Omnicom

ANNUAL REPORT

96

Omnicom

Comparative Highlights

	1996	1995	% Change
	(Amounts in Thousands Except Per Share Amounts)		
Domestic billings	**$9,262,700**	$7,464,000	24%
International billings	**9,567,200**	8,393,100	14%
Worldwide billings*	**18,829,900**	15,857,100	19%
Domestic revenues	**1,384,424**	1,117,226	24%
International revenues	**1,257,243**	1,140,310	10%
Worldwide revenues**	**2,641,667**	2,257,536	17%
Domestic operating expenses	**1,205,475**	977,299	23%
International operating expenses	**1,109,619**	1,009,332	10%
Worldwide operating expenses	**2,315,094**	1,986,631	17%
Domestic operations–net income	**95,195**	69,906	36%
International operations–net income	**81,134**	70,049	16%
Worldwide net income	**176,329**	139,955	26%
Common stock data:			
Shareholders' equity per share	**9.96**	7.39	35%
Net income per share—Primary	**2.29**	1.89	21%
—Fully diluted	**2.25**	1.85	22%
Dividends declared per share	**0.75**	0.66	14%
Weighted average number of common shares and common equivalent shares outstanding during the year —Primary	**77,071**	74,375	4%
—Fully diluted	**80,747**	79,913	1%
Shares outstanding at year end	**80,429**	74,658	8%

*The term "billings" is commonly used in the industry to describe the volume of advertising purchased on behalf of clients. In this report, billings were computed by multiplying all income from commissions and fees by 6.67–the reciprocal of the customary 15 percent commission which media commonly grant advertising agencies. Commission rates are not uniform, however, and are negotiated with clients. In the case of majority-owned subsidiaries, total subsidiary commissions and fees are used. In the case of minority-owned affiliates, Omnicom's percent of ownership in total affiliate commissions and fees is used.

**"Revenues" include commissions and fees of only subsidiary companies–that is, companies which are greater than 50 percent owned.

Dear Shareholder:

1996 was another outstanding year for our company.

Omnicom posted its tenth consecutive year of record revenues, net income, and earnings per share. Revenues rose from $2.26 billion to $2.64 billion. Net income increased 26% to $176.3 million in 1996 from $140.0 million in 1995. Fully diluted earnings per share increased 22% to $2.25 per share in 1996 from $1.85 per share in 1995. *The Wall Street Journal*, in its annual Shareholder Scorecard Report on America's 1,000 largest public companies, ranked Omnicom number one in the advertising industry, based on total return to shareholders. Omnicom led the category in one-year return (24.9%), five-year return (26.6%), and ten-year return (20.4%). In early 1997 *Fortune* magazine named Omnicom the most respected advertising group.

Our operating philosophy is to foster growth, creativity and leadership at the operating company level by providing significant operating autonomy within clearly defined financial guidelines. Again in 1996 this philosophy paid off, with all major components of the Group growing strongly during the year. For the fourth consecutive year billings from new business exceeded $1 billion.

In December, Bruce Crawford recommended to the Board of Directors that I replace him as Chief Executive Officer as of January 1, 1997. Bruce has been Chief Executive Officer of Omnicom since 1989. Under his leadership, Omnicom grew to become the second largest marketing communications company in the world and the acknowledged number one creative force in advertising. Bruce will continue as Chairman of the company and will remain active in the development of the company.

Omnicom is a truly global company. We have offices in 85 countries. Nearly half of our revenue is from outside North America. And we're also diversified in other ways. In 1996 our advertising revenues from BBDO Worldwide, DDB Needham Worldwide, TBWA International and Goodby, Silverstein & Partners represented approximately 60% of our revenue. Revenue from our specialty advertising and marketing service companies accounted for the remaining 40%. Both advertising and marketing services activities are geographically balanced with one-half of revenues coming from North America and one-half from the rest of the world. The diversification of our services and our geographic balance means that our revenues are far less dependent on the business cycles of any one country or line of business.

One of the defining characteristics of all of our companies is creative excellence. Again in 1996 the industry recognized our agencies' creative leadership. *Advertising Age* ranked BBDO Worldwide, DDB Needham Worldwide and TBWA International numbers one, two and seven respectively in creative awards worldwide. Our creative success is a vital element in attracting new business assignments and the most talented people in the industry.

Each of our three global advertising networks, our Diversified Agency Services Division and our independent agencies had excellent years in 1996, all achieving record revenue and profit levels.

Omnicom is well positioned to continue our outstanding growth. We expect:

- Continued growth from our existing blue-chip client base.
- Continued new billings growth from new clients.
- Continued expansion of our services in the emerging markets in Latin America and Asia.
- Continued outstanding growth in specialty advertising and marketing services.

In 1996 we also positioned Omnicom as a leader in the area of digital and interactive communications, where we made six important strategic investments. The digital and interactive communications field shows great promise and the six companies share our core values regarding the importance of great creative work with a focus on providing clients with innovative marketing solutions. These companies form the new Communicade Division.

