

OMNICOM GROUP INC.  
Form 10-Q  
April 22, 2014

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

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FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

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Commission File Number: 1-10551

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

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

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

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

Not Applicable

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

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

Yes  No

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As of April 15, 2014, there were 258,440,800 shares of Omnicom Group Inc. Common Stock outstanding.

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OMNICOM GROUP INC.  
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2014  
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements (including within the meaning of the Private Securities Litigation Reform Act of 1995) concerning the Company, Publicis Groupe S.A., or Publicis, Publicis Omnicom Group, the proposed business combination between the Company and Publicis, or the Business Combination, and other matters. 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 management of the Company as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements may be accompanied by words such as "aim," "anticipate," "believe," "plan," "could," "would," "should," "estimate," "expect," "forecast," "future," "guidance," "intend," "may," "will," "possible," "potential," "predict," "p words, phrases or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company's control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include failure to obtain applicable regulatory or shareholder approvals for the proposed Business Combination in a timely manner or otherwise; potential delays in the initiation or completion of the process to register the pending transaction with the Securities and Exchange Commission, or the SEC, and certain European securities regulators and commence solicitation of proxies in connection with shareholder approval; failure to satisfy other closing conditions to the proposed transactions; resolution of open issues, complexities and challenges relating to the merger of Omnicom and Publicis in a timely manner as necessary to consummate the pending transaction; risks that the new businesses, information technology and financial reporting systems, operations and management will not be integrated successfully or that the combined companies will not realize estimated cost savings, value of certain tax assets, synergies and growth or that such benefits may take longer to realize than expected; failure to realize anticipated benefits of the combined operations; risks relating to unanticipated costs of integration; losses on media purchases and production costs incurred on behalf of clients; reductions in client spending, a slowdown in client payments and changes in client communication requirements; failure to manage potential conflicts of interest between or among clients; unanticipated changes relating to competitive factors in the advertising and marketing industries; ability to hire and retain key personnel; ability to successfully integrate the businesses of Omnicom and Publicis; the potential

impact of announcement or consummation of the proposed transactions on relationships with third parties, including clients, employees and competitors; ability to attract new clients and retain existing clients in the manner anticipated; reliance on information technology systems; changes in legislation or governmental regulations affecting the Company; international, national or local economic, social or political conditions that could adversely affect the Company or its clients; conditions in the credit markets; risks associated with assumptions the Company makes in connection with its

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critical accounting estimates and legal proceedings; and the Company's international operations, which are subject to the risks of currency fluctuations and currency repatriation restrictions. The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect Omnicom's business, including those described in the "Risk Factors" in Omnicom's Annual Report on Form 10-K, Current Reports on Form 8-K and other documents filed from time to time with the SEC. Except as required under applicable law, the Company does not assume any obligation to update these forward-looking statements.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

|  | March 31,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>  |                                  |                      |
| Current Assets:  |                                  |                      |
| Cash and cash equivalents  | \$2,082.1                        | \$2,710.5            |
| Short-term investments, at cost  | 7.0                              | 18.2                 |
| Accounts receivable, net of allowance for doubtful accounts of \$30.7 and \$32.6         | 6,006.6                          | 6,632.6              |
| Work in process  | 1,488.6                          | 1,288.0              |
| Other current assets   | 992.3                            | 1,003.0              |
| Total Current Assets   | 10,576.6                         | 11,652.3             |
| Property and Equipment at cost, less accumulated depreciation of \$1,255.4 and \$1,230.1 | 732.0                            | 737.4                |
| Equity Method Investments  | 133.5                            | 131.8                |
| Goodwill   | 8,986.7                          | 8,916.0              |
| Intangible Assets, net of accumulated amortization of \$577.5 and \$552.3                | 384.7                            | 386.0                |
| Other Assets   | 274.4                            | 275.2                |
| <b>TOTAL ASSETS</b>  | <b>\$21,087.9</b>                | <b>\$22,098.7</b>    |
| <b>LIABILITIES AND EQUITY</b>  |                                  |                      |
| Current Liabilities:   |                                  |                      |
| Accounts payable   | \$7,403.4                        | \$8,358.9            |
| Customer advances  | 1,153.6                          | 1,242.2              |
| Current portion of debt  | 253.1                            | 0.4                  |
| Short-term borrowings  | 7.5                              | 5.9                  |
| Taxes payable  | 221.9                            | 293.3                |
| Other current liabilities  | 2,408.8                          | 2,377.0              |
| Total Current Liabilities  | 11,448.3                         | 12,277.7             |
| Long-Term Notes Payable  | 3,778.6                          | 3,780.7              |
| Convertible Debt   | —                                | 252.7                |
| Long-Term Liabilities  | 713.0                            | 685.1                |
| Long-Term Deferred Tax Liabilities   | 740.8                            | 832.6                |
| Commitments and Contingent Liabilities (See Note 12)                                     |                                  |                      |
| Temporary Equity - Redeemable Noncontrolling Interests                                   | 200.9                            | 202.0                |
| Equity:  |                                  |                      |
| Shareholders' Equity:  |                                  |                      |
| Preferred stock  | —                                | —                    |
| Common stock   | 59.6                             | 59.6                 |
| Additional paid-in capital   | 847.8                            | 817.1                |
| Retained earnings  | 9,060.8                          | 8,961.2              |
| Accumulated other comprehensive income (loss)  | (169.7)                          | (191.6)              |
| Treasury stock, at cost  | (6,080.0)                        | (6,063.9)            |

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|                              |            |            |
|------------------------------|------------|------------|
| Total Shareholders' Equity   | 3,718.5    | 3,582.4    |
| Noncontrolling interests     | 487.8      | 485.5      |
| Total Equity                 | 4,206.3    | 4,067.9    |
| TOTAL LIABILITIES AND EQUITY | \$21,087.9 | \$22,098.7 |

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 March 31, |           |
|--|------------------------------|-----------|
|  | 2014                         | 2013      |
| Revenue  | \$3,502.2                    | \$3,398.9 |
| Operating Expenses   | 3,119.5                      | 3,027.2   |
| Operating Income   | 382.7                        | 371.7     |
| Interest Expense   | 47.7                         | 49.0      |
| Interest Income  | 8.7                          | 8.1       |
| Income Before Income Taxes and Income From Equity Method Investments | 343.7                        | 330.8     |
| Income Tax Expense   | 116.3                        | 109.2     |
| Income From Equity Method Investments                                | 0.6                          | 3.2       |
| Net Income   | 228.0                        | 224.8     |
| Net Income Attributed To Noncontrolling Interests                    | (22.5                        | ) (19.7   |
| Net Income - Omnicom Group Inc.                                      | \$205.5                      | \$205.1   |
| Net Income Per Share - Omnicom Group Inc.:                           |                              |           |
| Basic  | \$0.78                       | \$0.76    |
| Diluted  | \$0.77                       | \$0.76    |
| Dividends Declared Per Common Share                                  | \$0.40                       | \$0.40    |

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

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

|  | Three Months Ended March 31, |          |
|--|------------------------------|----------|
|  | 2014                         | 2013     |
| Net Income   | \$228.0                      | \$224.8  |
| Unrealized gain (loss) on available-for-sale securities, net of income taxes of \$0.1 and \$0.1 for the three months ended March 31, 2014 and 2013, respectively     | 0.1                          | 0.2      |
| Foreign currency translation adjustment, net of income taxes of \$15.6 and (\$94.5) for the three months ended March 31, 2014 and 2013, respectively                 | 30.2                         | (183.3 ) |
| Defined benefit pension and postemployment plans adjustment, net of income taxes of \$0.9 and \$1.3 for the three months ended March 31, 2014 and 2013, respectively | 1.4                          | 1.7      |
| Other Comprehensive Income   | 31.7                         | (181.4 ) |
| Comprehensive Income   | 259.7                        | 43.4     |
| Comprehensive Income Attributed to Noncontrolling Interests  | (32.3 )                      | (9.2 )   |
| Comprehensive Income - Omnicom Group Inc.  | \$227.4                      | \$34.2   |

