ATMOS ENERGY CORP
Form 424B5
January 08, 2013
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-165818

Subject to Completion

Preliminary Prospectus Supplement dated January 8, 2013

Prospectus Supplement

January , 2013

(To Prospectus dated March 31, 2010)

$

Atmos Energy Corporation

% Senior Notes due 2043

The notes will bear interest at the rate of % per year and will mature on January , 2043. We will pay interest on the notes semi-annually in arrears on January and July of each year they are outstanding, beginning July , 2013. We may redeem the notes prior to maturity at our option, at any time in whole or from time to time in part, at the redemption prices described in this prospectus supplement. See Description of the Notes Optional Redemption.

The notes are unsecured and rank equally with all of our other existing and future unsubordinated debt. The notes will be issued only in registered form in minimum denominations of $2,000 and any integral multiple of $1,000 in excess thereof. The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system.

Investing in the notes involves risks. See Risk Factors on page S-7 of this prospectus supplement.

	Per Note	Total
Public offering price(1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to Atmos Energy	%	$

(1) Plus accrued interest from January , 2013, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to investors in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and/or Euroclear Bank S.A./N.V., on or about January , 2013.

Joint Book-Running Managers

J.P. Morgan **Mitsubishi UFJ Securities** **US Bancorp**

Credit Agricole CIB **RBS**

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS

PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, dated March 31, 2010, which gives more general information, some of which does not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, the information contained in the accompanying prospectus or the information contained in any document incorporated by reference herein or therein, the information contained in the most recent document shall control. This prospectus supplement and the accompanying prospectus are a part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using the SEC s shelf registration rules.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. See Incorporation of Certain Documents by Reference and Where You Can Find More Information in the accompanying prospectus.

Neither Atmos Energy Corporation nor the underwriters are making an offer of these notes in any jurisdiction where the offer is not permitted.

The information contained in or incorporated by reference in this document is accurate only as of the date of this prospectus supplement or the date of such incorporated documents, regardless of the time of delivery of this prospectus supplement or of any sale of notes. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

The terms we, our, us, and Atmos Energy refer to Atmos Energy Corporation and its subsidiaries unless the context suggests otherwise. The term the Company refers to Atmos Energy Corporation and not its subsidiaries. The term you refers to a prospective investor. The abbreviations Mcf and MMBtu mean thousand cubic feet and million British thermal units, respectively.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus that are not statements of historical fact are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Forward-looking statements are based on management s beliefs as well as assumptions made by, and information currently available to, management. Because such statements are based on expectations as to future results and are not statements of fact, actual results may differ materially from those stated. Important factors that could cause future results to differ include, but are not limited to:

- our ability to continue to access the credit markets to satisfy our liquidity requirements;
- the impact of adverse economic conditions on our customers;
- increased costs of providing pension and post-retirement health care benefits and increased funding requirements along with increased costs of health care benefits;
- market risks beyond our control affecting our risk management activities including market liquidity, commodity price volatility, increasing interest rates and counterparty creditworthiness;
- regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions;

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- possible increased federal, state and local regulation of the safety of our operations;
- increased federal regulatory oversight and potential penalties;
- the impact of environmental regulations on our business;
- the impact of possible future additional regulatory and financial risks associated with global warming and climate change on our business;
- the concentration of our distribution, pipeline and storage operations in Texas;
- adverse weather conditions;
- the effects of inflation and changes in the availability and price of natural gas;
- the capital-intensive nature of our gas distribution business;
- increased competition from energy suppliers and alternative forms of energy;
- the threat of cyber-attacks or acts of cyber-terrorism that could disrupt our business operations and information technology systems;
- the inherent hazards and risks involved in operating our gas distribution business or with natural disasters, terrorist activities or other events; and
- other risks and uncertainties discussed in this prospectus supplement, any accompanying prospectus and our other filings with the SEC.

All of these factors are difficult to predict and many are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in our documents or oral presentations, the words anticipate, believe, estimate, expect, forecast, goal, intend, objective, projection, seek, strategy or similar words are intended to identify forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements, whether as a result of new information, future events or otherwise.

For additional factors you should consider, please see Risk Factors on page S-7 of this prospectus supplement, Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. See also Incorporation of Certain Documents by Reference in the accompanying prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary in conjunction with the more detailed information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Atmos Energy Corporation

We are engaged primarily in the regulated natural gas distribution and transmission and storage businesses, as well as other nonregulated natural gas businesses. We are one of the country s largest natural gas-only distributors based on number of customers. We currently distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers in nine states. We also operate one of the largest intrastate pipelines in Texas based upon miles of pipe.

Through our regulated transmission and storage business, we provide natural gas transportation and storage services to our Mid-Tex Division, our largest natural gas distribution division located in Texas, and to third parties. Additionally, we provide ancillary services customary to the pipeline industry, including parking arrangements, lending and sales of inventory on hand.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast. We also provide storage services to some of our natural gas distribution divisions and to third parties.

We operate through the following three segments:

- the natural gas distribution segment, which includes our regulated natural gas distribution and related sales operations;
- the regulated transmission and storage segment, which includes the regulated pipeline and storage operations of our Atmos Pipeline Texas Division; and
- the nonregulated segment, which includes our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

Recent Developments

Appointment of Chief Financial Officer. On October 1, 2012, Bret J. Eckert succeeded Fred E. Meisenheimer, who retired also effective October 1, 2012, as Senior Vice President and Chief Financial Officer of the Company.

Declaration of Dividend. On November 6, 2012, our Board of Directors declared a quarterly dividend on our common stock of $0.35 per share. The dividend was paid on December 10, 2012 to shareholders of record on November 26, 2012.

Termination of AEM Credit Facility. On December 5, 2012, Atmos Energy Marketing, LLC, our indirect wholly-owned subsidiary, terminated its $200 million committed and secured credit facility, which was due to expire on December 3, 2014.

Amendment of Credit Facility. On December 7, 2012, we amended our existing $750 million revolving credit agreement, primarily to: (i) increase the lenders commitment from $750 million to $950 million, while retaining the accordion feature that would allow an increase in commitments up to $1.2 billion, and (ii) allow us to obtain same-day funding on base rate loans.

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Recent Ratemaking Activity. As of September 30, 2012, eight regulatory proceedings requesting $76.7 million in annual operating income increases were in progress. During the first quarter of fiscal 2013, seven of these proceedings were finalized, resulting in a $63.7 million increase in annual operating income.

Our address is 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, and our telephone number is (972) 934-9227. Our internet website address is *www.atmosenergy.com.* Information on or connected to our internet website is not part of this prospectus supplement or the accompanying prospectus.

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Summary Financial Data

The following table presents summary consolidated and segment financial data of Atmos Energy Corporation for the periods and as of the dates indicated. We derived the summary financial data for the fiscal years ended September 30, 2012, 2011, 2010, 2009 and 2008 from our audited consolidated financial statements.

The information is only a summary and does not provide all of the information contained in our financial statements. Therefore, you should read the information presented below in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Year Ended September 30,				
	2012(1)	2011(1)	2010	2009(1)	2008
	(In thousands, except per share data)				
Consolidated Financial Data					
Operating revenues	$ 3,438,483	$ 4,286,435	$ 4,661,060	$ 4,793,248	$ 7,039,342
Gross profit	1,323,739	1,300,820	1,314,136	1,297,682	1,275,077
Operating expenses(1)	877,499	874,834	850,303	872,938	869,028
Operating income	446,240	425,986	463,833	424,744	406,049
Income from continuing operations	192,196	189,588	189,851	175,026	166,696
Net income	216,717	207,601	205,839	190,978	180,331
Diluted net income per share from continuing operations	$ 2.10	$ 2.07	$ 2.03	$ 1.90	$ 1.84
Diluted net income per share	$ 2.37	$ 2.27	$ 2.20	$ 2.07	$ 1.99
Cash dividends declared per share	$ 1.38	$ 1.36	$ 1.34	$ 1.32	$ 1.30
Cash flows from operating activities	$ 586,917	$ 582,844	$ 726,476	$ 919,233	$ 370,933
Capital expenditures	$ 732,858	$ 622,965	$ 542,636	$ 509,494	$ 472,273

	As of September 30,				
	2012	2011	2010	2009	2008
	(In thousands)				
Consolidated Balance Sheet Data					
Total assets	$ 7,495,675	$ 7,282,871	$ 6,763,791	$ 6,367,083	$ 6,386,699
Debt					
Long-term debt(2)	$ 1,956,305	$ 2,206,117	$ 1,809,551	$ 2,169,400	$ 2,119,792
Short-term debt(2)	571,060	208,830	486,231	72,681	351,327
Total debt	$ 2,527,365	$ 2,414,947	$ 2,295,782	$ 2,242,081	$ 2,471,119
Shareholders equity	$ 2,359,243	$ 2,255,421	$ 2,178,348	$ 2,176,761	$ 2,052,492

See footnotes on following page.

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	Year Ended September 30,				
	2012(1)	2011(1)	2010	2009(1)	2008
	(In thousands, except ratios)				
Segment Operating Income (Loss)					
Natural gas distribution	$ 304,461	$ 322,088	$ 296,851	$ 266,356	$ 239,319
Regulated transmission and storage	128,824	108,275	97,038	93,163	89,745
Nonregulated(3)	12,950	(4,383)	69,944	64,881	76,641
Eliminations	5	6		344	344
Consolidated	$ 446,240	$ 425,986	$ 463,833	$ 424,744	$ 406,049
Other Financial Data					
Ratio of earnings to fixed charges(4)	2.84	2.78	2.78	2.55	2.76

(1) Financial results for fiscal 2012, 2011 and 2009 include a $5.3 million, $30.3 million and $5.4 million pre-tax loss, respectively, for the impairment of certain assets.

(2) Long-term debt excludes current maturities. Short-term debt is comprised of current maturities of long-term debt and short-term debt.

(3) As a result of the appointment of a new Chief Executive Officer effective October 1, 2010, during the first quarter of fiscal 2011, we revised the information used by the chief operating decision maker to manage Atmos Energy. As a result of this change, effective December 1, 2010, we combined our former natural gas marketing and pipeline, storage and other segments into one nonregulated segment. Financial information for all prior periods has been restated to conform to the new segment presentation.

(4) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of our pretax income from continuing operations and fixed charges exclusive of capitalized interest. Fixed charges consist of interest expense, amortization of debt discount, premium and expense, capitalized interest and a portion of lease payments considered to represent an interest factor.

The Offering

Issuer	Atmos Energy Corporation
Notes Offered	$ aggregate principal amount of % senior notes due 2043.
Maturity	The notes will mature on January , 2043.
Interest	The notes will bear interest at the rate of % per year.
	Interest on the notes will be payable semi-annually in arrears on January and July of each year they are outstanding, beginning on July , 2013.
Ranking	The notes will be our unsecured senior obligations. The notes will rank equally in right of payment with all our existing and future unsubordinated indebtedness and will rank senior in right of payment to any future indebtedness that is subordinated to the notes. The notes will be effectively subordinated to all our existing and future secured indebtedness to the extent of the assets securing such indebtedness and to the indebtedness and liabilities of our subsidiaries.
Optional Redemption	We may redeem the notes prior to maturity at our option, at any time in whole or from time to time in part. Prior to July , 2042, the redemption price will be equal to the greater of the principal amount of the notes to be redeemed and the make-whole redemption price, plus, in each case, accrued and unpaid interest, if any, to the redemption date. At any time on or after July , 2042, the redemption price will be equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date. See Description of the Notes Optional Redemption on page S-15.
Covenants of the Indenture	We will issue the notes under an indenture which will, among other things, restrict our ability to create liens and to enter into sale and leaseback transactions. See Description of Debt Securities Covenants beginning on page 8 of the accompanying prospectus.
Use of Proceeds	We estimate that our net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately $ million. We intend to use the net proceeds from this offering primarily to repay our $260 million short-term financing facility that expires February 1, 2013. Any excess net proceeds will be used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program. See Use of Proceeds on page S-7.
Conflicts of Interest	As described in Use of Proceeds, the net proceeds from this offering will be used primarily to repay our $260 million short-term financing facility. Because certain

affiliates of the underwriters are lenders under such facility and because more than 5% of the proceeds from this offering, not including underwriting compensation, may be

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	received by such parties in connection with the repayment of such facility, this offering is being conducted in compliance with Financial Regulatory Authority, Inc. (FINRA) Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering.
Risk Factors	Investing in the notes involves risks. See Risk Factors on page S-7 of this prospectus supplement and other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of the factors you should consider carefully before deciding to invest in the notes.

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RISK FACTORS

Investing in the notes involves risks. Our business is influenced by many factors that are difficult to predict and beyond our control and that involve uncertainties that may materially affect our results of operations, financial condition or cash flows, or the value of the notes. These risks and uncertainties include those described in the risk factors and other sections of the documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus, including Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. You should carefully consider these risks and uncertainties and all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before you invest in the notes.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $ million, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering primarily to repay our $260 million short-term financing facility that expires February 1, 2013. We entered into this facility in September 2012 in order to repay the commercial paper borrowings that were used to fund the redemption of our 5.125% senior unsecured notes due 2013 in August 2012. The facility bears interest at a one-month LIBOR based rate plus a current margin of 0.875% which is based on the Company s credit rating. Any excess net proceeds from this offering will be used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program.

