margin and EBITA margin were unchanged period-over-period at 15.1% and 15.8%, respectively.

Operating expenses increased 1.5% in the six months of 2018 compared to the six months of 2017, but were unchanged as a percentage of revenue. Salary and service costs, which tend to fluctuate with changes in revenue, increased 1.2%, or $65.5 million, in the six months of 2018 compared to the six months of 2017. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased 5.3%, or $32.3 million, in the six months of 2018 compared to the six months of 2017, primarily due to the impact from changes in foreign exchange rates. Operating margin was unchanged period-over-period at 13.4%. EBITA margin decreased 0.1% to 14.1% in the six months of 2018 from 14.2% in the six months of 2017.

Net interest expense increased $1.2 million to $52.5 million for the second quarter of 2018 and increased $2.7 million to $99.3 million for the six months of 2018 compared to 2017. Interest expense on debt increased $3.5 million to $60.3 million in the second quarter of 2018 and increased $6.1 million to $116.3 million in the six months of 2018. Interest income for the second quarter and six months of 2018 increased $2.4 million and $4.0 million, respectively, compared to the prior year periods.

Our effective tax rate for the six months ended June 30, 2018, decreased to 25.2% from 30.8%. The decrease was primarily attributable to the reduction of the U.S. federal statutory income tax rate to 21% from 35% resulting from the Tax Cuts and Jobs Act, or Tax Act, which was enacted in December 2017. In addition, income tax expense in the six months of 2018 was reduced by approximately $25 million, primarily as a result of the successful resolution of foreign tax claims and a reduction of the expected incremental U.S. income tax applied against our overall foreign earnings. For the year, we expect that the benefit from the Tax Act will reduce our effective tax rate by approximately 5% compared to 32.4% in 2017, which excludes the net increase in tax expense recorded in 2017 for the impact of the Tax Act and the impact of the tax benefits realized in 2017 from share-based compensation. We cannot predict the impact on our 2018 effective tax rate from share-based compensation because it is subject to changes in our share price and the impact of future stock option exercises.

Net income - Omnicom Group Inc. in the second quarter of 2018 increased $35.6 million, or 10.8%, to $364.2 million from $328.6 million in the second quarter of 2017, and net income - Omnicom Group Inc. in the six months of 2018 increased $57.9 million, or 10.2%, to $628.3 million from $570.4 million in the six months of 2017. The period-over-period increase is due to the factors described above. Diluted net income per share - Omnicom Group Inc. increased 14.3% to $1.60 in the second quarter of 2018, compared to $1.40 in the second quarter of 2017, and diluted net income per share - Omnicom Group Inc. increased 12.8% to $2.73 in the six months of 2018, compared to $2.42

in the six months of 2017, 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 restricted stock awards, stock option exercises and employee stock purchase plan.

RESULTS OF OPERATIONS
Accounting Change
Effective January 1, 2018, we adopted FASB ASC Topic 606, Revenue from Contracts with Customers, or ASC 606. In accordance with ASC 606, we changed certain characteristics of our revenue recognition accounting policy as described below. ASC 606 was applied using the modified retrospective method, where the cumulative effect of the initial application is recognized as an adjustment to opening retained earnings at January 1, 2018. Therefore, comparative prior periods have not been adjusted and continue to be reported under FASB ASC Topic 605, Revenue Recognition, or ASC 605. As required by ASC 606, a comparison of the current presentation under ASC 606 to the prior presentation under ASC 605 is provided below.
Upon adoption of ASC 606, we changed our accounting policy for certain third-party out-of-pocket costs, which are incurred in connection with our services and are billed to clients. We also changed our policy for performance incentives (variable consideration) included in certain client contracts. The inclusion of third-party out-of-pocket costs in revenue depends on whether we act as a principal or agent in the client arrangement. Under ASC 606, the principal versus agent assessment is based on whether we control the specified goods or services before they are transferred to the customer. As a result of the adoption of ASC 606, certain third-party costs are no longer included in revenue and cost of services. This change was the principal adjustment to our reported revenue and operating expenses included in the table below. However, the change had no impact on operating profit.
In addition, performance incentives included in certain client contracts can increase revenue if we meet certain quantitative or qualitative objectives in delivering our services. Under ASC 606, performance incentives are now treated as variable consideration. Prior to the adoption of ASC 606, performance incentives were recognized in revenue under ASC 605 when specific quantitative goals were achieved or when our performance against qualitative goals was acknowledged by the client. Under ASC 606, variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. These estimates are based on historical award experience, anticipated performance and our best judgment at the time. As a result of this change, we recorded a cumulative effect adjustment to increase opening retained earnings at January 1, 2018 by $19.5 million, to reflect the transition requirements of ASC 606. The effect of this change on our financial position and cash flows was not material.
The impact of the adoption of ASC 606 on revenue, operating expenses and operating profit for the three and six months ended June 30, 2018 was (in millions):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Adjustments	Amounts without the Adoption of ASC 606	As Reported	Adjustments	Amounts without the Adoption of ASC 606
Revenue	$3,859.6	$ 49.0	$3,908.6	$7,489.2	$ 91.4	$7,580.6
Operating Expenses	3,277.3	41.5	3,318.8	6,485.3	77.4	6,562.7
Operating Profit	582.3	7.5	589.8	1,003.9	14.0	1,017.9