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)

|  | Three Months Ended March 31, |           |
|--|------------------------------|-----------|
|  | 2014                         | 2013      |
| Cash Flows from Operating Activities:  |                              |           |
| Net income   | \$228.0                      | \$224.8   |
| Adjustments to reconcile net income to net cash used in operating activities:    |                              |           |
| Depreciation   | 46.5                         | 45.7      |
| Amortization of intangible assets  | 24.4                         | 25.4      |
| Amortization of deferred gain from termination of interest rate swaps            | (1.8)                        | (1.8)     |
| Income from equity method investments, net of dividends received                 | 1.5                          | (0.9)     |
| Provision for doubtful accounts  | 0.6                          | (0.4)     |
| Share-based compensation   | 21.6                         | 22.1      |
| Excess tax benefit from share-based compensation                                 | (8.8)                        | (12.8)    |
| Change in operating capital  | (742.3)                      | (511.8)   |
| Net Cash Used In Operating Activities  | (430.3)                      | (209.7)   |
| Cash Flows from Investing Activities:  |                              |           |
| Payments to acquire property and equipment                                       | (42.5)                       | (38.2)    |
| Payments to acquire businesses and interests in affiliates, net of cash acquired | (11.9)                       | (0.9)     |
| Proceeds from investments, net   | 11.9                         | 2.7       |
| Net Cash Used In Investing Activities  | (42.5)                       | (36.4)    |
| Cash Flows from Financing Activities:  |                              |           |
| Proceeds from short-term debt  | 1.7                          | 5.4       |
| Payments of dividends  | (105.9)                      | —         |
| Payments for repurchases of common stock   | (22.1)                       | (273.5)   |
| Proceeds from stock plans  | 4.8                          | 22.4      |
| Payments for acquisition of additional noncontrolling interests                  | (8.4)                        | (5.6)     |
| Payments of dividends to noncontrolling interest shareholders                    | (24.8)                       | (23.0)    |
| Payments of contingent purchase price obligations                                | (7.8)                        | (13.5)    |
| Excess tax benefit from share-based compensation                                 | 8.8                          | 12.8      |
| Other, net   | (3.2)                        | (9.3)     |
| Net Cash Used In Financing Activities  | (156.9)                      | (284.3)   |
| Effect of foreign exchange rate changes on cash and cash equivalents             | 1.3                          | (76.1)    |
| Net Decrease in Cash and Cash Equivalents  | (628.4)                      | (606.5)   |
| Cash and Cash Equivalents at the Beginning of Period                             | 2,710.5                      | 2,678.3   |
| Cash and Cash Equivalents at the End of Period                                   | \$2,082.1                    | \$2,071.8 |

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  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Presentation of Financial Statements

The terms “Omnicom,” “the Company,” “we,” “our” and “us” each refer to Omnicom Group Inc. and our subsidiaries, unless the context indicates otherwise. The accompanying unaudited condensed consolidated financial statements 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, 2013 (“2013 Form 10-K”). Results for the interim periods are not necessarily indicative of results that may be expected for the year.

2. Pending Business Combination

On July 27, 2013, the Company and Publicis Groupe S.A. (“Publicis”) entered into a Business Combination Agreement (the “Business Combination Agreement”) pursuant to which the Company and Publicis agreed, subject to the terms and conditions of the Business Combination 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 Business Combination 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 Business Combination 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 per share 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 Business Combination Agreement (which include the Mergers, the Publicis Transaction Dividend, and the Omnicom Transaction Dividend, collectively, the “Transactions”) will require resolution of all open issues, complexities and challenges and will be subject to the satisfaction or waiver, if legally permitted, of certain conditions including (a) approval and adoption of the Business Combination 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 Business Combination 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; (e) the performance and compliance in all material respects by HoldCo and the other parties with all obligations under the Business Combination Agreement; and (f) the absence of a material adverse effect on either the Company or Publicis.

In connection with pending merger control approval in China, effective April 17, 2014 the parties are entering an extended review period (Phase III).

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In addition, the parties have made applications with various tax authorities for the purpose of establishing the intended tax treatment for Publicis Omnicom Group. To date, the parties' applications have not yet resulted in the requisite agreements, rulings or acknowledgements from the relevant tax authorities. The parties have jointly applied to the Dutch Ministry of Finance and the United Kingdom's HM Revenue & Customs to establish exclusive tax residency in the United Kingdom for Publicis Omnicom Group under the mutual agreement procedure ("MAP") pursuant to the United Kingdom/Netherlands double tax agreement. To date, the parties' application has not resulted in the agreement of the competent authorities that is required to establish such exclusive tax residency. The ultimate failure to obtain the agreements, rulings or acknowledgements of the various tax authorities, including the inability to establish exclusive United Kingdom tax residency and any conditions established by the competent authorities under a MAP, may adversely affect the tax treatment and the expected benefits of the proposed combination and also could adversely affect the likelihood of satisfying certain of the conditions necessary to complete the combination under the Business Combination Agreement.

It is not practicable at this time to predict the exact timing of when completion of the Transactions may occur. Upon completion, the Transactions contemplated by the Business Combination Agreement would have a material effect on our future results of operations and financial position.

### 3. New Accounting Standards

On January 1, 2014 we adopted FASB ASU 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity ("ASU 2013-05"). Under ASU 2013-05 when: a parent sells an investment in a foreign entity and ceases to have a controlling interest in that foreign entity or a foreign subsidiary disposes of substantially all of its assets; or, control of a foreign entity is obtained in which it held an equity interest before the acquisition date, the cumulative translation adjustment should be released into net income. The adoption of ASU 2013-05 did not have a significant impact on our results of operations or financial position.

On January 1, 2014 we adopted FASB ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 eliminates a diversity in practice regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryforward exists. The adoption of ASU 2013-11 did not have a significant impact on the presentation of our results of operations or financial position.

### 4. Net Income per Common Share

The computations of basic and diluted net income per common share for the three months ended March 31, 2014 and 2013 were (in millions, except per share amounts):

|   | 2014    | 2013    |
|---|---------|---------|
| Net Income Available for Common Shares:   |         |         |
| Net income - Omnicom Group Inc.   | \$205.5 | \$205.1 |
| Net income allocated to participating securities  | (4.1    | ) (5.4  |
|   | \$201.4 | \$199.7 |
| Weighted Average Shares:  |         |         |
| Basic   | 259.1   | 261.0   |
| Dilutive stock options, restricted shares and shares issuable<br>for the conversion premium of convertible debt | 2.3     | 2.2     |
| Diluted   | 261.4   | 263.2   |
| Anti-dilutive stock options and restricted shares   | 0.1     | 0.1     |
| Net Income per Common Share - Omnicom Group Inc.:   |         |         |
| Basic   | \$0.78  | \$0.76  |

Diluted

\$0.77

\$0.76

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## 5. Goodwill and Intangible Assets