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CAPITALIZATION

The following table presents our cash and cash equivalents, short-term debt and capitalization as of September 30, 2012, on an actual basis and as adjusted to reflect the issuance of notes in this offering and the use of proceeds therefrom as described under Use of Proceeds. You should read this table in conjunction with the section entitled Use of Proceeds and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2012	
	Actual	As Adjusted
	(In thousands, except share data)	
Cash and cash equivalents	$ 64,239	$
Short-term debt		
Current maturities of long-term debt	$ 131	$
Other short-term debt	570,929	
Total short-term debt	$ 571,060	$
Long-term debt, less current portion	$ 1,956,305	$
Shareholders equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; 90,239,900 shares issued and outstanding, actual and as adjusted	451	
Additional paid-in capital	1,745,467	
Retained earnings	660,932	
Accumulated other comprehensive loss	(47,607)	
Shareholders equity	2,359,243	
Total capitalization(1)	$ 4,315,548	$

(1) Total capitalization excludes the current portion of long-term debt and other short-term debt.

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BUSINESS

Overview

Atmos Energy, headquartered in Dallas, Texas, is engaged primarily in the regulated natural gas distribution and transmission and storage businesses, as well as other nonregulated natural gas businesses. We are one of the country s largest natural gas-only distributors based on number of customers and one of the largest intrastate pipeline operators in Texas based upon miles of pipe. For the fiscal year ended September 30, 2012, our regulated distribution and transmission and storage operations comprised 97.6% of our consolidated net income.

We currently distribute natural gas through regulated sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers through our six regulated natural gas distribution divisions, which cover service areas in nine states. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia and Virginia. In addition, we transport natural gas for others through our distribution system. In August 2012, we completed the sale of our natural gas distribution operations in Missouri, Illinois and Iowa, representing approximately 84,000 customers, and announced that we had entered into a definitive agreement to sell our natural gas distribution operations in Georgia, representing approximately 64,000 customers. After the closing of the Georgia transaction, we will operate in eight states.

Through our regulated transmission and storage business, we provide natural gas transportation and storage services to our Mid-Tex Division, our largest natural gas distribution division located in Texas, and to third parties. Additionally, we provide ancillary services customary to the pipeline industry, including parking arrangements, lending and sales of inventory on hand.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast. We also provide storage services to some of our natural gas distribution divisions and to third parties.

Operating Segments

We operate through the following three segments:

- the *natural gas distribution segment*, which includes our regulated natural gas distribution and related sales operations;
- the *regulated transmission and storage segment*, which includes the regulated pipeline and storage operations of our Atmos Pipeline Texas Division; and
- the *nonregulated segment*, which includes our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

Natural Gas Distribution Segment

Our natural gas distribution segment represents approximately 65 percent of our consolidated net income. This segment is comprised of the following six regulated divisions, presented in order of total rate base:

- Atmos Energy Mid-Tex Division;
- Atmos Energy Kentucky/Mid-States Division;

Atmos Energy Louisiana Division;

Atmos Energy West Texas Division;

Atmos Energy Mississippi Division; and

Atmos Energy Colorado-Kansas Division.

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The following is a brief description of our natural gas distribution divisions. We operate in our service areas under terms of non-exclusive franchise agreements granted by the various cities and towns that we serve. At September 30, 2012, we held 1,006 franchises having terms generally ranging from five to 35 years. A significant number of our franchises expire each year, which require renewal prior to the end of their terms. We believe that we will be able to renew our franchises as they expire. For more information, see Item 1. Business in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Atmos Energy Mid-Tex Division. Our Mid-Tex Division serves approximately 550 incorporated and unincorporated communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex. The governing body of each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. The Railroad Commission of Texas (RRC) has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality.

Prior to fiscal 2008, this division operated under one system-wide rate structure. In fiscal 2008, we reached a settlement with cities representing approximately 80 percent of this division s customers that allowed us to update rates for customers in these cities using an annual rate review mechanism (RRM) from fiscal 2008 through fiscal 2011, when the RRM was active. We filed a formal rate case for the Mid-Tex Division in fiscal 2012, in which the RRC issued a final order on December 4, 2012. We currently expect to negotiate a new rate review mechanism process with these cities. In June 2011, we reached an agreement with the City of Dallas to enter into the Dallas Annual Rate Review (DARR). This rate review provides for an annual rate review without the necessity of filing a general rate case. The first rates were implemented under the DARR in June 2012.

Atmos Energy Kentucky/Mid-States Division. Our Kentucky/Mid-States Division currently operates in more than 230 communities across Georgia, Kentucky, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee and other suburban areas of Nashville. We update our rates in this division through periodic formal rate filings made with each state s public service commission.

On August 1, 2012, we completed the divestiture of our natural gas distribution operations in Missouri, Illinois and Iowa, representing approximately 84,000 customers in 189 communities, with some of the Missouri communities located in our Atmos Energy Colorado-Kansas Division. In addition, on August 8, 2012, we announced that we had entered into a definitive agreement to sell our natural gas distribution operations in Georgia, representing approximately 64,000 customers in 19 communities.

Atmos Energy Louisiana Division. In Louisiana, we serve nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe in northern Louisiana and parts of western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our nonregulated segment. Our rates in this division are updated annually through a rate stabilization clause filing without filing a formal rate case.

Atmos Energy West Texas Division. Our West Texas Division serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality. Prior to fiscal 2008, rates were updated in this division through formal rate proceedings. In fiscal 2008 and 2009, we reached an agreement with the West Texas service areas and the Amarillo and Lubbock service areas that allowed us to update rates for customers in these cities using an annual rate review mechanism (RRM) through fiscal 2011, when the RRM was active. We filed a formal rate case for the West Texas Division in fiscal 2012, which was approved on October 2, 2012. We expect to negotiate a new rate review mechanism process in fiscal 2013.

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Atmos Energy Mississippi Division. In Mississippi, we serve about 110 communities throughout the northern half of the state, including the Jackson metropolitan area. Our rates in the Mississippi Division are updated annually through a stable rate filing with no formal rate case being required.

Atmos Energy Colorado-Kansas Division. Our Colorado-Kansas Division serves approximately 170 communities throughout Colorado and Kansas, including the cities of Olathe, Kansas, a suburb of Kansas City and Greeley, Colorado, located near Denver. We update our rates in this division through periodic formal rate filings with each state s public service commission and, in Kansas, through periodic infrastructure replacement filings made with that state s public service commission.

Regulated Transmission and Storage Segment Overview

Our regulated transmission and storage segment represents approximately 30 percent of our consolidated net income and consists of the regulated pipeline and storage operations of our Atmos Pipeline Texas Division. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary in the pipeline industry including parking and lending arrangements and sales of inventory on hand. Parking arrangements provide short-term interruptible storage of gas on our pipeline. Lending services provide short-term interruptible loans of natural gas from our pipeline to meet market demands. Gross profit earned from our Mid-Tex Division and through certain other transportation and storage services is subject to traditional ratemaking governed by the RRC. Rates are updated through periodic formal rate proceedings and filings made under Texas Gas Reliability Infrastructure Program (GRIP). GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year, provided that we file a complete rate case at least once every five years. Atmos Pipeline Texas existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates with minimal regulation.

These operations include one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas-producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation s remaining onshore natural gas reserves with our pipeline system providing access to all of these basins.

Nonregulated Segment Overview

Our nonregulated activities are conducted through Atmos Energy Holdings, Inc. (AEH), which is a wholly-owned subsidiary of Atmos Energy and operates primarily in the Midwest and Southeast areas of the United States. Currently, this segment s operations contribute less than five percent to our consolidated net income.

AEH s primary business is to deliver gas and provide related services by aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering gas to customers at competitive prices. AEH also earns storage and transportation margins from (i) utilizing its proprietary 21-mile pipeline located in New Orleans, Louisiana to aggregate gas supply for our regulated natural gas distribution division in Louisiana, its gas delivery activities and, on a more limited basis, for third parties and (ii) managing proprietary storage in Kentucky and Louisiana to supplement the natural gas needs of our natural gas distribution divisions during peak periods. The majority of these margins are generated through demand fees established under contracts with certain of our natural gas distribution divisions that are renewed periodically and subject to regulatory oversight.

AEH utilizes customer-owned or contracted storage capacity to serve its customers. In an effort to offset the demand fees paid to contract for storage capacity and to maximize the value of this capacity, AEH sells financial instruments in an effort to earn a gross profit margin through the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time. Certain of these arrangements are with regulated affiliates, which have been approved by applicable state regulatory commissions.

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Other Regulation

Each of our natural gas distribution divisions, as well as our regulated transmission and storage division, is regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our gas distribution facilities. In addition, our distribution operations are also subject to various state and federal laws regulating environmental matters. From time to time we receive inquiries regarding various environmental matters. We believe that our properties and operations substantially comply with and are operated in substantial conformity with applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies that would have a material adverse effect on us or our operations. Our environmental claims have arisen primarily from former manufactured gas plant sites.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline Texas assets on behalf of interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC. Additionally, the FERC has regulatory authority over the sale of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity, as well as authority to detect and prevent market manipulation and to enforce compliance with FERC s other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

Competition

Although our natural gas distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our regulated transmission and storage operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Within our nonregulated operations, AEH competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEH has experienced increased competition in recent years primarily from investment banks and major integrated oil and natural gas companies who offer lower cost, basic services. The increased competition has reduced margins most notably on its high-volume accounts.

Distribution, Transmission and Related Assets

At September 30, 2012, our natural gas distribution segment owned an aggregate of 68,072 miles of underground distribution and transmission mains throughout our gas distribution systems. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Our regulated transmission and storage segment owned 5,698 miles of gas transmission and gathering lines, and our nonregulated segment owned 105 miles of gas transmission and gathering lines.

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Storage Assets

At September 30, 2012, we owned underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The underground gas storage facilities of our natural gas distribution segment had a total usable capacity of 10,383,590 Mcf, with a maximum daily delivery capacity of 228,100 Mcf. The underground gas storage facilities of our regulated transmission and storage segment had a total usable capacity of 46,143,226 Mcf, with a maximum daily delivery capacity of 1,235,000 Mcf. The underground gas storage facilities of our nonregulated segment had a total usable capacity of 3,931,483 Mcf, with a maximum daily delivery capacity of 127,000 Mcf.

Additionally, we contract for storage service in underground storage facilities on many of the interstate pipelines serving us to supplement our proprietary storage capacity. The amount of our contracted storage capacity can vary from time to time. At September 30, 2012, our contracted storage provided us with a maximum storage quantity of 31,059,527 MMBtu, with a maximum daily withdrawal quantity of 1,031,161 MMBtu, for our natural gas distribution segment, and a maximum storage quantity of 9,700,869 MMBtu, with a maximum daily withdrawal quantity of 318,444 MMBtu, for our nonregulated segment.

For more information on our storage assets see Item 2. Properties in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

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DESCRIPTION OF THE NOTES

We have summarized certain provisions of the notes below. The notes constitute a series of the debt securities described in the accompanying prospectus. The notes will be issued under an indenture dated March 26, 2009 entered into with U.S. Bank National Association, as trustee (the indenture). The trustee is an affiliate of U.S. Bancorp Investments, Inc., one of the underwriters.

The following description of certain terms of the notes and certain provisions of the indenture in this prospectus supplement supplements the description under Description of Debt Securities in the accompanying prospectus and, to the extent it is inconsistent with that description, replaces the description in the accompanying prospectus. This description is only a summary of the material terms and does not purport to be complete. We urge you to read the indenture, a form of which we have filed with the SEC, because it, and not the description below and in the accompanying prospectus, will define your rights as a holder of the notes. We have filed the indenture as an exhibit to our current report on Form 8-K that was filed with the SEC on March 26, 2009. You may obtain a copy of the indenture from us without charge. See Where You Can Find More Information in the accompanying prospectus.

General

The notes will be initially limited to $ aggregate principal amount. We may, at any time, without the consent of the holders of these notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes. Any such additional notes, together with the notes being offered by this prospectus supplement, will constitute the same series of notes under the indenture.

The notes will be unsecured and unsubordinated obligations of Atmos Energy. Any secured debt that we may have from time to time will have a prior claim with respect to the assets securing that debt. As of September 30, 2012, we had no secured debt outstanding. The notes will rank equally with all of our other existing and future unsubordinated debt but will be effectively subordinated to the indebtedness and liabilities of our subsidiaries. As of September 30, 2012, after giving effect to the net proceeds of this offering and the use of proceeds therefrom as described in Use of Proceeds , we had approximately $ billion of unsecured and unsubordinated debt. Of such $ billion, less than $1 million represented debt of our subsidiaries. The notes are not guaranteed by, and are not the obligation of, any of our subsidiaries. The notes will not be listed on any securities exchange or included in any automated quotation system.

The notes will be issued in book-entry form as one or more global notes registered in the name of the nominee of The Depository Trust Company, or DTC, which will act as a depository, in minimum denominations of $2,000 and any integral multiple of $1,000 in excess thereof. Beneficial interests in book-entry notes will be shown on, and transfers of the notes will be made only through, records maintained by DTC and its participants.

Payment of Principal and Interest

The notes will mature on January , 2043 and bear interest at the rate of % per year.

We will pay interest on the notes semi-annually in arrears on January and July of each year they are outstanding, beginning July , 2013. Interest will accrue from January , 2013 or from the most recent interest payment date to which we have paid or provided for the payment of interest to the next interest payment date or the scheduled maturity date, as the case may be. We will pay interest computed on the basis of a 360-day year of twelve 30-day months.

We will pay interest on the notes in immediately available funds to the persons in whose names such notes are registered at the close of business on January or July preceding the respective interest payment date.

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Optional Redemption

Each of the notes offered hereby will be redeemable prior to maturity at our option, at any time in whole or from time to time in part. Prior to July , 2042, the redemption price will be equal to the greater of:

- 100% of the principal amount of the notes to be redeemed; and
- as determined by the Quotation Agent (defined below), the sum of the present values of the Remaining Scheduled Payments (defined below) of principal and interest on the notes to be redeemed discounted to the redemption date on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Adjusted Treasury Rate (defined below) plus basis points;

plus, in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to the redemption date.