The impact of the adoption of ASC 606 on net income - Omnicom Group Inc. and diluted net income per share - Omnicom Group Inc. and the unaudited consolidated financial statements was not material.

RESULTS OF OPERATIONS - Second Quarter 2018 Compared to Second Quarter 2017 (in millions):

	2018	2017
Revenue	$3,859.6	$3,790.1
Operating Expenses:		
Salary and service costs	2,772.9	2,731.7
Occupancy and other costs	319.6	305.7
Cost of services	3,092.5	3,037.4
Selling, general and administrative expenses	117.4	110.1
Depreciation and amortization	67.4	71.1
	3,277.3	3,218.6
Operating Profit	582.3	571.5
Operating Margin %	15.1 %	15.1 %
Interest Expense	66.4	62.8
Interest Income	13.9	11.5
Income Before Income Taxes and Income From Equity Method Investments	529.8	520.2
Income Tax Expense	136.7	166.7
Income From Equity Method Investments	1.7	1.6
Net Income	394.8	355.1
Net Income Attributed To Noncontrolling Interests	30.6	26.5
Net Income - Omnicom Group Inc.	$364.2	$328.6

Non-GAAP Financial Measures

We use EBITA and EBITA Margin as additional operating performance measures that exclude the non-cash amortization expense of intangible assets, which primarily consists of amortization of intangible assets arising from acquisitions. We define EBITA as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin as EBITA divided by revenue. EBITA and EBITA Margin are non-GAAP Financial measures. We believe that EBITA and EBITA Margin are useful measures for investors to evaluate the performance of our business. 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.

The following table reconciles the U.S. GAAP financial measure of Net Income - Omnicom Group Inc. to EBITA and EBITA Margin for the for the periods presented (in millions):

	2018	2017
Net Income - Omnicom Group Inc.	$364.2	$328.6
Net Income Attributed To Noncontrolling Interests	30.6	26.5
Net Income	394.8	355.1
Income From Equity Method Investments	1.7	1.6
Income Tax Expense	136.7	166.7
Income Before Income Taxes and Income From Equity Method Investments	529.8	520.2
Interest Expense	66.4	62.8
Interest Income	13.9	11.5
Operating Profit	582.3	571.5
Add back: Amortization of intangible assets	27.0	28.5
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	$609.3	$600.0
Revenue	$3,859.6	$3,790.1
EBITA	$609.3	$600.0
EBITA Margin %	15.8 %	15.8 %

Revenue

In the second quarter of 2018, revenue increased $69.5 million, or 1.8%, to $3,859.6 million from $3,790.1 million in the second quarter of 2017. Changes in foreign exchange rates increased revenue $78.8 million, acquisition revenue, net of disposition revenue, reduced revenue $37.6 million, and organic growth increased revenue $77.3 million.

The impact of changes in foreign exchange rates increased revenue 2.1%, or $78.8 million, compared to the second quarter of 2017, primarily resulting from the strengthening of most currencies, especially the Euro and British Pound, against the U.S. Dollar.