Goodwill and intangible assets at March 31, 2014 and December 31, 2013 were (in millions):

|   | 2014                 |                          |                    | 2013                 |                          |                    |
|---|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
|   | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Goodwill                                    | \$9,573.8            | \$587.1                  | \$8,986.7          | \$9,502.6            | \$586.6                  | \$8,916.0          |
| Intangible assets:                          |                      |                          |                    |                      |                          |                    |
| Purchased and internally developed software | \$290.9              | \$224.8                  | \$66.1             | \$283.2              | \$217.4                  | \$65.8             |
| Customer related and other                  | 671.3                | 352.7                    | 318.6              | 655.1                | 334.9                    | 320.2              |
|   | \$962.2              | \$577.5                  | \$384.7            | \$938.3              | \$552.3                  | \$386.0            |

Changes in goodwill for the three months ended March 31, 2014 and 2013 were (in millions):

|                              | 2014      | 2013      |
|------------------------------|-----------|-----------|
| Balance January 1            | \$8,916.0 | \$8,844.2 |
| Acquisitions                 | 51.4      | 1.5       |
| Dispositions                 | (1.2)     | (0.6)     |
| Foreign currency translation | 20.5      | (131.2)   |
| Balance March 31             | \$8,986.7 | \$8,713.9 |

There were no goodwill impairment losses recorded in the first three months of 2014 or 2013 and there are no accumulated goodwill impairment losses. Goodwill resulting from acquisitions completed during 2014 and 2013 includes \$10.9 million and \$0.7 million, respectively, of goodwill attributed to noncontrolling interests in the acquired businesses.

## 6. Debt

## 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 issuances and such issuances reduce the amount available under the Credit Agreement. At March 31, 2014 and December 31, 2013 there were no outstanding commercial paper issuances or borrowings under the Credit Agreement. We also have uncommitted lines of credit aggregating \$1,046.1 million and \$1,051.5 million at March 31, 2014 and December 31, 2013, respectively.

Available and unused lines of credit at March 31, 2014 and December 31, 2013 were (in millions):

|                                      | 2014      | 2013      |
|--------------------------------------|-----------|-----------|
| Credit Agreement                     | \$2,500.0 | \$2,500.0 |
| Uncommitted lines of credit          | 1,046.1   | 1,051.5   |
| Available and unused lines of credit | \$3,546.1 | \$3,551.5 |

The Credit Agreement contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to 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) 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 March 31, 2014 we were in compliance with these covenants, as our Leverage Ratio was 1.9 times and our Interest Coverage Ratio was 10.8 times. The Credit Agreement does not limit our ability to declare or pay dividends.





**Short-Term Borrowings**

Short-term borrowings of \$7.5 million and \$5.9 million at March 31, 2014 and December 31, 2013, 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 March 31, 2014 and December 31, 2013 were (in millions):

|  | 2014      | 2013      |
|--|-----------|-----------|
| 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  | 0.5       | 0.5       |
|  | 3,750.5   | 3,750.5   |
| Unamortized premium (discount) on Senior Notes, net                            | 14.4      | 14.7      |
| Deferred gain from termination of interest rate swaps on Senior Notes due 2016 | 14.1      | 15.9      |
|  | 3,779.0   | 3,781.1   |
| Less current portion   | 0.4       | 0.4       |
| Long-term notes payable  | \$3,778.6 | \$3,780.7 |

**Convertible Debt**

Convertible debt at March 31, 2014 and December 31, 2013 was (in millions):

|                                       | 2014    | 2013    |
|---------------------------------------|---------|---------|
| Convertible Notes - due July 31, 2032 | \$252.7 | \$252.7 |
| Less current portion                  | 252.7   | —       |
| Convertible debt                      | \$—     | \$252.7 |

Holders of the Convertible Notes due July 31, 2032 (the “2032 Notes”) have the right to put the notes back to us for cash on July 31 of each year and we have the right to redeem the notes for cash at any time on or after July 31, 2014. There are no events that accelerate the noteholders’ put rights. At March 31, 2014, the 2032 Notes were classified as current in our balance sheet.

If the 2032 Notes become convertible and the holders of our 2032 Notes exercise their conversion right, the conversion obligation is equal to a conversion value determined on the day of conversion, calculated by multiplying the share price at the close of business on that day by 18.373 shares (subject to any adjustments required by the Indenture governing the 2032 Notes). We satisfy the conversion value by paying the initial principal amount of the note in cash and the balance of the conversion value in cash or shares, at our option. The put obligation can only be satisfied in cash.

**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 region as of and for the periods ended March 31, 2014 and 2013 were (in millions):

|                                | Americas  | EMEA      | Asia Pacific |
|--------------------------------|-----------|-----------|--------------|
| 2014                           |           |           |              |
| Revenue - Three months ended   | \$2,083.8 | \$1,059.3 | \$359.1      |
| Long-lived assets and goodwill | 6,101.2   | 3,009.0   | 608.5        |
| 2013                           |           |           |              |
| Revenue - Three months ended   | \$2,037.2 | \$1,001.2 | \$360.5      |
| Long-lived assets and goodwill | 6,064.4   | 2,735.1   | 622.4        |

The Americas is composed of North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes Mexico. 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 three months ended March 31, 2014 and 2013 was 33.8% and 33.0%, respectively. At March 31, 2014, our unrecognized tax benefits were \$133.7 million. Of this amount, approximately \$57.6 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 three months ended March 31, 2014 and 2013 were (in millions):

|  | 2014  | 2013   |
|--|-------|--------|
| Service cost                             | \$1.7 | \$1.2  |
| Interest cost                            | 1.7   | 1.5    |
| Expected return on plan assets           | (0.7  | ) (0.7 |
| Amortization of prior service cost       | 1.1   | 0.9    |
| Amortization of actuarial (gains) losses | 0.5   | 1.1    |
|  | \$4.3 | \$4.0  |

We contributed \$0.2 million and \$1.2 million to our defined benefit pension plans in the three months ended March 31, 2014 and 2013, respectively.

##### Postemployment Arrangements

The components of net periodic benefit cost for the three months ended March 31, 2014 and 2013 were (in millions):

|  | 2014  | 2013  |
|--|-------|-------|
| Service cost                             | \$1.0 | \$1.1 |
| Interest cost                            | 1.1   | 1.0   |
| Amortization of prior service cost       | 0.5   | 0.5   |
| Amortization of actuarial (gains) losses | 0.2   | 0.5   |
|  | \$2.8 | \$3.1 |

Net periodic benefit cost is included in the salary and service costs component of operating expenses.

## 10. Operating Expenses

Operating expenses for the three months ended March 31, 2014 and 2013 were comprised of (in millions):

|                             | 2014      | 2013      |
|-----------------------------|-----------|-----------|
| Salary and service costs    | \$2,622.8 | \$2,541.0 |
| Office and general expenses | 489.7     | 486.2     |
| Merger expenses             | 7.0       | —         |
| Operating expenses          | \$3,119.5 | \$3,027.2 |

## 11. Supplemental Cash Flow Data

The change in operating capital for the three months ended March 31, 2014 and 2013 was (in millions):

|  | 2014      | 2013        |
|--|-----------|-------------|
| (Increase) decrease in accounts receivable                             | \$627.4   | \$544.3     |
| (Increase) decrease in work in process and other current assets        | (188.5    | ) (221.6    |
| Increase (decrease) in accounts payable                                | (948.3    | ) (886.9    |
| Increase (decrease) in customer advances and other current liabilities | (96.2     | ) 58.9      |
| Change in other assets and liabilities, net                            | (136.7    | ) (6.5      |
|  | \$ (742.3 | ) \$ (511.8 |
| Income taxes paid  | \$165.9   | \$108.7     |
| Interest paid  | \$41.6    | \$40.8      |

## 12. Commitments and Contingent Liabilities

A putative class action challenging the Business Combination 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 *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, among other things, 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 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, 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, 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.

