

1. Presentation of Financial Statements

The terms “Omnicom,” “the Company,” “we,” “our” and “us” each refer to Omnicom Group Inc. and its subsidiaries, unless the context indicates otherwise. The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP or GAAP. All intercompany balances and transactions have been eliminated.

We prepare our financial statements in conformity with U.S. GAAP and are required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Accounting Changes

Adoption of ASC 842

On January 1, 2019, we adopted FASB Accounting Standards Codification, or ASC, Topic 842, *Leases*, or ASC 842, which requires the recognition of the right-of-use, or ROU, assets and related operating and finance lease liabilities on the balance sheet. As permitted by ASC 842, we elected the adoption date of January 1, 2019, which is the date of initial application. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated, continues to be reported under ASC Topic 840, *Leases*, or ASC 840, which did not require the recognition of operating lease liabilities on the balance sheet, and is not comparative.

All leases are classified as either operating leases or finance leases. The lease classification affects the expense recognition in the income statement. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the ROU asset is recorded in operating expenses and an implied interest component is recorded in interest expense. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in our results of operations presented in our consolidated income statement and consolidated statement of comprehensive income for each period presented.

We adopted ASC 842 using a modified retrospective approach for all leases existing at January 1, 2019. The adoption had a substantial impact on our balance sheet. The most significant impact was the recognition of the operating lease ROU assets and the operating lease liability. The accounting for finance leases (capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under ASC 840 were classified as operating leases under ASC 842, and we recorded an adjustment of \$1,490.1 million to operating lease ROU assets and the related lease liability. The lease liability is based on the present value of the remaining lease payments, determined under ASC 840, discounted using our secured incremental borrowing rate at the effective date of January 1, 2019, using the original lease term as the tenor. As permitted under ASC 842, we elected several practical expedients that permit us to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability.

The impact of the adoption of ASC 842 on the balance sheet at December 31, 2018 was (in millions):

	As Reported December 31, 2018	Adoption of ASC 842 Increase (Decrease)	Balance January 1, 2019
Other current assets	\$ 1,241.4	\$ (29.2)	\$ 1,212.2
Operating lease ROU assets	—	1,306.5	1,306.5
Total assets	24,617.0	1,277.3	25,894.3
Other current liabilities	1,958.6	172.5	2,131.1
Long-term liability - Operating leases	—	1,258.5	1,258.5
Long-term liabilities	1,197.8	(153.7)	1,044.1
Total liabilities and equity	24,617.0	1,277.3	25,894.3

Adoption of ASU 2018-02

On January 1, 2019, we adopted ASU 2018-02, *Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income*, or ASU 2018-02, which required the reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects arising from the change in the reduction of the U.S. federal statutory income tax rate to 21% from 35%. The tax effects of items included in accumulated comprehensive income at December 31, 2017 did not reflect the appropriate tax rate. The adoption of ASU 2018-02 resulted in reclassification between accumulated other comprehensive income and retained earnings of \$22.3 million, and had no impact on our results of operations or financial position.