At any time on or after July , 2042 (which is the date that is six months prior to the maturity date of the notes), the redemption price will be equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date.

Definitions. Following are definitions of the terms used in the optional redemption provisions discussed above.

Adjusted Treasury Rate means, for any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be used, at the time of a selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes to be redeemed.

Comparable Treasury Price means, for any redemption date, the average of the Reference Treasury Dealer Quotations for that redemption date.

Quotation Agent means any Reference Treasury Dealer appointed by us to act as quotation agent.

Reference Treasury Dealer means (i) J.P. Morgan Securities LLC and a Primary Treasury Dealer (as defined below) selected by each of Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc., and any of such parties successors; provided, however, if any of the foregoing ceases to be a primary U.S. government securities dealer in New York City (a Primary Treasury Dealer), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealers selected by us.

Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer by 5:00 p.m. on the third business day preceding such redemption date.

Remaining Scheduled Payments means, with respect to each note to be redeemed, the remaining scheduled payments of the principal and interest on such note that would be due after the related redemption date but for such redemption; provided, however, that if such redemption date is not an interest payment date, the amount of the next succeeding scheduled interest payment on such note will be reduced by the amount of interest accrued on such note to such redemption date.

In the case of a partial redemption of the notes, the notes to be redeemed shall be selected by the trustee from the outstanding notes not previously called for redemption, by such method as the trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of the notes. Notice of any redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed at its registered address. If any notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount of notes to be redeemed. A partial redemption will not reduce the portion of any note not being redeemed to a principal amount of less than $2,000. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or the portions of the notes called for redemption.

No Mandatory Redemption

We will not be required to redeem the notes before maturity.

No Sinking Fund

We will not be required to make any sinking fund payments with regard to the notes.

Restricted Subsidiaries

As of the date of this prospectus supplement, none of our subsidiaries would be considered a Restricted Subsidiary under the terms of the indenture.

Reports

We will:

(1) file with the trustee, within 30 days after we have filed the same with the SEC, unless such reports are available on the SEC s EDGAR filing system (or any successor thereto), copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe), which we may be required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if we are not required to file information, documents or reports pursuant to either of such Sections, then we shall file with the trustee and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the trustee and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such additional information, documents and reports with respect to compliance by us with the conditions and covenants of the indenture as may be required from time to time by such rules and regulations; and

(3) transmit to all holders, as their names and addresses appear in the security register, within 30 days after the filing thereof with the trustee, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act of 1939, as amended, such summaries of any information, documents and reports required to be filed by us pursuant to clauses (1) and (2) of this paragraph as may be required by rules and regulations prescribed from time to time by the SEC.

Governing Law

The notes will be governed by and construed in accordance with the laws of the State of New York.

Book-Entry Delivery and Settlement

Settlement for the notes will be made by the underwriters in immediately available funds. All payments of principal, premium, if any, and interest will be made by us in immediately available funds.

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The Notes will trade in the Same-Day Funds Settlement System maintained by DTC until maturity or earlier redemption, and secondary market trading activity in the Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

Because of time-zone differences, credits of Notes received in Clearstream Banking, société anonyme (Clearstream), or Euroclear Bank, S.A./N.V. (Euroclear), as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary discusses certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. This discussion is based upon the Code, the applicable proposed or promulgated Treasury regulations, and the applicable judicial and administrative interpretations, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect, and to differing interpretations. This discussion is applicable only to holders of notes who purchase the notes in the initial offering at their original issue price and deals only with the notes held as capital assets for U.S. federal income tax purposes (generally, property held for investment) and not held as part of a straddle, a hedge, a conversion transaction or other integrated investment. This discussion is a summary intended for general information only, and does not address all of the tax consequences that may be relevant to holders of notes in light of their particular circumstances, or to certain types of holders (such as banks and other financial institutions, insurance companies, tax-exempt entities, partnerships and other pass-through entities for U.S. federal income tax purposes or investors who hold the notes through such pass-through entities, certain former citizens or residents of the United States, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers in securities or currencies, regulated investment companies, real estate investment trusts, corporations that accumulate earnings to avoid U.S. federal income tax, persons subject to the alternative minimum tax, or U.S. Holders (as defined below) whose functional currency is not the U.S. dollar). Moreover, this discussion does not describe any state, local or non-U.S. tax implications, or any aspect of U.S. federal tax law other than income taxation. We have not and will not seek any rulings or opinions from the Internal Revenue Service (IRS) or counsel regarding the matters discussed below. There can be no assurances that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the notes that are different from those discussed below. **HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES AND THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE TAX CONSEQUENCES) AND THE POSSIBLE EFFECTS OF CHANGES IN THE FEDERAL INCOME TAX LAWS.**

As used herein, a U.S. Holder means a beneficial owner of notes that is, for U.S. federal income tax purposes, (a) a citizen or individual resident of the United States, (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust, if (1) a court within the United States is able to exercise primary supervision over the trust s administration and one or more U.S. persons have the authority to control all of its substantial decisions or (2) a valid election to be treated as a U.S. person is in effect under the relevant Treasury regulations with respect to such trust. A Non-U.S. Holder is an individual, corporation, estate, or trust that is a beneficial owner of the notes and is not a U.S. Holder. A Non-U.S. Holder who is an individual present in the United States for 183 days or more in the taxable year of disposition of a note, and who is not otherwise a resident of the United States for U.S. federal income tax purposes, may be subject to special tax provisions and is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the ownership and disposition of a note.

The U.S. federal income tax treatment of partners in partnerships holding notes generally will depend on the activities of the partnership and the status of the partner. Prospective investors that are partnerships (or entities treated as partnerships for U.S. federal income tax purposes) should consult their own tax advisors regarding the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of the notes.

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U.S. Federal Income Taxation of U.S. Holders

Payments of Interest. It is expected, and the rest of this discussion assumes, that the notes will be issued without original issue discount for federal income tax purposes. Accordingly, a U.S. Holder must include in gross income, as ordinary interest income, the stated interest on the notes at the time such interest accrues or is received in accordance with the U.S. Holder s regular method of accounting for U.S. federal income tax purposes. If, however, the notes stated redemption price at maturity (generally, the sum of all payments required under the note other than payments of stated interest) exceeds the issue price by more than a de minimis amount, a U.S. Holder will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Sale, Retirement or Other Taxable Disposition. Upon the sale, retirement or other taxable disposition of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between (a) the sum of cash plus the fair market value of other property received on the sale, retirement or other taxable disposition (except to the extent such cash or property is attributable to accrued but unpaid interest, which will be treated in the manner described above under Payments of Interest) and (b) the U.S. Holder s adjusted tax basis in the note. A U.S. Holder s adjusted tax basis in a note generally will equal the amount paid for the note, reduced by any principal payments with respect to the note received by the U.S. Holder. Gain or loss recognized on the sale, retirement or other taxable disposition of a note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of sale, retirement or other taxable disposition, the note has been held for more than one year. Certain U.S. Holders (including individuals) are currently eligible for preferential rates of U.S. federal income tax in respect of long-term capital gain. The deductibility of capital losses by U.S. Holders is subject to limitations under the Code.

Medicare Tax and Reporting Obligations. For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person s net investment income for the relevant taxable year and (2) the excess of the U.S. person s modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000 depending on the individual s circumstances). Net investment income generally includes interest income and net gains from the disposition of the notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. Holder that is an individual, estate or trust should consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the notes.

U.S. Federal Income Taxation of Non-U.S. Holders

Payments of Interest. Subject to the discussion of backup withholding below and legislation involving payments to certain foreign entities below and provided that a Non-U.S. Holder s income and gains in respect of a note are not effectively connected with the conduct by the Non-U.S. Holder of a U.S. trade or business (or, in the case of an applicable tax treaty, attributable to the Non-U.S. Holder s permanent establishment in the United States), payments of interest on a note to the Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax, provided that (a) the Non-U.S. Holder does not own, directly or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and the Treasury regulations thereunder, (b) the Non-U.S. Holder is not, for U.S. federal income tax purposes, a controlled foreign corporation related, directly or constructively, to us through stock ownership, (c) the Non-U.S. Holder is not a bank receiving interest described in section 881(c)(3)(A) of the Code and (d) certain certification requirements (as described below) are met.

Under the Code and the applicable Treasury regulations, in order to satisfy the certification requirements and obtain an exemption from U.S. federal withholding tax, either (a) a Non-U.S. Holder must provide its name

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and address and certify, under penalties of perjury, that such Non-U.S. Holder is not a U.S. person or (b) a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business (a Financial Institution), and that holds the notes on behalf of the Non-U.S. Holder, must certify, under penalties of perjury, that such certificate has been received from such Non-U.S. Holder by such Financial Institution or by another Financial Institution between such Financial Institution and such Non-U.S. Holder and, if required, must furnish the payor with a copy thereof. Generally, the foregoing certification requirement may be met if a Non-U.S. Holder delivers a properly executed IRS Form W-8BEN or substitute Form W-8BEN or the appropriate successor form to the payor. Special rules apply to foreign partnerships, estates and trusts and other intermediaries, and in certain circumstances certifications as to foreign status of partners, trust owners or beneficiaries may have to be provided. In addition, special rules apply to qualified intermediaries that enter into withholding agreements with the IRS.

Payments of interest on a note that do not satisfy all of the foregoing requirements generally will be subject to U.S. federal withholding tax at a rate of 30%, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

A Non-U.S. Holder generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder with respect to interest on a note (and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to us or our paying agent) if such interest is effectively connected with a U.S. trade or business conducted by the Non-U.S. Holder . If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, and the Non-U.S. Holder satisfies certain certification requirements, any interest income that is effectively connected with a U.S. trade or business will be subject to federal income tax in the manner specified by the treaty and generally will only be subject to tax on a net basis if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States. Under certain circumstances, effectively connected interest income received by a corporate Non-U.S. Holder may be subject to an additional branch profits tax at a 30% rate (or a lower applicable treaty rate, provided certain certification requirements are met). Non-U.S. Holders should consult their tax advisors about any applicable income tax treaties, which may provide for an exemption from or a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above.

Sale, Retirement or Other Disposition. Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, retirement or other disposition of the notes so long as the holder provides us or the paying agent with the appropriate certification, unless (a) the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of disposition (even though such holder is not considered a resident of the United States) and certain other conditions are met, or (b) the gain is effectively connected with the conduct of a U.S. trade or business by the Non-U.S. Holder (and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States). If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. If the second exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale or other disposition of the notes in the same manner as a U.S. Holder. In addition, corporate Non-U.S. Holders may be subject to a 30% branch profits tax on any effectively connected earnings and profits. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, the U.S. federal income tax treatment of any such gain may be modified in the manner specified by the treaty.

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Information Reporting and Backup Withholding

U.S. Holders. Generally, information reporting will apply to payments of principal and interest on the notes to a U.S. Holder and to the proceeds of sale or other disposition of the notes, unless the U.S. Holder is an exempt recipient (such as a corporation). Backup withholding generally will apply to such payments unless a U.S. Holder (a) is an exempt recipient and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number (TIN), certifies that the TIN provided to the payor is correct and that the U.S. Holder has not been notified by the IRS that such U.S. Holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules generally will be allowed as a refund or credit against a U.S. Holder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders. When required, we or our paying agent will report payments of interest on the notes to a Non-U.S. Holder and the amount of any tax withheld from such payments annually to the IRS and to the Non-U.S. Holder. Copies of these information returns may be made available by the IRS to the tax authorities of the country in which the Non-U.S. Holder is a resident under the provisions of an applicable tax treaty. Backup withholding of U.S. federal income tax will generally not apply to payments of interest on the notes to a Non-U.S. Holder if the Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person or otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds of the sale or other disposition of the notes by or through a foreign office of a U.S. broker or of a foreign broker with certain specified U.S. connections will be subject to information reporting requirements, but generally not backup withholding, unless the broker has evidence in its records that the payee is not a U.S. person and the broker has no actual knowledge or reason to know to the contrary. Payments of the proceeds of a sale or other disposition of the notes by or through the U.S. office of a broker will be subject to information reporting and backup withholding unless the payee certifies under penalties of perjury that it is not a U.S. person or otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Any amount withheld under the backup withholding rules generally will be allowed as a refund or credit against a Non-U.S. Holder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Legislation Involving Payments to Certain Foreign Entities

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Code) and certain other non-United States entities. Specifically, a 30% withholding tax may be imposed on interest on, and gross proceeds from the sale or other disposition of, notes paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders.

The IRS has issued administrative guidance providing that the withholding provisions described above will generally apply to payments of interest made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of notes on or after January 1, 2017. Investors should consult their tax advisors regarding this legislation and administrative guidance issued thereunder.

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UNDERWRITING (CONFLICTS OF INTEREST)

We are offering the notes described in this prospectus supplement through a number of underwriters. J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc. are the representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, the aggregate principal amount of notes listed next to its name in the following table:

Underwriter	Principal Amount of Notes
J.P. Morgan Securities LLC	$
Mitsubishi UFJ Securities (USA), Inc.	
U.S. Bancorp Investments, Inc.	
Credit Agricole Securities (USA) Inc.	
RBS Securities Inc.	
Total	$

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriters must buy all of the notes if they buy any of them. The underwriters will sell the notes to the public when and if the underwriters buy the notes from us.

The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters have advised us that they propose initially to offer the notes to the public at the public offering prices set forth on the cover of this prospectus supplement, and to certain dealers at such price less a concession not in excess of % of the principal amount of the notes. The underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount of the notes to certain other dealers. After the public offering of the notes, the public offering price and other selling terms may be changed.

We estimate that our share of the total expenses of the offering, excluding the underwriting discount, will be approximately $1,000,000.

We have agreed to indemnify the several underwriters against, or contribute to payments that the underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933.