On October 24, 2013, the Court approved plaintiffs' motion to consolidate the *Ansfield*, *Lee*, and *Fultz* actions with each other and with all subsequently filed or transferred actions arising out of the same facts and circumstances under the caption: *In re Omnicom Group Inc. Shareholder Litigation*, Index No. 652737/2013, and in the same order appointed co-lead counsel. On October 29, 2013, the Court approved the parties' stipulation requiring plaintiffs to file an amended complaint within three weeks after HoldCo files a preliminary proxy statement/prospectus.

Omnicom believes the consolidated lawsuit is without merit and intends to defend vigorously against it. 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 this matter 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.

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13. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at March 31, 2014 and December 31, 2013 were (in millions):

| March 31, 2014                        | Level 1   | Level 2 | Level 3 | Total     |
|---------------------------------------|-----------|---------|---------|-----------|
| Assets:                               |           |         |         |           |
| Cash and cash equivalents             | \$2,082.1 |         |         | \$2,082.1 |
| Short-term investments                | 7.0       |         |         | 7.0       |
| Available-for-sale securities         | 5.0       |         |         | 5.0       |
| Forward foreign exchange contracts    |           | \$0.7   |         | 0.7       |
| Liabilities:                          |           |         |         |           |
| Forward foreign exchange contracts    |           | \$0.1   |         | \$0.1     |
| Contingent interest derivative        |           | 1.4     |         | 1.4       |
| Contingent purchase price obligations |           |         | \$256.8 | 256.8     |
| December 31, 2013                     | Level 1   | Level 2 | Level 3 | Total     |
| Assets:                               |           |         |         |           |
| Cash and cash equivalents             | \$2,710.5 |         |         | \$2,710.5 |
| Short-term investments                | 18.2      |         |         | 18.2      |
| Available-for-sale securities         | 4.9       |         |         | 4.9       |
| Forward foreign exchange contracts    |           | \$2.2   |         | 2.2       |
| Liabilities:                          |           |         |         |           |
| Forward foreign exchange contracts    |           | \$0.1   |         | \$0.1     |
| Contingent interest derivative        |           | 2.1     |         | 2.1       |
| Contingent purchase price obligations |           |         | \$220.2 | 220.2     |

The changes in Level 3 contingent purchase price obligations for the three months ended March 31, 2014 and 2013 were (in millions):

|                              | 2014    | 2013     |
|------------------------------|---------|----------|
| Balance January 1            | \$220.2 | \$266.2  |
| Acquisitions                 | 43.2    | 1.6      |
| Revaluation and interest     | (0.8)   | ) 1.4    |
| Payments                     | (7.8)   | ) (13.5) |
| Foreign currency translation | 2.0     | (16.1)   |
| Balance March 31             | \$256.8 | \$239.6  |

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The carrying amount and fair value of our financial instruments at March 31, 2014 and December 31, 2013 were (in millions):

|                                       | 2014            |            | 2013            |            |
|---------------------------------------|-----------------|------------|-----------------|------------|
|                                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <b>Assets:</b>                        |                 |            |                 |            |
| Cash and cash equivalents             | \$2,082.1       | \$2,082.1  | \$2,710.5       | \$2,710.5  |
| Short-term investments                | 7.0             | 7.0        | 18.2            | 18.2       |
| Available-for-sale securities         | 5.0             | 5.0        | 4.9             | 4.9        |
| Forward foreign exchange contracts    | 0.7             | 0.7        | 2.2             | 2.2        |
| Cost method investments               | 21.7            | 21.7       | 22.2            | 22.2       |
| <b>Liabilities:</b>                   |                 |            |                 |            |
| Short-term borrowings                 | \$7.5           | \$7.5      | \$5.9           | \$5.9      |
| Forward foreign exchange contracts    | 0.1             | 0.1        | 0.1             | 0.1        |
| Contingent interest derivative        | 1.4             | 1.4        | 2.1             | 2.1        |
| Contingent purchase price obligations | 256.8           | 256.8      | 220.2           | 220.2      |
| Debt                                  | 4,031.7         | 4,335.5    | 4,033.8         | 4,302.7    |

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 three months ended March 31, 2014 and 2013 were (in millions):

|   | Unrealized Gain (Loss) on Available-for-Sale Securities | Defined Benefit Pension and Postemployment Plans | Foreign Currency Translation | Total       |
|---|---|--|------------------------------|-------------|
| Balance January 1, 2014   | \$ (1.6 )   | \$ (68.8 )                                       | \$ (121.2 )                  | \$ (191.6 ) |
| Other comprehensive income before reclassifications                     | 0.1   | —  | 20.4                         | 20.5        |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 1.4  | —                            | 1.4         |
| Other comprehensive income  | 0.1   | 1.4  | 20.4                         | 21.9        |
| Balance March 31, 2014  | \$ (1.5 )   | \$ (67.4 )                                       | \$ (100.8 )                  | \$ (169.7 ) |
|   | Unrealized Gain (Loss) on Available-for-Sale Securities | Defined Benefit Pension and Postemployment Plans | Foreign Currency Translation | Total       |
| Balance January 1, 2013   | \$ (2.0 )   | \$ (89.8 )                                       | \$ (37.7 )                   | \$ (129.5 ) |
| Other comprehensive income before reclassifications                     | 0.2   | —  | (172.8 )                     | (172.6 )    |
| Amounts reclassified from accumulated other comprehensive income (loss) | —   | 1.7  | —                            | 1.7         |
| Other comprehensive income  | 0.2   | 1.7  | (172.8 )                     | (170.9 )    |
| Balance March 31, 2013  | \$ (1.8 )   | \$ (88.1 )                                       | \$ (210.5 )                  | \$ (300.4 ) |





Reclassifications from accumulated other comprehensive income (loss) for the three months ended March 31, 2014 and 2013 were (in millions):

|   | 2014  | 2013  |
|---|-------|-------|
| Amortization of defined benefit pension and postemployment plans: |       |       |
| Prior service cost  | \$1.6 | \$1.4 |
| Actuarial (gains) losses  | 0.7   | 1.6   |
| Net periodic benefit cost (see Note 9)                            | 2.3   | 3.0   |
| Income tax expense  | 0.9   | 1.3   |
| Net of tax  | \$1.4 | \$1.7 |

15. 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 our unaudited condensed consolidated financial statements.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations  
PENDING BUSINESS COMBINATION

On July 27, 2013, the Company and Publicis Groupe S.A. ("Publicis") entered into a Business Combination Agreement (the "Business Combination Agreement") pursuant to which the Company and Publicis agreed, subject to the terms and conditions of the Business Combination 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 Business Combination 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 Business Combination 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 per share 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 Business Combination Agreement (which include the Mergers, the Publicis Transaction Dividend, and the Omnicom Transaction Dividend, collectively, the "Transactions") will require resolution of all open issues, complexities and challenges and will be subject to the satisfaction or waiver, if legally permitted, of certain conditions including (a) approval and adoption of the Business Combination 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 Business Combination 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; (e) the performance and compliance in all material respects by HoldCo and the other parties with all obligations under the Business Combination Agreement; and (f) the absence of a material adverse effect on either the Company or Publicis.

In connection with pending merger control approval in China, effective April 17, 2014 the parties are entering an extended review period (Phase III).