The components of revenue change for the second quarter of 2018 in the United States (“Domestic”) and the remainder of the world (“International”) were (in millions):

	Total		Domestic		International	
	$	%	$	%	$	%
June 30, 2017	$3,790.1		$2,060.9		$1,729.2	
Components of revenue change:						
Foreign exchange rate impact	78.8	2.1 %	—	— %	78.8	4.6 %
Acquisition revenue, net of disposition revenue	(37.6)	(1.0)%	(12.0)	(0.6)%	(25.6)	(1.5)%
Organic growth	77.3	2.0 %	(10.9)	(0.5)%	88.2	5.1 %
Impact of adoption of ASC 606	(49.0)	(1.3)%	(47.2)	(2.3)%	(1.8)	(0.1)%
June 30, 2018	$3,859.6	1.8 %	$1,990.8	(3.4)%	$1,868.8	8.1 %

The components and percentages are calculated as follows:

- Foreign exchange rate 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 $3,780.8 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 ($3,859.6 million less $3,780.8 million for the Total column).
- Acquisition revenue is calculated as if the acquisition occurred twelve months prior to the acquisition date by aggregating the comparable prior period revenue of acquisitions through the acquisition date. As a result, acquisition revenue excludes the positive or negative difference between our current period revenue subsequent to the acquisition date and the comparable prior period revenue and the positive or negative growth after the acquisition is attributed to organic growth. Disposition revenue is calculated as if the disposition occurred twelve months prior to the disposition date by aggregating the comparable prior period revenue of dispositions through the disposition date. The acquisition revenue and disposition revenue amounts are netted in the table.
- Organic growth is calculated by subtracting the foreign exchange rate impact, and the acquisition revenue, net of disposition revenue components from total revenue growth, excluding the impact of the adoption of ASC 606.
- The impact of the adoption of ASC 606 is discussed above in the Accounting Change section.
- The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component ($3,790.1 million for the Total column).

Changes in the value of foreign currencies against the U.S. Dollar affect our results of operations and financial position. For the most part, because the revenue and expense of our foreign operations are both denominated in the same local currency, the economic impact on operating margin is minimized. Assuming exchange rates at July 16, 2018 remain unchanged, we expect the impact of changes in foreign exchange rates to reduce revenue by approximately 1% in both the third and fourth quarters and to increase revenue by approximately 1% for the full year.

Revenue and organic growth, expressed as a percentage and excluding the impact of ASC 606, in our principal regional markets were (in millions):

	Three Months Ended June 30,			
	2018	2017	$ Change	% Organic Growth
Americas:				
North America	$2,097.4	$2,175.6	$(78.2)	(0.9)%
Latin America	115.1	121.2	(6.1)	2.5 %
EMEA:				
Europe	1,142.6	1,012.5	130.1	6.6 %
Middle East and Africa	70.2	75.5	(5.3)	(8.0)%
Asia Pacific	434.3	405.3	29.0	8.5 %
	$3,859.6	$3,790.1	$69.5	2.0 %

In Europe, our primary markets are the U.K. and the Euro Zone. Revenue for the three months ended June 30, 2018, in the U.K., which represents 9.4% of total revenue, increased 3.7%, as the favorable impact from changes in foreign exchange rates offset negative performance, and revenue in the Euro Zone and the other European countries, which together comprise 20.2% of total revenue, increased 17.7%.

In North America, the decrease in revenue primarily resulted from the impact of the adoption of ASC 606, net disposition activity, and marginally negative performance in the United States and Canada. Revenue growth in the United States was led by our CRM Consumer Experience, public relations and healthcare businesses, and was offset by a decrease in revenue in certain of our advertising and media businesses due to client losses in prior periods, reductions in scope, as well as a change in mix in our programmatic planning and buying business, as some clients shift their preference to purchase this service on an unbundled basis rather than a bundled basis, and negative performance in our CRM Execution & Support discipline. The revenue increase in Europe resulted from strong growth in France and Spain and the continued strengthening of the Euro and the British Pound against the U.S. Dollar, which was partially offset by negative performance in the U.K., relative to a very strong performance in the second quarter of 2017. The decrease in revenue in Latin America was primarily a result the weakening of the Brazilian Real against the U.S. Dollar, which offset modest growth in that region. In Asia Pacific, growth in most countries in the region, especially Australia, China and New Zealand, was partially offset by disposition activity and negative performance in Japan.