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with the offering of the notes, certain of the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallot in connection with the offering, creating a short position. In addition, the underwriters may bid for, and purchase, the notes in the open market to cover short positions or to stabilize the price of the notes. Any of these activities may stabilize or maintain the market price of the notes above independent market levels, but no representation is made hereby of the magnitude of any effect that the transactions described above may have on the market price of the notes. The underwriters will not be required to engage in these activities, but may engage in these activities, or may end any of these activities, at any time without notice.

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The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of business, certain of the underwriters or their affiliates have provided and may in the future provide commercial, financial advisory or investment banking services for us and our subsidiaries for which they have received or will receive customary compensation. Certain of the underwriters are lenders under our revolving credit facilities. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Conflicts of Interest

As described in Use of Proceeds, the net proceeds from this offering will primarily be used to repay our short-term financing facility that expires February 1, 2013. Because certain affiliates of the underwriters are lenders under our short-term financing facility and because more than 5% of the proceeds from this offering, not including underwriting compensation, may be received by such parties in connection with the repayment of such facility, this offering is being conducted in compliance with FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, as defined below (each, a Relevant Member State), each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, as defined below, 150 legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to in (a) to (c) above shall require the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe to the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression Prospectus Directive means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Each underwriter has warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

Gibson, Dunn & Crutcher LLP and Hunton & Williams LLP will opine for us as to the validity of the offered notes. The Underwriters are represented by Shearman & Sterling LLP, New York, New York.

EXPERTS

The consolidated financial statements of Atmos Energy appearing in Atmos Energy s Annual Report (Form 10-K) for the year ended September 30, 2012 (including the schedule appearing therein) and the effectiveness of Atmos Energy Corporation s internal control over financial reporting as of September 30, 2012 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

Atmos Energy Corporation

By this prospectus, we offer up to

$1,300,000,000

of debt securities and common stock.

We will provide specific terms of these securities in supplements to this prospectus. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

Investing in these securities involves risks. See Risk Factors on page 1 of this prospectus, in the applicable prospectus supplement and in the documents incorporated by reference.

Our common stock is listed on the New York Stock Exchange under the symbol ATO.

Our address is 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, and our telephone number is (972) 934-9227.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated March 31, 2010.

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We have not authorized any other person to provide you with any information or to make any representation that is different from, or in addition to, the information and representations contained in this prospectus or in any of the documents that are incorporated by reference in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus, as well as the information contained in any document incorporated by reference, is accurate as of the date of each such document only, unless the information specifically indicates that another date applies.

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Proceeds from stock plans	6.5	18.4
Acquisition of additional noncontrolling interests	(8.0)	(44.6)
Dividends paid to noncontrolling interest shareholders	(67.3)	(52.0)
Payment of contingent purchase price obligations	(71.2)	(48.1)
Other, net	(17.1)	(34.3)
Net Cash Used In Financing Activities	(902.7)	(410.7)
Effect of foreign exchange rate changes on cash and cash equivalents	127.5	49.1
Net Decrease in Cash and Cash Equivalents	(1,168.2)	(1,299.5)
Cash and Cash Equivalents at the Beginning of Period	3,002.2	2,605.2
Cash and Cash Equivalents at the End of Period	$ 1,834.0	$ 1,305.7

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

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

1. Presentation of Financial Statements

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

In our opinion, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation, in all material respects, of the information contained herein. These unaudited consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016 (“2016 10-K”). Results for the interim periods are not necessarily indicative of results that may be expected for the year. Certain reclassifications have been made to the prior year financial information to conform to the current year presentation.

Accounting Changes

On January 1, 2017, we adopted FASB Accounting Standards Update (“ASU”) 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which requires additional tax benefits and tax deficiencies related to share-based compensation be recorded in results of operations effective January 1, 2017, upon vesting of restricted stock awards or exercise of stock options. In the prior year, the tax benefits and deficiencies were recorded in additional paid-in capital. The additional tax benefit or deficiency is calculated as the difference between the grant date price of the award and the price of our common stock on the vesting or exercise date. As a result, we recognized an additional tax benefit of $14.8 million for the six months ended June 30, 2017.

ASU 2016-09 requires that cash flows related to the additional tax benefits or deficiencies be classified in operating activities. Accordingly, for the six months ended June 30, 2016, we retrospectively adjusted the statement of cash flows to conform to the current year presentation, resulting in a decrease in net cash used in operating activities of $13.4 million and increase in net cash used in financing activities of $13.4 million. Further, ASU 2016-09 permits a policy election to either continue to estimate the number of awards that will be forfeited or to account for forfeitures as they occur. We elected to account for forfeitures as they occur. Accordingly, we recorded a cumulative catch-up adjustment to reduce opening retained earnings by $4.5 million reflecting the estimate of unvested awards at December 31, 2016 that are not expected to vest.

On January 1, 2017, we adopted FASB ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other than Inventory, which requires that the income tax effects of intra-entity transfers of assets other than inventory are recognized when the transfer occurs. ASU 2016-16 is applied on a modified retrospective basis with a cumulative catch-up adjustment to opening retained earnings. The adoption of ASU 2016-16 did not have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment (“ASU 2017-04”), which simplifies the subsequent measurement of goodwill and eliminates the two-step goodwill impairment test. ASU 2017-04 is applied prospectively and is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We adopted ASU 2017-04 for our annual goodwill impairment test at June 30, 2017. The adoption of ASU 2017-04 did not have any impact on our financial position or results of operations.

2. New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which will replace all existing revenue recognition guidance under U.S. GAAP. On July 9, 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09 to all annual and interim periods beginning after December 15, 2017. ASU 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented or recognition of the cumulative effect of retrospective application of the new standard as of the beginning of the period of initial application. We plan to apply ASU 2014-09 on January 1, 2018. Presently, we are not yet in a position to decide the transition method we will choose. Based on our initial assessment, the impact of the application of the new standard will likely result in a change in the timing of our revenue recognition for performance incentives received from clients. Performance incentives are currently recognized in revenue when specific quantitative goals are achieved, or when our performance against qualitative goals is determined by the client. Under the new standard, we will be required to estimate the amount of the incentive that will be earned at the inception of the contract and recognize the incentive over the term of the contract. While performance incentives are not material to our revenue, this will result in an acceleration of revenue recognition for certain contract incentives compared to the current method. Additionally, in certain of our businesses we record revenue as a principal and include certain third-party pass-through and out-of-pocket costs, which are billed to clients in connection with our services, in revenue. In March 2016, the FASB issued further guidance on principal versus agent revenue recognition considerations. We are currently evaluating the impact of the principal versus agent guidance on our revenue and cost of services; however, we do not expect the change, if any, to have a material effect on our results of operations. ASU 2014-09 also includes additional disclosure requirements. Currently, we provide comprehensive revenue disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits ("ASU 2017-07"). ASU 2017-07 requires that the service cost component of periodic benefit cost is included in compensation cost and included in operating profit. All other components of net periodic benefit cost are presented separately from the service cost component and outside of operating profit. ASU 2017-07 will affect operating profit but will not have any effect on income before income taxes and equity method investments, net income or earnings per share. ASU 2017-07 is effective for annual and interim periods beginning January 1, 2018 and will be applied retrospectively to all periods presented.

3. Net Income per Common Share

The computations of basic and diluted net income per common share for the three and six months ended June 30, 2017 and 2016 were (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income Available for Common Shares:				
Net income - Omnicom Group Inc.	$328.6	$326.1	$570.4	$544.5
Net income allocated to participating securities	(0.5)	(2.0)	(1.0)	(3.6)
	$328.1	$324.1	$569.4	$540.9
Weighted Average Shares:				
Basic	232.1	237.7	233.3	238.9
Dilutive stock options and restricted shares	1.9	1.3	1.9	1.2
Diluted	234.0	239.0	235.2	240.1
Anti-dilutive stock options and restricted shares	1.0	—	1.0	—
Net Income per Common Share - Omnicom Group Inc.:				
Basic	$1.41	$1.36	$2.44	$2.26
Diluted	$1.40	$1.36	$2.42	$2.25

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4. Goodwill and Intangible Assets

Goodwill and intangible assets at June 30, 2017 and December 31, 2016 were (in millions):

	2017			2016		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	$9,703.7	$ (521.7)	$9,182.0	$9,481.4	$ (505.3)	$8,976.1
Intangible assets:						
Purchased and internally developed software	$349.3	$ (286.3)	$63.0	$342.6	$ (270.2)	$72.4
Customer related and other	873.3	(544.0)	329.3	862.4	(507.4)	355.0
	$1,222.6	$ (830.3)	$392.3	$1,205.0	$ (777.6)	$427.4

Changes in goodwill for the six months ended June 30, 2017 and 2016 were (in millions):

	2017	2016
January 1	$8,976.1	$8,676.4
Acquisitions, net of dispositions	15.8	223.3
Noncontrolling interests in acquired businesses	14.5	54.6
Contingent purchase price of acquired businesses	8.5	146.4
Foreign currency translation and other	167.1	(32.3)
June 30	$9,182.0	$9,068.4

5. Debt

Credit Facilities

At June 30, 2017, our short-term liquidity sources include a $2.5 billion revolving credit facility (“Credit Facility”) expiring on July 31, 2021, domestic and international uncommitted credit lines and the ability to issue up to $2 billion of commercial paper. The uncommitted credit lines aggregated $1.1 billion at both June 30, 2017 and December 31, 2016. There were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines at June 30, 2017 and December 31, 2016.

Available and unused credit lines at June 30, 2017 and December 31, 2016 were (in millions):

	2017	2016
Credit Facility	$2,500.0	$2,500.0
Uncommitted credit lines	1,149.5	1,132.0
Available and unused credit lines	$3,649.5	$3,632.0

The Credit Facility contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation and amortization) and an Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12-month period. At June 30, 2017 we were in compliance with these covenants as our Leverage Ratio was 2.2 times and our Interest Coverage Ratio was 10.8 times. The Credit Facility does not limit our ability to declare or pay dividends or repurchase our common stock.

Short-Term Debt

Short-term debt at June 30, 2017 and December 31, 2016 was $19.3 million and $28.7 million, respectively. The debt represents bank overdrafts and short-term borrowings of our international subsidiaries. Due to the short-term nature of this debt, carrying value approximates fair value.

Long-Term Debt

Long-term debt at June 30, 2017 and December 31, 2016 was (in millions):

	2017	2016
6.25% Senior Notes due 2019	$500.0	$500.0
4.45% Senior Notes due 2020	1,000.0	1,000.0
3.625% Senior Notes due 2022	1,250.0	1,250.0
3.65% Senior Notes due 2024	750.0	750.0
3.60% Senior Notes due 2026	1,400.0	1,400.0
Other debt	—	0.1
	4,900.0	4,900.1
Unamortized premium (discount), net	6.9	7.6
Unamortized debt issuance costs	(22.2)	(24.2)
Unamortized deferred gain from settlement of interest rate swaps	75.6	84.7
Fair value adjustment attributed to interest rate swaps	(30.3)	(47.6)
	4,930.0	4,920.6
Current portion	—	(0.1)
Long-term debt	$4,930.0	$4,920.5

At June 30, 2017, we recorded a long-term liability of $8.7 million in connection with the $750 million fixed-to-floating interest rate swap on our 3.65% Senior Notes due 2024 ("2024 Notes") and a long-term liability of $21.6 million in connection with the $500 million fixed-to-floating interest rate swap on our 3.60% Senior Notes due 2026 ("2026 Notes"). The long-term liabilities represent the fair value of the swaps on the 2024 Notes and 2026 Notes, respectively, that was substantially offset by the change in the fair value of the notes. The fixed-to-floating interest rate swaps have the economic effect of converting our debt portfolio to approximately 75% fixed rate obligations and 25% floating rate obligations.

6. Segment Reporting

Our five branded agency networks operate in the advertising, marketing and corporate communications services industry, and are organized into agency networks, virtual client networks, regional reporting units and operating groups. Our networks, virtual client networks and agencies increasingly share clients and provide clients with integrated services. The main economic components of each agency are employee compensation and related costs and direct service costs and occupancy and other costs which include rent and occupancy costs, technology costs and other overhead expenses. Therefore, given these similarities, we aggregate our operating segments, which are our five agency networks, into one reporting segment.

The agency networks' regional reporting units comprise three principal regions: the Americas, EMEA and Asia Pacific. The regional reporting units monitor the performance and are responsible for the agencies in their region. Agencies within the regional reporting units serve similar clients in similar industries and in many cases the same clients and have similar economic characteristics.

Revenue and long-lived assets and goodwill by geographic region at and for the three and six months ended June 30, 2017 and 2016 were (in millions):

	Americas	EMEA	Asia Pacific
2017			
Revenue - Three months ended	$2,296.8	$1,088.0	$405.3
Revenue - Six months ended	4,542.7	2,054.6	780.3
Long-lived assets and goodwill	6,654.2	2,678.0	537.5
2016			
Revenue - Three months ended	$2,428.6	$1,056.1	$400.2
Revenue - Six months ended	4,627.1	2,002.4	754.5
Long-lived assets and goodwill	6,574.0	2,644.9	532.9

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The Americas comprises North America, which includes the United States, Canada and Puerto Rico, and Latin America, which includes Mexico. EMEA comprises Europe, the Middle East and Africa. Asia Pacific comprises Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries. Revenue in the United States for the three and six months ended June 30, 2017 and 2016 was $2,060.9 million and $4,072.6 million and $2,190.5 million and $4,198.0 million, respectively.

7. Income Taxes

Our effective tax rate for the six months ended June 30, 2017, decreased period-over-period to 30.8% from 32.6%. The decrease in the effective tax rate was primarily attributable to the recognition of an additional tax benefit from share-based compensation of $14.8 million resulting from the prospective adoption of ASU 2016-09 (see Note 1), which requires that additional tax benefits and deficiencies arising from share-based compensation be recognized in results of operations in the period when the awards vest or are exercised. In the prior year, the tax benefits and deficiencies were recorded in additional paid-in capital.