In addition, the parties have made applications with various tax authorities for the purpose of establishing the intended tax treatment for Publicis Omnicom Group. To date, the parties' applications have not yet resulted in the requisite agreements, rulings or acknowledgements from the relevant tax authorities. The parties have jointly applied to the

Dutch Ministry of Finance and the United Kingdom's HM Revenue & Customs to establish exclusive tax residency in the United Kingdom for Publicis Omnicom Group under the mutual agreement procedure (“MAP”) pursuant to the United Kingdom/Netherlands double tax agreement. To date, the parties’ application has not resulted in the agreement of the competent authorities that is required to establish such exclusive tax residency. The ultimate failure to obtain the agreements, rulings or acknowledgments of the various tax authorities, including the inability to establish exclusive United Kingdom tax residency and any conditions established by the competent authorities under a MAP, may adversely affect the tax treatment and the expected benefits of the proposed combination and also could adversely affect the likelihood of satisfying certain of the conditions necessary to complete the combination under the Business Combination Agreement.

It is not practicable at this time to predict the exact timing of when completion of the Transactions may occur. Upon completion, the Transactions contemplated by the Business Combination Agreement would have a material effect on our future results of operations and financial position.

#### EXECUTIVE SUMMARY

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 currently serve or have the ability to serve our existing client base.

As a leading global advertising, marketing and corporate communications company, we operate in all major markets around the world. We have a large and diverse client base. In the first quarter of 2014, our largest client accounted for 2.8% of our revenue and no other client accounted for more than 2.4% of our revenue. Our top 100 clients accounted for approximately 51% of our revenue for the three months ended March 31, 2014. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the three months ended March 31, 2014. 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 three months of 2014, our revenue increased 3.0% compared to the first three months of 2013. Revenue increased in the United States and Europe, which was favorably impacted by the weakening of the U.S. Dollar, while revenue in the rest of the world was negatively impacted by the strengthening of the U.S. Dollar.

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 three months of 2014, the United States experienced modest economic growth and the major economies of Asia and Latin America continued to expand. While economic conditions in the Euro Zone began to stabilize in the second half of 2013, the continuing fiscal issues faced by many countries in the European Union 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 continue to require greater coordination of marketing activities. We believe these trends have benefited our business in the past and over the medium and long term will continue to provide a competitive advantage to us.

In the near term, barring unforeseen events and excluding the impact from changes in foreign exchange rates and the effect of the pending merger with Publicis, as a result of continued improvement in operating performance by many of our agencies and new business activities, we expect our 2014 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.

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For the quarter ended March 31, 2014, our revenue increased 3.0% compared to the quarter ended March 31, 2013. Organic growth increased revenue by \$147.5 million. Acquisitions, net of dispositions, decreased revenue by \$22.0 million and changes in foreign exchange rates reduced revenue by \$22.2 million. Across our geographic markets, revenue increased 4.0% in the United States, 10.9% in the United Kingdom and 4.0% in our Euro markets, while revenue decreased 3.0% in our other markets, reflecting the negative impact of changes in foreign currencies due to the strengthening of the U.S. Dollar. The change in revenue in the first quarter of 2014 compared to the first quarter of 2013 in our four fundamental disciplines was as follows: advertising increased 2.9%, CRM increased 4.3%, public relations increased 2.2% and specialty communications decreased 1.3%.

We measure operating expenses in two distinct cost categories: salary and service costs and office and general expenses. Salary and service costs consist of employee compensation and related costs and direct service costs. Office and general expenses consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses. Each of our agencies requires professionals with the skill sets that are common across our disciplines. At the core of the skill sets is the ability to understand a client's brand or product and its selling proposition and the ability to develop a unique message to communicate the value of the brand or product to the client's target audience. The facility requirements of our agencies are also similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software. 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. Salary and service costs increased \$81.8 million in the first quarter of 2014 compared to the first quarter of 2013, reflecting growth in revenue and increases related to changes in the mix of our business.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs. Office and general expenses increased \$3.5 million in the first quarter of 2014 compared to the first quarter of 2013.

In the first quarter of 2014 we incurred \$7.0 million of expenses in connection with the pending merger with Publicis, which are primarily comprised of professional fees. The merger expenses are shown as a separate component of operating expenses and we expect to incur additional merger expenses in 2014.

Operating margins were 10.9% in the first three months of 2014 and 2013 and EBITA margins were 11.6% and 11.7% for the first three months of 2014 and 2013, respectively. Excluding the merger expenses of \$7.0 million, operating margins for 2014 increased to 11.1% from 10.9% in 2013 and EBITA margins for 2014 increased to 11.8% from 11.7% in 2013.

Net interest expense decreased to \$39.0 million in the first quarter of 2014, compared to \$40.9 million in the first quarter of 2013. Interest expense decreased \$1.3 million to \$47.7 million. Interest income increased \$0.6 million in the first quarter of 2014, compared to the first quarter of 2013.

Our effective tax rate for the first quarter of 2014 increased to 33.8%, compared to 33.0% for the first quarter of 2013. Excluding the income tax effect of the merger expenses, which reflects the estimated impact of the non-deductibility of a significant portion of the merger expenses, our effective tax rate for 2014 was 33.2%, which approximates last year's rate.

Net income - Omnicom Group Inc. in the first quarter of 2014 increased \$0.4 million, or 0.2%, to \$205.5 million from \$205.1 million in the first quarter of 2013. The period-over-period increase in net income - Omnicom Group Inc. is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 1.3% to \$0.77 in the first quarter of 2014, compared to \$0.76 in the first quarter of 2013 due to the factors described above. Excluding the net effect of the merger expenses, net income - Omnicom Group Inc. for 2014 was \$208.1 million and diluted net income per common share - Omnicom Group Inc. was \$0.80.

See the Reconciliation of Results of Operations to 2014 Non-GAAP Financial Measures on page 17 for a description of the Non-GAAP Financial Measures discussed above.

## RESULTS OF OPERATIONS - First Quarter 2014 Compared to First Quarter 2013 (in millions):

|   | 2014      | 2013      |   |   |
|---|-----------|-----------|---|---|
| Revenue   | \$3,502.2 | \$3,398.9 |   |   |
| Operating Expenses:   |           |           |   |   |
| Salary and service costs  | 2,622.8   | 2,541.0   |   |   |
| Office and general expenses   | 489.7     | 486.2     |   |   |
| Merger expenses   | 7.0       | —         |   |   |
| Total Operating Expenses  | 3,119.5   | 3,027.2   |   |   |
| Add back: Amortization of intangible assets                                     | 24.4      | 25.4      |   |   |
|   | 3,095.1   | 3,001.8   |   |   |
| Earnings before interest, taxes and amortization of intangible assets (“EBITA”) | 407.1     | 397.1     |   |   |
| EBITA Margin - %  | 11.6      | % 11.7    |   | % |
| Deduct: Amortization of intangible assets                                       | 24.4      | 25.4      |   |   |
| Operating Income  | 382.7     | 371.7     |   |   |
| Operating Margin - %  | 10.9      | % 10.9    |   | % |
| Interest Expense  | 47.7      | 49.0      |   |   |
| Interest Income   | 8.7       | 8.1       |   |   |
| Income Before Income Taxes and Income From Equity Method Investments            | 343.7     | 330.8     |   |   |
| Income Tax Expense  | 116.3     | 109.2     |   |   |
| Income From Equity Method Investments   | 0.6       | 3.2       |   |   |
| Net Income  | 228.0     | 224.8     |   |   |
| Net Income Attributed To Noncontrolling Interests                               | (22.5     | ) (19.7   | ) | ) |
| Net Income - Omnicom Group Inc.   | \$205.5   | \$205.1   |   |   |

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

Reconciliation of Results of Operations to 2014 Non-GAAP Financial Measures (in millions, except per share amounts):

The following table reconciles our reported results of operations for the first quarter of 2014 to the 2014 Non-GAAP financial measures presentation. Due to the size of the proposed merger with Publicis, we are providing Non-GAAP financial measures that exclude expenses, which are primarily comprised of professional fees, incurred in connection with the proposed merger.