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 second quarter of 2018 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 3.3% of our revenue for the second quarter of 2018 and 2017, respectively. Our ten largest and 100 largest clients represented 19.1% and 51.0% of our revenue for the second quarter of 2018, respectively, and 19.7% and 51.2% of our revenue for the second quarter of 2017, respectively.

Driven by our clients' continuous demand for more effective and efficient marketing activities, we strive to provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. These services include advertising, branding, content marketing, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management, digital/direct marketing, digital transformation, entertainment marketing, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare marketing and communications, in-store design, interactive marketing, investor relations, marketing research, media planning and buying, merchandising and point of sale, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, package design, product placement, promotional marketing, public affairs, public relations, retail marketing, sales support, search engine marketing, shopper 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 categories: advertising, CRM, which includes CRM Consumer Experience and CRM Execution & Support, public relations and healthcare.

Revenue for the second quarter of 2018 and 2017 and the change in revenue and organic growth from the second quarter of 2017 by discipline were (in millions):

	Three Months Ended June 30,					
	2018		2017			
	$	% of Revenue	$	% of Revenue	$ Change	% Organic Growth
Advertising	$2,067.6	53.6 %	$2,027.2	53.5 %	$40.4	1.6 %
CRM Consumer Experience	660.0	17.1 %	654.7	17.3 %	5.3	7.1 %
CRM Execution & Support	498.7	12.9 %	517.3	13.6 %	(18.6)	(4.4)%
Public Relations	362.7	9.4 %	350.3	9.2 %	12.4	2.7 %
Healthcare	270.6	7.0 %	240.6	6.4 %	30.0	4.8 %
	$3,859.6		$3,790.1		$69.5	2.0 %

We provide services to clients that operate in various industry sectors. Revenue by sector for the second quarter of 2018 and 2017 was:

	2018	2017
Food and Beverage	13 %	14 %
Consumer Products	9 %	10 %
Pharmaceuticals and Health Care	13 %	13 %
Financial Services	8 %	8 %
Technology	9 %	8 %
Auto	10 %	9 %
Travel and Entertainment	7 %	6 %
Telecommunications	5 %	4 %
Retail	6 %	6 %
Other	20 %	22 %

Operating Expenses

Operating expenses for the second quarter of 2018 compared to the second quarter of 2017 were (in millions):

	Three Months Ended June 30,					
	2018		2017		2018 vs. 2017	
	$	% of Revenue	$	% of Revenue	$ Change	% Change
Revenue	$3,859.6		$3,790.1		$69.5	1.8 %
Operating Expenses:						
Salary and service costs	2,772.9	71.8 %	2,731.7	72.1 %	41.2	1.5 %
Occupancy and other costs	319.6	8.3 %	305.7	8.1 %	13.9	4.5 %
Cost of services	3,092.5		3,037.4		55.1	1.8 %
Selling, general and administrative expenses	117.4	3.0 %	110.1	2.9 %	7.3	6.6 %
Depreciation and amortization	67.4	1.7 %	71.1	1.9 %	(3.7)	(5.2)%
	3,277.3	84.9 %	3,218.6	84.9 %	58.7	1.8 %
Operating Profit	$582.3	15.1 %	$571.5	15.1 %	$10.8	1.9 %

Operating expenses increased 1.8% period-over-period, but were unchanged as a percentage of revenue. Salary and service costs, which tend to fluctuate with changes in revenue, increased 1.5%, or $41.2 million, in 2018 compared to 2017. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, increased 4.5%, or $13.9 million, in 2018 compared to 2017, primarily due to the unfavorable impact from changes in foreign exchange rates. Operating margin and EBITA margin were unchanged period-over-period at 15.1% and 15.8%, respectively.

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Net Interest Expense

Net interest expense increased $1.2 million period-over-period to $52.5 million. Interest expense on debt increased $3.5 million to $60.3 million in the second quarter of 2018, primarily due to a reduced benefit from the fixed-to-floating interest rate swaps due to higher interest rates on the floating rate leg. At June 30, 2018, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations and was unchanged from December 31, 2017. Note 6 to the unaudited consolidated financial statements includes a discussion of our interest rate swaps. Interest income increased $2.4 million in the second quarter of 2018 compared to the prior period due to higher interest earned on cash held by our international treasury centers.