At June 30, 2017, our unrecognized tax benefits were $110.0 million. Of this amount, approximately $72.3 million would affect our effective tax rate upon resolution of the uncertain tax positions.

8. Pension and Other Postemployment Benefits

Defined Benefit Pension Plans

The components of net periodic benefit expense for the six months ended June 30, 2017 and 2016 were (in millions):

	2017	2016
Service cost	$5.3	$4.1
Interest cost	3.5	3.5
Expected return on plan assets	(1.4)	(1.4)
Amortization of prior service cost	2.4	2.2
Amortization of actuarial losses	3.1	2.4
	$12.9	$10.8

We contributed $0.7 million and $0.5 million to our defined benefit pension plans in the six months ended June 30, 2017 and 2016, respectively.

Postemployment Arrangements

The components of net periodic benefit expense for the six months ended June 30, 2017 and 2016 were (in millions):

	2017	2016
Service cost	$2.2	$2.0
Interest cost	1.8	1.8
Amortization of prior service cost	1.8	1.4
Amortization of actuarial losses	0.5	0.5
	$6.3	$5.7

9. Supplemental Cash Flow Data

The increase (decrease) in operating capital for the six months ended June 30, 2017 and 2016 was (in millions):

	2017	2016
(Increase) decrease in accounts receivable	$460.3	$891.3
(Increase) decrease in work in process and other current assets	(277.5)	(188.5)
Increase (decrease) in accounts payable	(785.9)	(1,413.4)
Increase (decrease) in customer advances and other current liabilities	(412.1)	(357.4)
Change in other assets and liabilities, net	(113.3)	(73.5)
	$(1,128.5)	$(1,141.5)
Income taxes paid	$339.0	$362.5
Interest paid	$111.2	$106.8

10. Commitments and Contingent Liabilities

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

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

11. Equity

Changes in accumulated other comprehensive income (loss), net of income taxes, for the six months ended June 30, 2017 and 2016 were (in millions):

2017	Cash Flow Hedge	Available-for-Sale Securities	Defined Benefit Pension Plans and Postemployment Arrangements	Foreign Currency Translation	Total
January 1	$(29.5)	$ (0.8)	$ (90.6)	$(1,235.1)	$(1,356.0)
Other comprehensive income (loss) before reclassifications	—	0.3	—	237.9	238.2
Reclassification from accumulated other comprehensive income (loss)	1.6	—	4.2	—	5.8
June 30	$(27.9)	$ (0.5)	$ (86.4)	$(997.2)	$(1,112.0)
2016					
January 1	$(3.3)	$(0.9)	$(87.9)	$(923.3)	$(1,015.4)
Other comprehensive income (loss) before reclassifications	(28.5)	—	—	(22.4)	(50.9)
Reclassification from accumulated other comprehensive income (loss)	0.7	—	4.1	—	4.8
June 30	$(31.1)	$(0.9)	$(83.8)	$(945.7)	$(1,061.5)

12. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and December 31, 2016 were (in millions):

2017	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$1,834.0			$1,834.0
Short-term investments	40.4			40.4
Available-for-sale securities	4.0			4.0
Interest rate and foreign currency derivative instruments		$0.2		0.2
Liabilities:				
Interest rate and foreign currency derivative instruments		$30.8		$30.8
Contingent purchase price obligations			$268.2	268.2
2016				
Assets:				
Cash and cash equivalents	$3,002.2			$3,002.2
Short-term investments	20.6			20.6
Available-for-sale securities	4.3			4.3
Interest rate and foreign currency derivative instruments		$0.2		0.2
Liabilities:				
Interest rate and foreign currency derivative instruments		$48.9		$48.9
Contingent purchase price obligations			$386.1	386.1

Changes in contingent purchase price obligations for the six months ended June 30, 2017 and 2016 were (in millions):

	2017	2016
January 1	$386.1	$322.0
Acquisitions	22.2	150.8
Revaluation and interest	(0.4)	13.8
Payments	(146.4)	(62.7)
Foreign currency translation	6.7	6.5
June 30	$268.2	$430.4

The carrying amount and fair value of our financial assets and liabilities at June 30, 2017 and December 31, 2016 were (in millions):

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$1,834.0	$1,834.0	$3,002.2	$3,002.2
Short-term investments	40.4	40.4	20.6	20.6
Available-for-sale securities	4.0	4.0	4.3	4.3
Interest rate and foreign currency derivative instruments	0.2	0.2	0.2	0.2
Cost method investments	13.9	13.9	14.2	14.2
Liabilities:				
Short-term debt	$19.3	$19.3	$28.7	$28.7
Interest rate and foreign currency derivative instruments	30.8	30.8	48.9	48.9
Contingent purchase price obligations	268.2	268.2	386.1	386.1
Long-term debt, including current portion	4,930.0	5,098.8	4,920.6	5,035.1

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

13. Subsequent Events

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
EXECUTIVE SUMMARY
We are a strategic holding company providing advertising, marketing and corporate communications services to clients through our branded networks and agencies around the world. On a global, pan-regional and local basis, our networks and agencies provide a comprehensive range of services in four fundamental disciplines: advertising, CRM, public relations and specialty communications. Our business model was built and continues to evolve around our clients. While our networks and agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is that our clients' specific requirements should be the central focus in how we structure our service offerings and allocate our resources. This client-centric business model requires that multiple agencies collaborate in formal and informal virtual client networks that cut across internal organizational structures through our key client matrix organizational structure to execute against each of our clients' specific marketing requirements. We believe that this organizational philosophy and our ability to execute on it differentiate us from our competition. We continually seek to grow our business with our existing clients by maintaining our client-centric approach, as well as expanding our existing business relationships into new markets and with new clients. In addition, we pursue selective acquisitions of complementary companies with strong entrepreneurial management teams that typically currently serve or have the ability to serve our existing client base.
As a leading global advertising, marketing and corporate communications company, we operate in all major markets and have a large and diverse client base. For the six months ended June 30, 2017, our largest client accounted for 3.0% of our revenue and our 100 largest clients, which represent many of the world's major marketers, accounted for approximately 51% of our revenue. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the six months ended June 30, 2017. Although our revenue is generally balanced between the United States and international markets and we have a large and diverse client base, we are not immune to general economic downturns.
As described in more detail below, for the six months ended June 30, 2017, revenue decreased $6.4 million or 0.1%, compared to the six months ended June 30, 2016. Throughout 2016 and continuing into the second quarter of 2017, a substantial number of foreign currencies weakened against the U.S. Dollar. Changes in foreign exchange rates reduced revenue $98.0 million, or 1.3%. Acquisition revenue, net of disposition revenue, reduced revenue $196.4 million, or 2.7%, reflecting the disposition of certain non-strategic businesses in the past year. Organic growth increased revenue $288.0 million, or 3.9%. In addition to the recent dispositions, the effect of our prior year acquisition activity in Brazil has cycled through in the first quarter of 2017. As a result, the reduction in revenue from our disposition activity exceeded the revenue from our acquisition activity in the period, and based on our activities completed to date, we expect the net reduction in revenue for acquisitions and dispositions to be between 3.5% and 4.5% for the full year.
Global economic conditions have a direct impact on our business and financial performance. Adverse global or regional economic conditions pose a risk that our clients may reduce, postpone or cancel spending on advertising, marketing and corporate communications services, which would reduce the demand for our services. In the first six months of 2017, North America continued its modest economic growth as activity in the United States varied across disciplines. Uncertain economic and political conditions in the European Union, or EU, have resulted in uneven growth across the region and have been further complicated by the official notification from the United Kingdom, or U.K., to the European Council to withdraw from the EU. In Brazil, unstable economic and political conditions contribute to the continuing volatility in the market. The major economies in Asia continue their modest economic growth consistent with recent periods. The economic and fiscal issues facing countries in Europe and Latin America continue to cause economic uncertainty in those regions; however, the impact on our business varies by country. We will continue to monitor economic conditions closely, as well as client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage our working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future adverse economic conditions, reductions in client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing new communications technologies and emerging digital platforms. Additionally, as clients increase their demands for marketing effectiveness and efficiency, they require greater integration of their marketing activities and tend to consolidate their business with one holding company. 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 of changes in foreign exchange rates, as a result of continued improvement in operating performance by many of our agencies and new business activities, we expect our 2017 organic growth in 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 high-growth and emerging markets and enhance our capabilities to leverage new technologies that are being used by marketers today. In addition, we continually evaluate our portfolio of businesses to identify non-strategic or underperforming businesses for disposition.

Given our size and breadth, we manage our business by monitoring several financial indicators. The key indicators that we focus on are revenue and operating expenses. We analyze revenue growth by reviewing the components and mix of the growth, including growth by principal regional market and marketing discipline, the impact from foreign currency fluctuations, growth from acquisitions and growth from our largest clients. Operating expenses are comprised of cost of services, selling, general and administrative, or SG&A, expenses and depreciation and amortization.

For the quarter ended June 30, 2017, our revenue decreased 2.4% compared to the quarter ended June 30, 2016. Changes in foreign exchange rates reduced revenue 1.5%, acquisition revenue, net of disposition revenue, reduced revenue 4.4%, and organic growth increased revenue 3.5%. Across our principal regional markets, the changes in revenue were: North America decreased 6.6%, Europe increased 1.9%, Asia Pacific increased 1.3% and Latin America increased 22.5%. The decrease in revenue in North America reflects the disposition of our specialty print media business, which was partially offset by modest growth in the U.S. and Canada. In Europe, growth in the U.K. and most markets in the Euro Zone was offset by the weakening of the British Pound and Euro against the U.S. Dollar. The increase in revenue in Latin America was a result of growth in Mexico, as well as the strengthening of the Brazilian Real against the U.S. Dollar, which offset negative growth in that market. In Asia Pacific, strong growth in Australia, India and Japan was partially offset by the weakening of the Chinese Yuan and Japanese Yen against the U.S. Dollar. The change in revenue in the second quarter of 2017 compared to the second quarter of 2016, in our four fundamental disciplines was: advertising decreased 2.3%, CRM decreased 4.0%, public relations decreased 2.0% and specialty communications increased 2.5%.

For the six months ended June 30, 2017, our revenue decreased 0.1% compared to the six months ended June 30, 2016. Changes in foreign exchange rates reduced revenue 1.3%, acquisition revenue, net of disposition revenue, reduced revenue 2.7%, and organic growth increased revenue 3.9%. Across our principal regional markets, the changes in revenue were: North America decreased 3.1%, Europe increased 0.9%, Asia Pacific increased 3.4% and Latin America increased 30.8%. In North America, moderate growth in the United States and Canada was offset by our disposition activity and the weakening of the Canadian Dollar against the U.S. Dollar. In Europe, growth in the U.K., Spain and Russia was offset by the weakening of the British Pound and Euro against the U.S. Dollar and negative performance in The Netherlands. The increase in revenue in Latin America was a result of our acquisition activity in Brazil, and the strengthening of the Brazilian Real, as well as growth in Mexico. In Asia Pacific, growth in the major economies including Australia, India, Japan and greater China was partially offset by the weakening of most currencies in the region. The change in revenue in the six months of 2017 compared to the six months of 2016, in our four fundamental disciplines was: advertising increased 1.8%, CRM decreased 4.2%, public relations decreased 0.1% and specialty communications increased 3.8%.

We measure cost of services in two distinct categories: salary and service costs and occupancy and other costs. As a service business, salary and service costs make up the vast majority of our operating expenses and substantially all these costs comprise the essential components directly linked to the delivery of our services. Salary and service costs include employee compensation and benefits, freelance labor and direct service costs, which include third-party supplier costs and client-related travel costs. Occupancy and other costs consist of the indirect costs related to the delivery of our services, including office rent and other occupancy costs, equipment rent, technology costs, general office expenses and other expenses.

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

Operating expenses decreased 3.0% and 0.4% period-over-period for the second quarter and six months, respectively. Salary and service costs, which tend to fluctuate with changes in revenue, decreased $87.9 million, or 3.1% in the second quarter of 2017 compared to the second quarter of 2016 and decreased $17.0 million or 0.3% in the six months of 2017 compared to the six months of 2016. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased $18.2 million, or 5.8%, in the second quarter of 2017 compared to the second quarter of 2016 and decreased $17.7 million or 2.9% in the six months of 2017 compared to the six months of 2016.

Operating margins for the second quarter and six months of 2017 were 14.9% and 13.2%, respectively, compared to 14.5% and 12.9% for the second quarter and six months of 2016, respectively. Earnings before interest, taxes and amortization of intangible assets, or EBITA, margins for the second quarter and six months of 2017 were 15.7% and 14.0%, respectively, compared to 15.2% and 13.7% for the second quarter and the six months of 2016, respectively.
Net interest expense increased $0.5 million to $45.3 million in the second quarter of 2017 from $44.8 million in the second quarter of 2016, and net interest expense was unchanged at $84.9 million in the six months of 2017 and 2016. Interest expense increased $2.5 million to $56.8 million in the second quarter of 2017 and increased $5.6 million to $110.2 million in the six months of 2017. Interest income increased $2.0 million in the second quarter of 2017 and increased $5.6 million in the six months of 2017 compared to the prior year periods.
Our effective tax rate for the second quarter and six months ended June 30, 2017, decreased period-over-period to 32.0% and 30.8% from 32.5% and 32.6%, respectively. The decrease was attributable to the recognition of an additional tax benefit from share-based compensation of $14.8 million, primarily in the first quarter resulting from the adoption of FASB ASU 2016-09 (see Note 1 to the unaudited consolidated financial statements), which requires that beginning in 2017 additional tax benefits and deficiencies arising from share-based compensation be recognized in results of operations in the period when the restricted stock awards vest or stock options are exercised. In the prior year, the tax benefits and deficiencies were recorded in additional paid-in capital. Because the income tax benefit is based on our common stock price on the vesting or exercise date, it is not possible to estimate the impact on income tax expense for the remainder of the year.
Net income - Omnicom Group Inc. in the second quarter of 2017 increased $2.5 million, or 0.8%, to $328.6 million from $326.1 million in the second quarter of 2016, and net income - Omnicom Group Inc. in the six months of 2017 increased $25.9 million, or 4.8%, to $570.4 million from $544.5 million in the six months of 2016. The period-over-period increase is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 2.9% to $1.40 in the second quarter of 2017, compared to $1.36 in the second quarter of 2016, and diluted net income per common share - Omnicom Group Inc. increased 7.6% to $2.42 in the six months of 2017, compared to $2.25 in the six months of 2016, due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for restricted stock awards, stock option exercises and employee stock purchase plan.