|                    | 2014<br>As Reported | Merger<br>Expenses | 2014<br>Non-GAAP<br>Financial<br>Measures |
|--------------------|---------------------|--------------------|---|
| EBITA              | \$407.1             | \$7.0              | \$414.1                                   |
| Operating Income   | \$382.7             | \$7.0              | \$389.7                                   |
| Income Tax Expense | \$116.3             | \$0.2              | \$116.5                                   |



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|  |         |        |         |
|--|---------|--------|---------|
| Net Income - Omnicom Group Inc.                          | \$205.5 | \$6.8  | \$212.3 |
| Net income allocated to participating securities         | (4.1    | ) (0.1 | ) (4.2  |
| Net income available for common shares                   | \$201.4 | \$6.7  | \$208.1 |
| Diluted Net Income per Common Share - Omnicom Group Inc. | \$0.77  | \$0.03 | \$0.80  |

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We believe that investors should consider the 2014 Non-GAAP financial measures as they are indicative of our expected 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 first quarter of 2014 increased 3.0% to \$3,502.2 million, from \$3,398.9 million in the first quarter of 2013. Organic growth increased revenue by \$147.5 million. Acquisitions, net of dispositions, decreased revenue by \$22.0 million and changes in foreign exchange rates reduced revenue by \$22.2 million.

The components of the first quarter of 2014 revenue change in the United States (“Domestic”) and the remainder of the world (“International”) were (in millions):

|                                   | Total     |        | Domestic  |        | International |        |
|-----------------------------------|-----------|--------|-----------|--------|---------------|--------|
|                                   | \$        | %      | \$        | %      | \$            | %      |
| Quarter ended March 31, 2013      | \$3,398.9 |        | \$1,791.6 |        | \$1,607.3     |        |
| Components of revenue change:     |           |        |           |        |               |        |
| Foreign exchange impact           | (22.2)    | (0.7)% | —         | —      | (22.2)        | (1.4)% |
| Acquisitions, net of dispositions | (22.0)    | (0.6)% | (28.2)    | (1.6)% | 6.2           | 0.4%   |
| Organic growth                    | 147.5     | 4.3%   | 100.6     | 5.6%   | 46.9          | 2.9%   |
| Quarter ended March 31, 2014      | \$3,502.2 | 3.0%   | \$1,864.0 | 4.0%   | \$1,638.2     | 1.9%   |

The components and percentages are calculated as follows:

The foreign exchange impact is calculated by first converting the current period’s local currency revenue using the average exchange rates from the equivalent prior period to arrive at a constant currency revenue (in this case \$3,524.4 million for the Total column). The foreign exchange impact equals the difference between the current period revenue in U.S. dollars and the current period revenue in constant currency (in this case \$3,502.2 million less \$3,524.4 million for the Total column).

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

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

The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component (in the case \$3,398.9 million for the Total column).

For the first quarter of 2014, changes in foreign exchange rates reduced revenue by 0.7%, or \$22.2 million, compared to the first quarter of 2013. The most significant impacts resulted from the strengthening of the U.S. Dollar against the Australian Dollar, Canadian Dollar, Brazilian Real, Russian Ruble and Japanese Yen partially offset by the weakening of the U.S. Dollar against the British Pound and the Euro.

Assuming exchange rates at April 15, 2014 remain unchanged, we expect foreign exchange impacts to have a marginally positive impact on 2014 revenue.

Revenue for the first quarter of 2014 and the percentage change in revenue and organic growth from the first quarter of 2013 in our primary geographic markets were (in millions):

|                | Revenue   | % Change | % Organic Growth |
|----------------|-----------|----------|------------------|
| United States  | \$1,864.0 | 4.0      | % 5.6            |
| Euro Markets   | 550.4     | 4.0      | % —              |
| United Kingdom | 336.2     | 10.9     | % 3.8            |
| Rest of world  | 751.6     | (3.0)    | % 4.6            |
|                | \$3,502.2 | 3.0      | % 4.3            |



Revenue for the first quarter 2014 and the percentage change in revenue and organic growth from the first quarter of 2013 in our principal regional markets were (in millions):

|                        | Revenue    | % Change | % Organic Growth |   |
|------------------------|------------|----------|------------------|---|
| Americas:              |            |          |                  |   |
| North America          | \$ 1,993.0 | 2.8      | % 4.8            | % |
| Latin America          | 90.8       | (7.4     | )% 7.4           | % |
| EMEA:                  |            |          |                  |   |
| Europe                 | 1,003.6    | 6.0      | % 2.3            | % |
| Middle East and Africa | 55.7       | 1.7      | % 6.6            | % |
| Asia Pacific           | 359.1      | (0.4     | )% 5.7           | % |
|                        | \$ 3,502.2 | 3.0      | % 4.3            | % |

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 result in the first quarter of 2014 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Our largest client represented 2.8% and 2.7% of our revenue for the first quarter of 2014 and 2013, respectively and no other client represented more than 2.4% and 2.5% of our revenue for the first quarter of 2014 and 2013, respectively. Our ten largest and 100 largest clients represented 18.4% and 51.2% of our revenue for the first quarter of 2014, respectively and 18.8% and 51.9% of our revenue for the first quarter of 2013, respectively.

Driven by our clients' continuous demand for more effective and efficient marketing activities, we strive to provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. These services include advertising, brand consultancy, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management, direct marketing, entertainment marketing, environmental design, experiential marketing, field marketing, financial/corporate business-to-business advertising, interactive marketing, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, public affairs, public relations, reputation consulting, retail marketing, search engine marketing, social media marketing and sports and event marketing. In an effort to monitor the changing needs of our clients and to further expand the scope of our services to key clients, we monitor revenue across a broad range of disciplines and group them into the following four categories: advertising, CRM, public relations and specialty communications.

Revenue for the first quarter of 2014 and 2013 and the percentage change in revenue and organic growth from the first quarter of 2013 by discipline was (in millions):

|                          | Three Months Ended March 31, |              | 2014 vs 2013 |              |           |          |                  |   |  |
|--------------------------|------------------------------|--------------|--------------|--------------|-----------|----------|------------------|---|--|
|                          | 2014                         | 2013         |              |              |           |          |                  |   |  |
|                          | \$                           | % of Revenue | \$           | % of Revenue | \$        | % Change | % Organic Growth |   |  |
| Advertising              | \$ 1,700.6                   | 48.6         | % \$ 1,651.9 | 48.6         | % \$ 48.7 | 2.9      | % 4.9            | % |  |
| CRM                      | 1,223.5                      | 34.9         | % 1,172.7    | 34.5         | % 50.8    | 4.3      | % 4.2            | % |  |
| Public relations         | 325.4                        | 9.3          | % 318.4      | 9.4          | % 7.0     | 2.2      | % 1.2            | % |  |
| Specialty communications | 252.7                        | 7.2          | % 255.9      | 7.5          | % (3.2    | ) (1.3   | )% 5.2           | % |  |
|                          | \$ 3,502.2                   |              | \$ 3,398.9   |              | \$ 103.3  | 3.0      | % 4.3            | % |  |