Income Taxes

Our effective tax rate for the second quarter of 2018, decreased period-over-period to 25.8% from 32.0%. The decrease was primarily attributable to the reduction of the U.S. federal statutory income tax rate to 21% from 35% resulting from the Tax Act. In addition, income tax expense in the second quarter of 2018 reflects a reduction of the expected incremental U.S. income tax applied against our overall foreign earnings of $12 million. For the year, we expect that the benefit from the Tax Act will reduce our effective tax rate by approximately 5% compared to 32.4% in 2017, which excludes the net increase in tax expense recorded in 2017 for the impact of the Tax Act and the impact of the tax benefits realized in 2017 from share-based compensation. We cannot predict the impact on our 2018 effective tax rate from share-based compensation because it is subject to changes in our share price and the impact of future stock option exercises.

Net Income Per Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the second quarter of 2018 increased $35.6 million, or 10.8%, to $364.2 million from $328.6 million in the second quarter of 2017. The period-over-period increase is due to the factors described above. Diluted net income per share - Omnicom Group Inc. increased 14.3% to $1.60 in the second quarter of 2018, compared to $1.40 in the second quarter of 2017, 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 restricted stock awards, stock option exercises and the employee stock purchase plan.

RESULTS OF OPERATIONS - Six Months of 2018 Compared to Six Months of 2017 (in millions):

	2018	2017
Revenue	$7,489.2	$7,377.6
Operating Expenses:		
Salary and service costs	5,485.7	5,420.2
Occupancy and other costs	639.9	607.6
Cost of services	6,125.6	6,027.8
Selling, general and administrative expenses	222.9	218.8
Depreciation and amortization	136.8	143.8
	6,485.3	6,390.4
Operating Profit	1,003.9	987.2
Operating Margin %	13.4 %	13.4 %
Interest Expense	128.6	121.9
Interest Income	29.3	25.3
Income Before Income Taxes and Income From Equity Method Investments	904.6	890.6
Income Tax Expense	227.7	274.7
Income From Equity Method Investments	2.6	1.6
Net Income	679.5	617.5
Net Income Attributed To Noncontrolling Interests	51.2	47.1
Net Income - Omnicom Group Inc.	$628.3	$570.4

Non-GAAP Financial Measures

We use EBITA and EBITA Margin as additional operating performance measures that exclude the non-cash amortization expense of intangible assets, which primarily consists of amortization of intangible assets arising from acquisitions. We define EBITA as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin as EBITA divided by revenue. EBITA and EBITA Margin are non-GAAP Financial measures. We believe that EBITA and EBITA Margin are useful measures for investors to evaluate the performance of our business. 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.

The following table reconciles the U.S. GAAP financial measure of Net Income - Omnicom Group Inc. to EBITA and EBITA Margin for the for the periods presented (in millions):

	2018	2017
Net Income - Omnicom Group Inc.	$628.3	$570.4
Net Income Attributed To Noncontrolling Interests	51.2	47.1
Net Income	679.5	617.5
Income From Equity Method Investments	2.6	1.6
Income Tax Expense	227.7	274.7
Income Before Income Taxes and Income From Equity Method Investments	904.6	890.6
Interest Expense	128.6	121.9
Interest Income	29.3	25.3
Operating Profit	1,003.9	987.2
Add back: Amortization of intangible assets	54.5	58.9
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	$1,058.4	$1,046.1
Revenue	$7,489.2	$7,377.6
EBITA	$1,058.4	$1,046.1
EBITA Margin %	14.1 %	14.2 %

Revenue

In the six months of 2018, revenue increased $111.6 million, or 1.5%, to $7,489.2 million from $7,377.6 million in the six months of 2017. Changes in foreign exchange rates increased revenue $229.9 million, acquisition revenue, net of disposition revenue, reduced revenue $191.1 million, and organic growth increased revenue $164.2 million. The reduction in revenue in the six months of 2018 resulting from our acquisition and disposition activity arose principally from the sale of our specialty print media business.

The impact of changes in foreign exchange rates increased revenue 3.1%, or $229.9 million, compared to the six months of 2017, primarily resulting from the strengthening of the Euro and British Pound against the U.S. Dollar.

The components of revenue change for the six