RESULTS OF OPERATIONS - Second Quarter 2017 Compared to Second Quarter 2016 (in millions):

	2017	2016
Revenue	$3,790.1	$3,884.9
Operating Expenses:		
Salary and service costs	2,736.1	2,824.0
Occupancy and other costs	297.0	315.2
Cost of services	3,033.1	3,139.2
Selling, general and administrative expenses	120.4	110.9
Depreciation and amortization	71.1	73.0
	3,224.6	3,323.1
Operating Profit	565.5	561.8
Operating Margin - %	14.9 %	14.5 %
Interest Expense	56.8	54.3
Interest Income	11.5	9.5
Income Before Income Taxes and Income From Equity Method Investments	520.2	517.0
Income Tax Expense	166.7	167.9
Income From Equity Method Investments	1.6	2.8
Net Income	355.1	351.9
Net Income Attributed To Noncontrolling Interests	26.5	25.8
Net Income - Omnicom Group Inc.	$328.6	$326.1

Non-GAAP Financial Measures

We use EBITA and EBITA Margin as additional operating performance measures that exclude the non-cash amortization expense of intangible assets, which primarily consists of amortization of intangible assets arising from acquisitions. We define EBITA as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin as EBITA divided by revenue. EBITA and EBITA Margins are non-GAAP Financial measures. We believe that EBITA and EBITA Margin are useful measures for investors to evaluate the performance of our business. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

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

	2017	2016
Net Income - Omnicom Group Inc.	$328.6	$326.1
Net Income Attributed To Noncontrolling Interests	26.5	25.8
Net Income	355.1	351.9
Income From Equity Method Investments	1.6	2.8
Income Tax Expense	166.7	167.9
Income Before Income Taxes and Income From Equity Method Investments	520.2	517.0
Interest Expense	56.8	54.3
Interest Income	11.5	9.5
Operating Profit	565.5	561.8
Add back: Amortization of intangible assets	28.5	28.5
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	$594.0	$590.3
Revenue	$3,790.1	$3,884.9
EBITA	$594.0	$590.3
EBITA Margin - %	15.7 %	15.2 %

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Revenue

In the second quarter of 2017, revenue decreased $94.8 million, or 2.4%, to $3,790.1 million from $3,884.9 million in the second quarter of 2016. Changes in foreign exchange rates reduced revenue $57.2 million, acquisition revenue, net of disposition revenue, reduced revenue $172.1 million, and organic growth increased revenue $134.5 million.

The reduction in revenue in the second quarter resulting from our acquisition and disposition activity arose principally from the sale of our specialty print media business. Based on our acquisition and disposition activity completed to date, we expect the net reduction in revenue for acquisitions and dispositions to be between 3.5% and 4.5% for the year.

For the second quarter of 2017, changes in foreign exchange rates reduced revenue by 1.5%, or $57.2 million, compared to the second quarter of 2016, primarily resulting from the weakening of the British Pound, Euro and Canadian Dollar against the U.S. Dollar, partially offset by the strengthening of the Brazilian Real and Russian Ruble against the U.S. Dollar.

The components of revenue change for the second quarter of 2017 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International	
	$	%	$	%	$	%
June 30, 2016	$3,884.9		$2,190.5		$1,694.4	
Components of revenue change:						
Foreign exchange rate impact	(57.2)	(1.5)%	—	— %	(57.2)	(3.4)%
Acquisition revenue, net of disposition revenue	(172.1)	(4.4)%	(133.4)	(6.1)%	(38.7)	(2.2)%
Organic growth	134.5	3.5 %	3.8	0.2 %	130.7	7.7 %
June 30, 2017	$3,790.1	(2.4)%	$2,060.9	(5.9)%	$1,729.2	2.1 %

The components and percentages are calculated as follows:

- Foreign exchange rate impact is calculated by translating the current period's local currency revenue using the prior period average exchange rates to derive current period constant currency revenue (in this case $3,847.3 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue ($3,790.1 million less $3,847.3 million for the Total column).
- Acquisition revenue is calculated as if the acquisition occurred twelve months prior to the acquisition date by aggregating the comparable prior period revenue of acquisitions through the acquisition date. As a result, acquisition revenue excludes the positive or negative difference between our current period revenue subsequent to the acquisition date and the comparable prior period revenue and the positive or negative growth after the acquisition is attributed to organic growth. Disposition revenue is calculated as if the disposition occurred twelve months prior to the disposition date by aggregating the comparable prior period revenue of dispositions through the disposition date. The acquisition revenue and disposition revenue amounts are netted in the table.
- Organic growth is calculated by subtracting the foreign exchange rate impact, and the acquisition revenue, net of disposition revenue components from total revenue growth.
- The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component ($3,884.9 million for the Total column).

Our results of operations are subject to risk from the translation to U.S. Dollars of the revenue and expenses of our foreign operations, which are generally denominated in their local currency. However, for the most part, because the revenue and expenses of our foreign operations are denominated in the same currency, the economic impact on operating margin is minimized. Assuming exchange rates at July 14, 2017 remain unchanged, we expect the impact of changes in foreign exchange rates to reduce revenue by less than 0.5% for the third quarter and full year 2017.

Revenue for the second quarter of 2017 and the percentage change in revenue and organic growth from the second quarter of 2016 in our principal regional markets were (in millions):

	2017	2016	$ Change	% Change	% Organic Growth
Americas:					
North America	$2,175.6	$2,329.7	$(154.1)	(6.6)%	0.2 %
Latin America	121.2	98.9	22.3	22.5 %	5.0 %
EMEA:					
Europe	1,012.5	993.8	18.7	1.9 %	8.4 %
Middle East and Africa	75.5	62.3	13.2	21.2 %	20.4 %
Asia Pacific	405.3	400.2	5.1	1.3 %	7.1 %
	$3,790.1	$3,884.9	$(94.8)	(2.4)%	3.5 %

Our primary markets in Europe comprise the U.K. and the Euro Zone. In the second quarter of 2017, the U.K. comprised 9.2% of revenue and the Euro Zone and the other European countries together comprised 17.5% of revenue. In the second quarter of 2017, revenue, including the impact of foreign exchange rates, decreased 3.7% in the U.K. and increased 5.1% in the Euro Zone and the other European countries.

The decrease in revenue in North America reflects disposition activity, including our specialty print media business, which was partially offset by modest growth in the U.S. and Canada. In Europe, growth in the U.K. and most markets in the Euro Zone was partially offset by the weakening of the British Pound and Euro against the U.S. Dollar. The increase in revenue in Latin America was a result of growth in Mexico, as well as the strengthening of the Brazilian Real against the U.S. Dollar, which offset negative growth in that market. In Asia Pacific, strong growth in Australia, India and Japan was partially offset by the weakening of the Chinese Yuan and Japanese Yen against the U.S. Dollar.

In the normal course of business, our agencies both gain and lose business from clients each year due to a variety of factors. The net change through the second quarter of 2017 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 3.3% and 3.0% of our revenue for the second quarter of 2017 and 2016, respectively. Our ten largest and 100 largest clients represented 19.7% and 51.2% of our revenue for the second quarter of 2017, respectively, and 18.1% and 52.7% of our revenue for the second quarter of 2016, 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, content marketing, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management,

direct marketing, entertainment marketing, environmental design, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare communications, instore design, interactive marketing, investor relations, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, organizational communications, outsource sales support, package design, product placement, promotional marketing, public affairs, public relations, reputation consulting, retail marketing, search engine marketing, social media marketing and sports and event marketing.

In an effort to monitor the changing needs of our clients and to further expand the scope of our services to key clients, we monitor revenue across a broad range of disciplines and group them into the following four categories: advertising, CRM, public relations and specialty communications. Revenue for the second quarter of 2017 and 2016 and the change in revenue and organic growth from the second quarter of 2016 by discipline were (in millions):

	Three Months Ended June 30,						
	2017		2016		2017 vs. 2016		
	$	% of Revenue	$	% of Revenue	$ Change	% Change	% Organic Growth

Advertising	$2,017.8	53.2	%	$2,066.0	53.2	%	$(48.2)	(2.3	)%	4.2	%
CRM	1,131.9	29.9	%	1,178.7	30.3	%	(46.8	)	(4.0	)%	3.7	%
Public relations	342.6	9.0	%	349.6	9.0	%	(7.0	)	(2.0	)%	(0.3	)%
Specialty communications	297.8	7.9	%	290.6	7.5	%	7.2		2.5	%	2.2	%
	$3,790.1			$3,884.9			$(94.8)		(2.4	)%	3.5	%

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We provide services to clients that operate in various industry sectors. Revenue by sector for the second quarter of 2017 and 2016 was:

	2017	2016
Food and Beverage	14 %	14 %
Consumer Products	10 %	11 %
Pharmaceuticals and Health Care	13 %	11 %
Financial Services	8 %	7 %
Technology	8 %	9 %
Auto	9 %	8 %
Travel and Entertainment	6 %	7 %
Telecommunications	4 %	4 %
Retail	6 %	6 %
Other	22 %	23 %

Operating Expenses

Operating expenses for the second quarter of 2017 compared to the second quarter of 2016 were (in millions):

	Three Months Ended June 30,					
	2017		2016		2017 vs. 2016	
	$	% of Revenue	$	% of Revenue	$ Change	% Change
Revenue	$3,790.1		$3,884.9		$(94.8)	(2.4)%
Operating Expenses:						
Salary and service costs	2,736.1	72.2 %	2,824.0	72.7 %	(87.9)	(3.1)%
Occupancy and other costs	297.0	7.8 %	315.2	8.1 %	(18.2)	(5.8)%
Cost of services	3,033.1		3,139.2		(106.1)	(3.4)%
Selling, general and administrative expenses	120.4	3.2 %	110.9	2.9 %	9.5	8.6 %
Depreciation and amortization	71.1	1.9 %	73.0	1.9 %	(1.9)	(2.6)%
	3,224.6	85.1 %	3,323.1	85.5 %	(98.5)	(3.0)%
Operating Profit	$565.5	14.9 %	$561.8	14.5 %	$3.7	0.7 %

Operating expenses decreased 3.0% in second quarter of 2017 compared to the second quarter of 2016. Salary and service costs, which tend to fluctuate with changes in revenue, decreased $87.9 million, or 3.1%, in the second quarter of 2017 compared to the second quarter of 2016. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased $18.2 million, or 5.8%, in the second quarter of 2017 compared to the second quarter of 2016. Operating margin increased 0.4% to 14.9% in the second quarter of 2017 from 14.5% in the second quarter of 2016. EBITA margin increased 0.5% to 15.7% in the second quarter of 2017 from 15.2% in the second quarter of 2016. The increase in margins reflects our continuing effort to reduce occupancy and other costs related to back-office and procurement functions and improve the operational efficiency of our businesses, as well as a positive impact resulting from our disposition activity.

Net Interest Expense

Net interest expense increased $0.5 million to $45.3 million in the second quarter of 2017 from $44.8 million in the second quarter of 2016. In the second quarter of 2017, interest expense increased $2.5 million to $56.8 million, primarily due to higher rates on our commercial paper issuances. At June 30, 2017, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations, after taking into consideration our interest rate swaps, and was unchanged from December 31, 2016. Note 5 to the unaudited consolidated financial statements includes a discussion of our interest rate swaps. Interest income increased $2.0 million in the second quarter of 2017 compared to the prior year period resulting from higher interest earned on the cash held by our international treasury centers.

Income Taxes

Our effective tax rate for the second quarter of 2017, decreased period-over-period to 32.0% from 32.5%. The decrease was primarily attributable to the recognition of an additional tax benefit from share-based compensation of $2.3 million resulting from the adoption of FASB ASU 2016-09 (see Note 1 to the unaudited consolidated financial statements), which requires that beginning in 2017 additional tax benefits and deficiencies arising from share-based compensation be recognized in results of operations in the period when the restricted stock awards vest or stock options are exercised. In the prior year, the tax benefits and deficiencies were recorded in additional paid-in capital.

Net Income Per Common Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the second quarter of 2017 increased $2.5 million, or 0.8%, to $328.6 million from $326.1 million in the second quarter of 2016. The period-over-period increase is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 2.9% to $1.40 in the second quarter of 2017, compared to $1.36 in the second quarter of 2016, due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for restricted stock awards, stock option exercises and the employee stock purchase plan.