We operate in a number of industry sectors. The percentage of our revenue by industry sector for the first quarter of 2014 and 2013 was:

| Industry                        | 2014 | 2013   |  |   |
|---------------------------------|------|--------|--|---|
| Food and Beverage               | 13.6 | % 13.6 |  | % |
| Consumer products               | 9.4  | % 9.5  |  | % |
| Pharmaceuticals and Health Care | 9.9  | % 10.1 |  | % |
| Financial Services              | 7.2  | % 7.3  |  | % |
| Technology                      | 8.6  | % 9.0  |  | % |
| Auto                            | 8.4  | % 8.4  |  | % |
| Travel and Entertainment        | 5.5  | % 5.4  |  | % |
| Telecommunications              | 5.6  | % 6.8  |  | % |
| Retail                          | 6.7  | % 6.0  |  | % |
| Other                           | 25.1 | % 23.9 |  | % |

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

#### Operating Expenses

Operating expenses for the first quarter of 2014 compared to operating expenses for the first quarter of 2013 were (in millions):

|                             | Three Months Ended March 31, 2014 |              |                               | 2013      |              |                               | 2014 vs 2013 |          |   |
|-----------------------------|-----------------------------------|--------------|-------------------------------|-----------|--------------|-------------------------------|--------------|----------|---|
|                             | \$                                | % of Revenue | % of Total Operating Expenses | \$        | % of Revenue | % of Total Operating Expenses | \$ Change    | % Change |   |
| Revenue                     | \$3,502.2                         |              |                               | \$3,398.9 |              |                               | \$103.3      | 3.0      | % |
| Operating Expenses:         |                                   |              |                               |           |              |                               |              |          |   |
| Salary and service costs    | 2,622.8                           | 74.9         | % 84.1                        | 2,541.0   | 74.8         | % 83.9                        | % 81.8       | 3.2      | % |
| Office and general expenses | 489.7                             | 14.0         | % 15.7                        | 486.2     | 14.3         | % 16.1                        | % 3.5        | 0.7      | % |
| Merger expenses             | 7.0                               | 0.2          | % 0.2                         | —         | —            | % —                           | % 7.0        |          |   |
| Operating Expenses          | 3,119.5                           | 89.1         | %                             | 3,027.2   | 89.1         | %                             | 92.3         | 3.0      | % |
| Operating Income            | \$382.7                           | 10.9         | %                             | \$371.7   | 10.9         | %                             | \$11.0       | 3.0      | % |

Salary and service costs tend to fluctuate in conjunction with changes in revenue. Salary and service costs increased \$81.8 million in the first quarter of 2014 compared to the first quarter of 2013, reflecting growth in revenue and an increase in the use of freelance labor, but remained constant as a percentage of revenue.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs. Office and general expenses increased \$3.5 million in the first quarter of 2014 compared to the first quarter of 2013.

In the first quarter of 2014 we incurred \$7.0 million of expenses in connection with the pending merger with Publicis, which are primarily comprised of professional fees. The merger expenses are shown as a separate component of operating expenses and we expect to incur additional merger expenses in 2014.

Operating margins were 10.9% in the first three months of 2014 and 2013 and EBITA margins were 11.6% and 11.7% for the first three months of 2014 and 2013, respectively. Excluding the merger expenses of \$7.0 million, operating margins for 2014 increased to 11.1% from 10.9% in 2013 and EBITA margins for 2014 increased to 11.8% from 11.7% in 2013.



#### Net Interest Expense

Net interest expense decreased to \$39.0 million in the first quarter of 2014, compared to \$40.9 million in the first quarter of 2013. Interest expense decreased \$1.3 million to \$47.7 million. Interest income increased \$0.6 million in the first quarter of 2014, compared to the first quarter of 2013.

#### Income Taxes

Our effective tax rate for the first quarter of 2014 increased to 33.8%, compared to 33.0% for the first quarter of 2013. Excluding the income tax effect of the merger expenses, which reflects the estimated impact of the non-deductibility of a significant portion of the merger expenses, our effective tax rate for 2014 was 33.2%, which approximates last year's rate.

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

For the foregoing reasons, net income - Omnicom Group Inc. in the first quarter of 2014 increased \$0.4 million, or 0.2%, to \$205.5 million, compared to \$205.1 million in the first quarter of 2013. Diluted net income per common share - Omnicom Group Inc. increased 1.3% to \$0.77 in the first quarter of 2014, compared to \$0.76 in the first quarter of 2013 due to the factors described above. Excluding the net effect of the merger expenses, net income - Omnicom Group Inc. for 2014 was \$208.1 million and diluted net income per common share - Omnicom Group Inc. was \$0.80.

#### CRITICAL ACCOUNTING POLICIES

For a more complete understanding of all of our accounting policies, our financial statements and the related management's discussion and analysis of those results, readers are encouraged to consider this information together with our discussion of our critical accounting policies under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Form 10-K.

#### NEW ACCOUNTING STANDARDS

See Note 3 to our unaudited condensed consolidated financial statements for additional information.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Cash Sources and Requirements, Including Contractual Obligations

Historically, the majority of our non-discretionary cash requirements have been funded from operating cash flow and cash on hand. Working capital is our principal non-discretionary funding requirement. In addition, we have contractual obligations related to our Senior Notes and Convertible Notes due July 31, 2032 (the "2032 Notes"), our recurring business operations, primarily related to lease obligations, as well as contingent purchase price obligations (earn-outs) for acquisitions made in prior years.

Our principal discretionary cash uses include dividend payments, capital expenditures, payments for strategic acquisitions and repurchases of our common stock. In connection with the pending merger with Publicis, beginning in the third quarter of 2013 we suspended repurchases of our common stock in the open market. Our discretionary spending is funded from operating cash flow and cash on hand. In addition, depending on the level of our discretionary activity and conditions in the capital markets, we may use other available sources of funding, such as issuing commercial paper, borrowing under our Credit Agreement or other long-term borrowings, to finance these activities. We expect that we should be able to fund both our non-discretionary cash requirements and our discretionary spending for 2014 without incurring additional long-term debt. However, we may access the capital markets at any time if favorable conditions exist.

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

During the first three months of 2014, we used \$430.3 million of cash in operations, which included cash used for operating capital of \$742.3 million. Our discretionary spending for the first three months of 2014 was: capital expenditures of \$42.5 million; dividends paid of \$105.9 million; dividends paid to shareholders of noncontrolling interests of \$24.8 million; repurchases of our common stock, net of proceeds from stock option exercises and stock sold to our employee stock purchase plan and related tax benefits, of \$8.5 million; and, acquisition payments, net of cash acquired, of \$11.9 million plus contingent purchase price obligations of \$7.8 million and acquisition of additional shares of noncontrolling interests of \$8.4 million.





### Cash Management

We manage our cash and liquidity centrally through our regional treasury centers in North America, Europe and Asia. The treasury centers are managed by our wholly-owned finance subsidiaries. Each day, operations with excess funds invest these funds with their regional treasury center. Likewise, operations that require funds borrow from their regional treasury center. The treasury centers aggregate the net position which is either invested with or borrowed from third parties. To the extent that our treasury centers require liquidity, they have the ability to access local currency uncommitted lines of credit, the Credit Agreement or issue up to a total of \$1.5 billion of U.S.

Dollar-denominated commercial paper. This process enables us to manage our debt balances more efficiently and utilize our cash more effectively, as well as better manage our risk to foreign exchange rate changes. In countries where we either do not conduct treasury operations or it is not feasible for one of our treasury centers to fund net borrowing requirements on an intercompany basis, we arrange for local currency uncommitted lines of credit.

Our cash and cash equivalents decreased \$628.4 million to \$2,082.1 million and our short-term investments decreased \$11.2 million to \$7.0 million from December 31, 2013, primarily to fund our seasonal working capital requirement. Short-term investments principally consist of time deposits with financial institutions that we expect to convert into cash within our current operating cycle, generally one year.