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RESULTS OF OPERATIONS - Six Months of 2017 Compared to Six Months of 2016 (in millions):

	2017	2016
Revenue	$7,377.6	$7,384.0
Operating Expenses:		
Salary and service costs	5,430.3	5,447.3
Occupancy and other costs	598.9	616.6
Cost of services	6,029.2	6,063.9
Selling, general and administrative expenses	229.1	219.0
Depreciation and amortization	143.8	147.2
	6,402.1	6,430.1
Operating Profit	975.5	953.9
Operating Margin - %	13.2 %	12.9 %
Interest Expense	110.2	104.6
Interest Income	25.3	19.7
Income Before Income Taxes and Income From Equity Method Investments	890.6	869.0
Income Tax Expense	274.7	283.4
Income From Equity Method Investments	1.6	2.6
Net Income	617.5	588.2
Net Income Attributed To Noncontrolling Interests	47.1	43.7
Net Income - Omnicom Group Inc.	$570.4	$544.5

Non-GAAP Financial Measures

We use EBITA and EBITA Margin as additional operating performance measures that exclude the non-cash amortization expense of intangible assets, which primarily consists of amortization of intangible assets arising from acquisitions. We define EBITA as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin as EBITA divided by revenue. EBITA and EBITA Margins are non-GAAP Financial measures. We believe that EBITA and EBITA Margin are useful measures for investors to evaluate the performance of our business. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

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

	2017	2016
Net Income - Omnicom Group Inc.	$570.4	$544.5
Net Income Attributed To Noncontrolling Interests	47.1	43.7
Net Income	617.5	588.2
Income From Equity Method Investments	1.6	2.6
Income Tax Expense	274.7	283.4
Income Before Income Taxes and Income From Equity Method Investments	890.6	869.0
Interest Expense	110.2	104.6
Interest Income	25.3	19.7
Operating Profit	975.5	953.9
Add back: Amortization of intangible assets	58.9	56.8
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	$1,034.4	$1,010.7
Revenue	$7,377.6	$7,384.0
EBITA	$1,034.4	$1,010.7
EBITA Margin - %	14.0 %	13.7 %

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Revenue

In the six months of 2017, revenue decreased $6.4 million, or 0.1%, to $7,377.6 million from $7,384.0 million in the six months of 2016. Changes in foreign exchange rates reduced revenue $98.0 million, acquisition revenue, net of disposition revenue, reduced revenue $196.4 million, and organic growth increased revenue $288.0 million.

The reduction in revenue in the six months of 2017 resulting from our acquisition and disposition activity arose principally from the sale of our specialty print media business. Based on our acquisition and disposition activity completed to date, we expect the net reduction in revenue for acquisitions and dispositions to be between 3.5% and 4.5% for the full year.

For the six months of 2017, changes in foreign exchange rates continued to negatively impact revenue. The impact of changes in foreign exchange rates reduced revenue by 1.3%, or $98.0 million, compared to the six months of 2016, primarily resulting from the weakening of the British Pound and the Euro against the U.S. Dollar, partially offset by the strengthening of the Brazilian Real and Russian Ruble against the U.S. Dollar.

The components of revenue change for the six months of 2017 in the United States ("Domestic") and the remainder of the world ("International") were (in millions):

	Total		Domestic		International	
	$	%	$	%	$	%
June 30, 2016	$7,384.0		$4,198.0		$3,186.0	
Components of revenue change:						
Foreign exchange rate impact	(98.0)	(1.3)%	—	— %	(98.0)	(3.1)%
Acquisition revenue, net of disposition revenue	(196.4)	(2.7)%	(144.8)	(3.5)%	(51.6)	(1.6)%
Organic growth	288.0	3.9 %	19.4	0.5 %	268.6	8.4 %
June 30, 2017	$7,377.6	(0.1)%	$4,072.6	(3.0)%	$3,305.0	3.7 %

The components and percentages are calculated as follows:

- Foreign exchange rate impact is calculated by translating the current period's local currency revenue using the prior period average exchange rates to derive current period constant currency revenue (in this case $7,475.6 million for the Total column). The foreign exchange impact is the difference between the current period revenue in U.S. Dollars and the current period constant currency revenue ($7,377.6 million less $7,475.6 million for the Total column).
- Acquisition revenue is calculated as if the acquisition occurred twelve months prior to the acquisition date by aggregating the comparable prior period revenue of acquisitions through the acquisition date. As a result, acquisition revenue excludes the positive or negative difference between our current period revenue subsequent to the acquisition date and the comparable prior period revenue and the positive or negative growth after the acquisition is attributed to organic growth. Disposition revenue is calculated as if the disposition occurred twelve months prior to the disposition date by aggregating the comparable prior period revenue of dispositions through the disposition date. The acquisition revenue and disposition revenue amounts are netted in the table.
- Organic growth is calculated by subtracting the foreign exchange rate impact, and the acquisition revenue, net of disposition revenue components from total revenue growth.
- The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component ($7,384.0 million for the Total column).

Revenue for the six months of 2017 and the percentage change in revenue and organic growth from the six months of 2016 in our principal regional markets were (in millions):

	2017	2016	$ Change	% Change	% Organic Growth
Americas:					
North America	$4,314.9	$4,453.0	$(138.1)	(3.1)%	0.6 %
Latin America	227.8	174.1	53.7	30.8 %	5.2 %
EMEA:					
Europe	1,900.2	1,883.5	16.7	0.9 %	8.3 %
Middle East and Africa	154.4	118.9	35.5	29.9 %	28.7 %

Asia Pacific	780.3	754.5	25.8	3.4 %	8.1 %
	$7,377.6	$7,384.0	$(6.4)	(0.1)%	3.9 %

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Our primary markets in Europe comprise the U.K. and the Euro Zone. In the six months of 2017, the U.K. comprised 8.9% of revenue and the Euro Zone and the other European countries together comprised 16.8% of revenue. In the six months of 2017, revenue, including the impact of foreign exchange rates, decreased 5.9% in the U.K. and increased 4.9% in the Euro Zone and the other European countries.

The decrease in revenue in North America reflects disposition activity, including our specialty print media business, which was partially offset by modest growth in the U.S. and Canada. In Europe, growth in the U.K. and most markets in the Euro Zone was partially offset by the weakening of the British Pound and Euro against the U.S. Dollar. The increase in revenue in Latin America was a result of growth in Mexico, as well as the strengthening of the Brazilian Real against the U.S. Dollar, which offset negative growth in that market. In Asia Pacific, strong growth in Australia, India and Japan was partially offset by the weakening of the Chinese Yuan and Japanese Yen against the U.S. Dollar.

In the normal course of business, our agencies both gain and lose business from clients each year due to a variety of factors. The net change through the six months of 2017 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 3.0% and 2.8% of our revenue for the six months of 2017 and 2016, respectively. Our ten largest and 100 largest clients represented 19.5% and 52.0% of our revenue for the six months of 2017, respectively, and 17.7% and 52.7% of our revenue for the six months of 2016, respectively.

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

Revenue for the six months of 2017 and 2016 and the change in revenue and organic growth from the six months of 2016 by discipline were (in millions):

	Six Months Ended June 30,						
	2017		2016		2017 vs. 2016		
	$	% of Revenue	$	% of Revenue	$ Change	% Change	% Organic Growth
Advertising	$3,938.6	53.4 %	$3,869.2	52.4 %	$69.4	1.8 %	5.2 %
CRM	2,203.0	29.9 %	2,299.0	31.1 %	(96.0)	(4.2)%	2.9 %
Public relations	667.9	9.0 %	668.4	9.1 %	(0.5)	(0.1)%	0.7 %
Specialty communications	568.1	7.7 %	547.4	7.4 %	20.7	3.8 %	2.7 %
	$7,377.6		$7,384.0		$(6.4)	(0.1)%	3.9 %

We provide services to clients that operate in various industry sectors. Revenue by sector for the six months of 2017 and 2016 was:

	2017	2016
Food and Beverage	13 %	13 %
Consumer Products	10 %	10 %
Pharmaceuticals and Health Care	12 %	12 %
Financial Services	7 %	7 %
Technology	9 %	9 %
Auto	9 %	8 %
Travel and Entertainment	6 %	7 %
Telecommunications	5 %	5 %
Retail	6 %	6 %
Other	23 %	23 %

Operating Expenses

Operating expenses for the six months of 2017 compared to the six months of 2016 were (in millions):

	Six Months Ended June 30,					
	2017		2016		2017 vs. 2016	
	$	% of Revenue	$	% of Revenue	$ Change	% Change
Revenue	$7,377.6		$7,384.0		$(6.4)	(0.1)%
Operating Expenses:						
Salary and service costs	5,430.3	73.6 %	5,447.3	73.8 %	(17.0)	(0.3)%
Occupancy and other costs	598.9	8.1 %	616.6	8.4 %	(17.7)	(2.9)%
Cost of services	6,029.2		6,063.9		(34.7)	
Selling, general and administrative expenses	229.1	3.1 %	219.0	3.0 %	10.1	4.6 %
Depreciation and amortization	143.8	1.9 %	147.2	2.0 %	(3.4)	(2.3)%
	6,402.1	86.8 %	6,430.1	87.1 %	(28.0)	(0.4)%
Operating Profit	$975.5	13.2 %	$953.9	12.9 %	$21.6	2.3 %

Operating expenses decreased 0.4% in the six months of 2017 compared to the six months of 2016. Salary and service costs, which tend to fluctuate with changes in revenue, decreased $17.0 million, or 0.3%, in the six months of 2017 compared to the six months of 2016. Occupancy and other costs, which are less directly linked to changes in revenue than salary and service costs, decreased $17.7 million, or 2.9%, in the six months of 2017 compared to the six months of 2016. Operating margin increased 0.3% to 13.2% in the six months of 2017 from 12.9% in the six months of 2016. EBITA margin increased 0.3% to 14.0% in the six months of 2017 from 13.7% in the six months of 2016. The increase in margins reflects our continuing effort to reduce occupancy and other costs related to back-office and procurement functions and improve the operational efficiency of our businesses, as well as a positive impact resulting from our disposition activity.

Net Interest Expense

Net interest expense was unchanged at $84.9 million period-over-period. In the six months of 2017, interest expense increased $5.6 million to $110.2 million, primarily due to a reduced benefit from the fixed-to-floating interest rate swaps resulting from higher rates on the floating rate leg and higher interest rates on our commercial paper issuances. At June 30, 2017, our debt portfolio was approximately 75% fixed rate obligations and 25% floating rate obligations, after taking into consideration our interest rate swaps, and was unchanged from December 31, 2016. Note 5 to the unaudited consolidated financial statements includes a discussion of our interest rate swaps. Interest income for the six months of 2017 increased $5.6 million period-over-period to $25.3 million resulting from higher interest earned on the cash held by our international treasury centers.

Income Taxes

Our effective tax rate for the six months of 2017, decreased period-over-period to 30.8% from 32.6%. The decrease was attributable to the recognition of an additional tax benefit from share-based compensation of $14.8 million, primarily in the first quarter of 2017, resulted from the adoption of FASB ASU 2016-09 (see Note 1 to the unaudited consolidated financial statements), which requires that beginning in 2017 additional tax benefits and deficiencies arising from share-based compensation be recognized in results of operations in the period when restricted stock awards vest or stock options are exercised. In the prior year, the tax benefits and deficiencies were recorded in additional paid-in capital. Because the income tax benefit is based on our common stock price on the vesting or exercise date, it is not possible to estimate the impact on income tax expense for the remainder of the year. However, excluding the impact of any stock option exercises, if the price of our common stock remains in the range it was during the six months of 2017, we expect any additional tax benefits for the remainder of the year to be less than the benefit realized to date through the six months.

Net Income Per Common Share - Omnicom Group Inc.

Net income - Omnicom Group Inc. in the six months of 2017 increased $25.9 million, or 4.8%, to $570.4 million from $544.5 million in the six months of 2016. The period-over-period increase is due to the factors described above.

Diluted net income per common share - Omnicom Group Inc. increased 7.6% to $2.42 in the six months of 2017, compared to $2.25 in the six months of 2016, due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding resulting from repurchases of our common stock, net of shares issued for restricted stock awards, stock option exercises and the employee stock purchase plan.

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CRITICAL ACCOUNTING POLICIES

For a more complete understanding of our accounting policies, the unaudited consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, readers are encouraged to consider this information together with our discussion of our critical accounting policies under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 10-K.

Acquisitions and Goodwill

We have made and expect to continue to make selective acquisitions. The evaluation of potential acquisitions is based on various factors, including specialized know-how, reputation, geographic coverage, competitive position and service offerings of the target businesses, as well as our experience and judgment.

Our acquisition strategy is focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of our various strategic business platforms and agency brands through the expansion of their geographic reach or their service capabilities to better serve our clients. Additional key factors we consider include the competitive position and specialized know-how of the acquisition targets. Accordingly, as is typical in most service businesses, a substantial portion of the assets we acquire are intangible assets primarily consisting of the know-how of the personnel, which is treated as part of goodwill and under U.S. GAAP is not required to be valued separately. For each acquisition, we undertake a detailed review to identify other intangible assets that are required to be valued separately. A significant portion of the identifiable intangible assets acquired is derived from customer relationships, including the related customer contracts, as well as trade names. In valuing these identified intangible assets, we typically use an income approach and consider comparable market participant measurements.

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year and whenever events or circumstances indicate the carrying value may not be recoverable. As of June 30, 2017, we adopted FASB ASU 2017-04, Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment , which simplifies the subsequent measurement of goodwill and eliminates the two-step goodwill impairment test. Under FASB ASC Topic 350, Intangibles - Goodwill and Other, we have the option of either assessing qualitative factors to determine whether it is more-likely-than-not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to the goodwill impairment test. Although not required, we performed the annual impairment test and compared the fair value of each of our reporting units to its respective carrying value, including goodwill. We identified our regional reporting units as components of our operating segments, which are our five agency networks. The regional reporting units of each agency network are responsible for the agencies in their region. They report to the segment managers and facilitate the administrative and logistical requirements of our client-centric strategy for delivering services to clients in their regions. We have concluded that for each of our operating segments, their regional reporting units have similar economic characteristics and should be aggregated for purposes of testing goodwill for impairment at the operating segment level. Our conclusion was based on a detailed analysis of the aggregation criteria set forth in FASB ASC Topic 280, Segment Reporting, and the guidance set forth in FASB ASC Topic 350. Consistent with our fundamental business strategy, the agencies within our regional reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our regional reporting units have similar economic characteristics. The main economic components of each agency are employee compensation and related costs and direct service costs and occupancy and other costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the-shelf software and other overhead expenses. Finally, the expected benefits of our acquisitions are typically shared by multiple agencies in various regions as they work together to integrate the acquired agency into our virtual client network strategy.

Goodwill Impairment Review - Estimates and Assumptions

We use the following valuation methodologies to determine the fair value of our reporting units: (1) the income approach, which utilizes discounted expected future cash flows, (2) comparative market participant multiples for EBITDA (earnings before interest, taxes, depreciation and amortization) and (3) when available, consideration of recent and similar acquisition transactions.

In applying the income approach, we use estimates to derive the discounted expected cash flows ("DCF") for each reporting unit that serves as the basis of our valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital and related discount rates and expected long-term cash flow growth rates. All of these estimates and assumptions are affected by conditions specific to our businesses, economic conditions related to the industry we operate in, as well as conditions in the global economy. The assumptions that have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting units' cash flows and (2) the weighted average cost of capital (“WACC”).

The assumptions used for the long-term growth rate and WACC in our evaluations as of June 30, 2017 and 2016 were:

	June 30,	
	2017	2016
Long-Term Growth Rate	4%	4%
WACC	9.6% - 10.3%	9.7% - 10.3%

Long-term growth rate represents our estimate of the long-term growth rate for our industry and the markets of the global economy we operate in. For the past ten years, the average historical revenue growth rate of our reporting units and the Average Nominal GDP growth of the countries comprising the major markets that account for substantially all of our revenue was approximately 3.6% and 3.5%, respectively. We considered this history when determining the long-term growth rates used in our annual impairment test at June 30, 2017. We believe marketing expenditures over the long term have a high correlation to GDP. Based on our historical performance, we also believe that our long-term growth rate will exceed Average Nominal GDP growth in the markets we operate in, which are similar across our reporting units. For our annual test as of June 30, 2017, we used an estimated long-term growth rate of 4%.

When performing the annual impairment test as of June 30, 2017 and estimating the future cash flows of our reporting units, we considered the current macroeconomic environment, as well as industry and market specific conditions at mid-year 2017. In the first half of 2017, we experienced an increase in our revenue of 3.9%, which excluded our net disposition activity and the impact from changes in foreign exchange rates. Economic conditions in the Euro Zone are unsettled and the continuing fiscal issues faced by many countries in the European Union has caused economic difficulty in certain of our Euro Zone markets. During 2017, weakness in most Latin American economies we operate in has the potential to affect our near-term performance in that region. We considered the effect of these conditions in our annual impairment test.

The WACC is comprised of: (1) a risk-free rate of return, (2) a business risk index ascribed to us and to companies in our industry comparable to our reporting units based on a market derived variable that measures the volatility of the share price of equity securities relative to the volatility of the overall equity market, (3) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable to our reporting units, and (4) a current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt.

Our five reporting units vary in size with respect to revenue and the amount of debt allocated to them. These differences drive variations in fair value among our reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds book value among the reporting units. The reporting unit goodwill balances and debt vary by reporting unit primarily because our three legacy agency networks were acquired at the formation of Omnicom and were accounted for as a pooling of interests that did not result in any additional debt or goodwill being recorded. The remaining two agency networks were built through a combination of internal growth and acquisitions that were accounted for using the acquisition method and as a result, they have a relatively higher amount of goodwill and debt.

Goodwill Impairment Review - Conclusion

Based on the results of our impairment test, we concluded that our goodwill at June 30, 2017 was not impaired, because the fair value of each of our reporting units was substantially in excess of its respective net book value. The minimum decline in fair value that one of our reporting units would need to experience in order to fail the goodwill impairment test was approximately 72%. Notwithstanding our belief that the assumptions we used for WACC and long-term growth rate in our impairment testing are reasonable, we performed a sensitivity analysis for each of our reporting units. The results of this sensitivity analysis on our impairment test as of June 30, 2017 revealed that if the WACC increased by 1% and/or the long-term growth rate decreased by 1%, the fair value of each of our reporting units would continue to be substantially in excess of its respective net book value and would pass the impairment test.

We will continue to perform our impairment test at the end of the second quarter of each year unless events or circumstances trigger the need for an interim impairment test. The estimates used in our goodwill impairment test do not constitute forecasts or projections of future results of operations, but rather are estimates and assumptions based on historical results and assessments of macroeconomic factors affecting our reporting units as of the valuation date. We believe that our estimates and assumptions are reasonable, but they are subject to change from period to period.

Actual results of operations and other factors will likely differ from the estimates used in our discounted cash flow valuation and it is possible that differences could be material. A change in the estimates we use could result in a decline in the estimated fair value of one or more of our reporting units from the amounts derived as of our latest valuation and could cause us to fail our goodwill impairment test if the estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit, including its goodwill. A large decline in estimated fair value of a reporting unit could result in a non-cash impairment charge and may have an adverse effect on our results of operations and financial position.

NEW ACCOUNTING STANDARDS

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Sources and Requirements

Our primary source of liquidity is operating cash flow. In addition to our cash and cash equivalents and short-term investments, additional liquidity sources include a $2.5 billion revolving credit facility, or Credit Facility, uncommitted domestic and international credit lines, the ability to issue up to $2 billion of commercial paper, and access to the capital markets. These sources of liquidity fund our non-discretionary cash requirements and our discretionary spending.

Working capital is our principal non-discretionary funding requirement. In addition, we have contractual obligations related to our senior notes, recurring business operations, primarily related to lease obligations, and contingent purchase price obligations (earn-outs) from prior acquisitions. Our principal discretionary cash spending includes dividend payments to common shareholders, capital expenditures, strategic acquisitions and repurchases of our common stock. As a result, we have a short-term borrowing requirement normally peaking during the second quarter of the year primarily due to the timing of payments for incentive compensation, income taxes and contingent purchase price obligations.

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

Cash and cash equivalents decreased $1.2 billion from December 31, 2016 and short-term investments increased $19.8 million from December 31, 2016. During the first six months of 2017, we used $331.0 million of cash in operating activities, which included the use for operating capital of $1.1 billion, which typically occurs in the first half of the year. Our discretionary spending during the first six months of 2017 was: capital expenditures of $67.9 million; dividends paid to common shareholders of $260.7 million; dividends paid to shareholders of noncontrolling interests of $67.3 million; repurchases of our common stock, net of proceeds from stock option exercises and related tax benefits and common stock sold to our employee stock purchase plan, of $468.2 million; and acquisition payments, including payment of contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, net of cash acquired, of $98.7 million.

Cash Management

Our regional treasury centers in North America, Europe and Asia manage our cash and liquidity. Each day, operations with excess funds invest these funds with their regional treasury center. Likewise, operations that require funds borrow from their regional treasury center. The treasury centers aggregate the net position which is either invested with or borrowed from third parties. To the extent that our treasury centers require liquidity, they have the ability to issue up to a total of $2 billion of U.S. Dollar-denominated commercial paper or borrow under the Credit Facility or the uncommitted credit lines. This process enables us to manage our debt more efficiently and utilize our cash more effectively, as well as manage our risk to foreign exchange rate imbalances. In countries where we either do not conduct treasury operations or it is not feasible for one of our treasury centers to fund net borrowing requirements on an intercompany basis, we arrange for local currency uncommitted credit lines.

We have policies governing counterparty credit risk with financial institutions that hold our cash and cash equivalents and we have deposit limits for each institution. In countries where we conduct treasury operations, generally the counterparties are either branches or subsidiaries of institutions that are party to the Credit Facility. These institutions generally have credit ratings equal to or better than our credit ratings. In countries where we do not conduct treasury operations, all cash and cash equivalents are held by counterparties that meet specific minimum credit standards.

At June 30, 2017, our foreign subsidiaries held approximately $721 million of our total cash and cash equivalents of $1.8 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.

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Our net debt position, which we define as total debt, including short-term debt, less cash and cash equivalents and short-term investments, at June 30, 2017 increased $1.1 billion as compared to December 31, 2016. The increase in net debt is due to a decrease in cash and cash equivalents and short-term investments of $1.1 billion primarily arising from the unfavorable change in our operating capital of $1.1 billion, which typically occurs in the first half of the year. As compared to June 30, 2016, net debt decreased $422.3.

The components of net debt as of June 30, 2017, December 31, 2016 and June 30, 2016 were (in millions):

	June 30, 2017	December 31, 2016	June 30, 2016
Short- term debt	$19.3	$ 28.7	$11.5
Long-term debt, including current portion	4,930.0	4,920.6	5,022.4
Total debt	4,949.3	4,949.3	5,033.9
Less: Cash and cash equivalents and short-term investments	1,874.4	3,022.8	1,536.7
Net debt	$3,074.9	$ 1,926.5	$3,497.2

Net debt is a Non-GAAP liquidity measure. This presentation, together with the comparable U.S. GAAP liquidity measures (see Debt Instruments and Related Covenants), reflects one of the key metrics used by us to assess our cash management. Non-GAAP liquidity measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP. Non-GAAP liquidity measures as reported by us may not be comparable to similarly titled amounts reported by other companies.

Debt Instruments and Related Covenants

At June 30, 2017, our short-term liquidity sources include the $2.5 billion Credit Facility, domestic and international uncommitted credit lines aggregating $1.1 billion, and the ability to issue up to $2 billion of commercial paper.

The Credit Facility contains financial covenants that require us to maintain a Leverage Ratio of consolidated indebtedness to consolidated EBITDA of no more than 3 times for the most recently ended 12-month period (EBITDA is defined as earnings before interest, taxes, depreciation and amortization) and an Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12-month period. At June 30, 2017, we were in compliance with these covenants as our Leverage Ratio was 2.2 times and our Interest Coverage Ratio was 10.8 times. The Credit Facility does not limit our ability to declare or pay dividends or repurchase our common stock.

At June 30, 2017, the total aggregate principal amount of our fixed rate senior notes was $4.9 billion and the total notional amount of the fixed-to-floating interest rate swaps was $1.25 billion. The interest rate swaps have the economic effect of converting our debt portfolio to approximately 75% fixed rate obligations and 25% floating rate obligations.

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

Credit Markets and Availability of Credit

We typically fund our day-to-day liquidity by issuing commercial paper. As an additional source of liquidity, we may borrow under the Credit Facility or the uncommitted credit lines. At June 30, 2017, there were no outstanding commercial paper issuances or borrowings under the Credit Facility or the uncommitted credit lines.

Commercial paper activity for the three months ended June 30, 2017 and 2016 was (dollars in millions):

	2017	2016
Average amount outstanding during the quarter	$1,189.8	$1,096.3
Maximum amount outstanding during the quarter	$1,664.7	$1,608.9
Average days outstanding	13.3	9.5
Weighted average interest rate	1.22 %	0.68 %

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At June 30, 2017, our long-term and short-term debt was rated BBB+ and A2 by S&P and Baa1 and P2 by Moody's. Our access to the commercial paper market and the cost of these borrowings are affected by our credit ratings and market conditions. Our senior notes and Credit Facility do not contain provisions that require acceleration of cash payments in the event our debt credit ratings are downgraded.

We expect to continue funding our day-to-day liquidity by issuing commercial paper. However, disruptions in the credit markets may lead to periods of illiquidity in the commercial paper market and higher credit spreads. To mitigate any future disruption in the credit markets and to fund our liquidity we may borrow under the Credit Facility or access the capital markets if favorable conditions exist. We will continue to monitor closely our liquidity and conditions in the credit markets. We cannot predict with any certainty the impact on us of any future disruptions in the credit markets. In such circumstances, we may need to obtain additional financing to fund our day-to-day working capital requirements. Such additional financing may not be available on favorable terms, or at all.

CREDIT RISK

We provide advertising, marketing and corporate communications services to several thousand clients who operate in nearly every industry sector of the global economy and we grant credit to qualified clients in the normal course of business. Due to the diversified nature of our client base, we do not believe that we are exposed to a concentration of credit risk as our largest client accounted for 3.0% of our revenue for the first six months of 2017. However, during periods of economic downturn, the credit profiles of our clients could change.

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

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

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

ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Our 2016 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 2016 10-K. See our discussion regarding current economic conditions in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Executive Summary and Liquidity and Capital Resources sections.

ITEM 4. CONTROLS AND PROCEDURES

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

Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2017. Based on that evaluation, our CEO and CFO concluded that, as of June 30, 2017, 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 June 30, 2017 are appropriate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, with the participation of our CEO, CFO and our agencies, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of June 30, 2017. 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 2016 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2016, dated February 9, 2017.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A in our 2016 10-K.

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

Stock purchase activity during the three months ended June 30, 2017 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
April 1 - 30, 2017	124,107	$85.82	—	—
May 1 - 31, 2017	2,136,794	$83.06	—	—
June 1 - 30, 2017	562,868	$83.97	—	—
	2,823,769	$83.36	—	—

During the three months ended June 30, 2017, we purchased 2,700,000 shares of our common stock in the open market for general corporate purposes and withheld 123,769 shares from employees to satisfy estimated statutory income tax obligations related to stock option exercises and vesting of restricted stock. The value of the common stock withheld was based on the closing price of our common stock on the applicable exercise or vesting date.

There were no unregistered sales of our equity securities during the three months ended June 30, 2017.

Item 6. Exhibits

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

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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.

		OMNICOM GROUP INC.
Date:	July 20, 2017	/s/ PHILIP J. ANGELASTRO
		Philip J. Angelastro Executive Vice President and Chief Financial Officer (Principal Financial Officer and Authorized Signatory)

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