At March 31, 2014, our total cash and cash equivalents were \$2.1 billion, of which our foreign subsidiaries held approximately \$2.0 billion. The majority of this cash is available to us, net of any taxes payable upon repatriation to the United States. Changes in international tax rules or changes in U.S. tax rules and regulations covering international operations and foreign tax credits may affect our future reported financial results or the way we conduct our business. We have policies governing counterparty credit risk with financial institutions that hold our cash and cash equivalents and we have deposit limits for each financial institution. In countries where we conduct treasury operations, generally the counterparties are either branches or subsidiaries of the financial institutions that are party to our Credit Agreement. These financial institutions generally have credit ratings equal to or better than our credit ratings. In countries where we do not conduct treasury operations, we ensure that all cash and cash equivalents are held by counterparties that meet specific minimum credit standards.

### Debt Instruments and Related Covenants

We have committed and uncommitted lines of credit. Our \$2.5 billion Credit Agreement expires on October 12, 2016. We have the ability to classify borrowings under the Credit Agreement as long-term. The Credit Agreement provides support for up to \$1.5 billion of commercial paper issuances and such issuances reduce the amount available under the Credit Agreement.

Depending on market conditions at the time, we typically fund our day-to-day liquidity by issuing commercial paper, borrowing under our uncommitted lines of credit or borrowing under our Credit Agreement. At March 31, 2014, there were no outstanding commercial paper issuances or borrowings under the Credit Agreement.

Commercial paper activity for the quarters ended March 31, 2014 and 2013 was (dollars in millions):

|   | 2014      | 2013      |   |
|---|-----------|-----------|---|
| Average amount outstanding during the quarter | \$390.9   | \$67.3    |   |
| Maximum amount outstanding during the quarter | \$770.0   | \$320.0   |   |
| Total issuances during the quarter            | \$3,728.6 | \$1,127.0 |   |
| Average days outstanding                      | 9.4       | 5.4       |   |
| Weighted average interest rate                | 0.27      | % 0.36    | % |

At March 31, 2014, short-term borrowings of \$7.5 million represent bank overdrafts and lines of credit of our international subsidiaries. These bank overdrafts and lines of credit are treated as unsecured loans pursuant to the agreements supporting the facilities.

The Credit Agreement contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA 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) 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 March 31, 2014, we were in compliance with these covenants, as our Leverage Ratio was 1.9

times and our Interest Coverage Ratio was 10.8 times. The Credit Agreement does not limit our ability to declare or pay dividends.

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At March 31, 2014, the carrying value of our debt and amounts available under the Credit Agreement were (in millions):

|  | Debt      | Available<br>Credit |
|--|-----------|---------------------|
| Short-term borrowings, due in less than one year                               | \$7.5     | \$—                 |
| Commercial Paper issuances   | —         | —                   |
| Borrowings under the Credit Agreement  | —         | 2,500.0             |
| 5.90% Senior Notes due April 15, 2016  | 1,000.0   | —                   |
| 6.25% Senior Notes due July 15, 2019   | 500.0     | —                   |
| 4.45% Senior Notes due August 15, 2020   | 1,000.0   | —                   |
| 3.625% Senior Notes due May 1, 2022  | 1,250.0   | —                   |
| Convertible Notes due July 31, 2032  | 252.7     | —                   |
| Other debt   | 0.5       | —                   |
|  | 4,010.7   | 2,500.0             |
| Unamortized premium (discount) on Senior Notes, net                            | 14.4      | —                   |
| Deferred gain from termination of interest rate swaps on Senior Notes due 2016 | 14.1      | —                   |
|  | \$4,039.2 | \$2,500.0           |

#### Credit Markets and Availability of Credit

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

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

On July 31, 2014, our 2032 Notes may be put back to us for cash and we have the right to redeem the 2032 Notes at any time on or after July 31, 2014. At March 31, 2014, the 2032 Notes are potentially convertible into 18.373 shares of our common stock per \$1,000 principal amount, subject to normal anti-dilution adjustments. If the put right is exercised, \$252.7 million could be due in 2014. At March 31, 2014, the 2032 Notes were classified as current in our balance sheet.

#### CREDIT RISK

We provide advertising, marketing and corporate communications services to several thousand clients who operate in nearly every industry sector of the global economy and in the normal course of business, we grant credit to qualified clients. Due to the diversified nature of our client base, we do not believe that we are exposed to a concentration of credit risk as our largest client accounted for 2.8% of our revenue for the first three months of 2014 and no other client accounted for more than 2.4% of our revenue. However, during periods of economic downturn, the credit profiles of our clients could change.

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

providers under the theory of sequential liability until and to the extent we have been paid by our client for the media or production services.

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

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

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

As a global service business, we operate in multiple foreign currencies and issue debt in the capital markets. In the normal course of business, we are exposed to foreign currency fluctuations and the impact of interest rate changes. We limit these risks through risk management policies and procedures, including the use of derivatives. For foreign currency exposure, derivatives are used as an economic hedge to better manage the cash flow volatility arising from foreign exchange rate fluctuations. For interest rate exposure, derivatives have been used to manage the related cost of debt.

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

Our 2013 Form 10-K provides a detailed discussion of the market risks affecting our operations. No material change has occurred in our market risks since the disclosure contained in our 2013 Form 10-K. See our discussion regarding current economic conditions in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Executive Summary and Liquidity and Capital Resources sections.

### ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within applicable time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure.

Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2014. Based on that evaluation, our CEO and CFO concluded that, as of March 31, 2014, our disclosure controls and procedures are effective to ensure that decisions can be made timely with respect to required disclosures, as well as ensuring that the recording, processing, summarization and reporting of information required to be included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 are appropriate. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision of management and with the participation of our CEO, CFO and our agencies, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission published in 1992. Based on that evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of March 31, 2014. There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

KPMG LLP, an independent registered public accounting firm that audited our consolidated financial statements included in our 2013 Form 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2013, dated February 12, 2014.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

A putative class action challenging the Business Combination 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 *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, among other things, 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 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, 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, 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.

On October 24, 2013, the Court approved plaintiffs' motion to consolidate the *Ansfield*, *Lee*, and *Fultz* actions with each other and with all subsequently filed or transferred actions arising out of the same facts and circumstances under the caption: *In re Omnicom Group Inc. Shareholder Litigation*, Index No. 652737/2013, and in the same order appointed co-lead counsel. On October 29, 2013, the Court approved the parties' stipulation requiring plaintiffs to file an amended complaint within three weeks after HoldCo files a preliminary proxy statement/prospectus.

Omnicom believes the consolidated lawsuit is without merit and intends to defend vigorously against it. 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 this matter 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.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A in our 2013 Form 10-K.

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

Stock repurchase activity during the three months ended March 31, 2014 was:

| Period        | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------|----------------------------------|------------------------------|--|--|
| January 2014  | 292,876                          | \$74.50                      | —  | —  |
| February 2014 | 6,650                            | \$73.75                      | —  | —  |
| March 2014    | 838                              | \$75.94                      | —  | —  |
|               | 300,364                          | \$74.49                      | —  | —  |

During the three months ended March 31, 2014, we withheld 300,364 shares from employees to satisfy estimated statutory income tax obligations related to stock option exercises and vesting of restricted stock. The value of the common stock withheld was based on the closing price of our common stock on the applicable exercise or vesting date. There were no purchases of our common stock in the open market during the three months ended March 31,

2014.

There were no unregistered sales of our equity securities during the three months ended March 31, 2014.

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Item 6. Exhibits

(a) Exhibits

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

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SIGNATURES

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

Dated: April 22, 2014

OMNICOM GROUP INC.

/s/ RANDALL J. WEISENBURGER

Randall J. Weisenburger

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Authorized Signatory)