BBDO Worldwide grew significantly in the volume and scope of its operations, while continuing to enhance its creative reputation in the business community around the world. *Advertising Age International* named BBDO Worldwide "The Most Creative Agency Network" in the world in 1996.

The agency's roster of multinational clients rose to 56 served in five countries or more, and the agency network expanded to over 70 countries.

During the year, BBDO won 33 television awards, more than any other network, in worldwide creative competitions. These include Cannes, the New York Festivals, London International Festival, the Clios and the Andy Awards. *Adweek* named the agency's Snickers® advertising for Mars, Inc., "Best Campaign for 1996". And for the fourth year in a row, BBDO swept the top two spots in *USA Today's* Super Bowl Consumer Survey of the most popular commercials.

In 1996, nine BBDO agencies won "Agency of the Year" honors in their respective markets: Argentina, Australia, Brazil, Croatia, the Czech Republic, Mexico, the Netherlands, Portugal and the United Kingdom.

New account wins included: in the United States, LA Cellular, ICI/Glidden and ADT; in Europe, W.H. Smith, Patek Philippe, ICI/Dulux, Wrangler, France Telecom and Greek National Tourism; in Latin America, Sabritas. Multinational assignments came from Sara Lee, Mars, Visa, Pepsi and Bayer.

Following the success of 1996, BBDO got off to a fast start in 1997, adding $100 million in major accounts including Aleve, from Bayer Corporation, and Texaco. Under difficult circumstances, the agency resigned Delta Airlines, ending its 51-year relationship with the carrier.

There were also a number of important management additions and promotions within the agency during the year. Jean-Michel Goudard was named President, BBDO International. Tom Carey was appointed President, BBDO North America and David Wheldon was named President, BBDO Europe.

DDB Needham Worldwide experienced a year of excellent growth around the world. The agency network grew to over 200 offices in over 80 countries. The agency's superb creative work was honored at the Cannes International Advertising Festival with 22 Lions, more than any other agency in the world. This was the fifth out of the past six years that DDB Needham led the field.

DDB Needham agencies were named "Agency of the Year" in Russia, France and Italy. In the Eurobest competition, Paradiset DDB Stockholm won "Campaign of the Year" for Diesel Jeans, and the "Grand Prix" award was given to Result DDB Amsterdam for its Centraal Beheer advertising.

In the United States, the agency attracted several new clients, among which are L'eggs, CompuServe, Wells Fargo Bank, Clorox, Wilson Sporting Goods, Hamilton Beach and Lockheed Martin. Internationally, the agency added clients such as Danone in Argentina, Banco Real in Brazil, Remy Martin in Paris and many others. Many client assignments expanded into new markets including Clorox, Anheuser-Busch, Johnson & Johnson, Diesel Jeans, Westin Hotels, Mobil, Pepsi Foods and McDonald's. The latter is now a client in 40 countries.

The agency continued to move forward in the first few months of 1997 with the addition of advertising accounts such as Montgomery Ward, Heinz and Pathmark Stores in the United States, which countered the effect of the loss of GTE.

Early in 1997, the agency announced the promotion of Ken Kaess to President, DDB Needham U.S.A. and of Peter Tate to President, DDB Needham New York.

Also during the year, the agency, with producer/writer/director Spike Lee, formed SPIKE/DDB, an advertising and marketing resource targeted at the urban market. The new agency began operations in February and immediately gained accounts: Finish Line, a specialty retailer, and Showtime's Holyfield/Tyson boxing match.

In 1996, the agency also announced the establishment of Optimum Media, as the national media service operation for the company. This new media operation consolidates U.S. national and local broadcast buying, media research and new technologies under one roof, and is designed as a multinational media service. In February 1997, Optimum Media was awarded the media budget of the Mobil Corporation.

The Diversified Agency Services Division (DAS) continued its very rapid growth with established clients and new accounts and with the acquisition of new communications companies. DAS is now a group of 21 marketing services and specialized advertising agency groups with 280 offices in 32 countries.

In February of 1997, Tom Harrison was named President of DAS and Michael Birkin was appointed President of International Operations for the unit. I will continue as Chairman and CEO of DAS.

During the year, DAS acquired Ketchum Communications, the fifth largest independently owned communications company in the U.S. The company's operations include Ketchum Public Relations, a global public relations network, Ketchum Directory Advertising, a company specializing in yellow pages advertising and Ketchum Consumer Advertising. Ketchum Advertising will become part of the TBWA International network during 1997.

Other acquisitions included Gaskell Associates, acquired by Alcone Marketing Group, a sales promotion agency. Alcone also opened a unit in Los Angeles, specializing in entertainment marketing and licensing. Clark & Weinstock, consultants on public policy and strategic communications, became part of DAS, as did Creative Media, a top media buying company with offices in New York and San Francisco. DAS purchased minority interests in A Plus Group, a U.K. high-technology public relations firm and in Millsport, a multinational sports marketing and promotion agency.

Rapp Collins Worldwide became the number one worldwide direct response agency in 1996, ranked by worldwide revenue. The company expanded its network in Latin America through strategic acquisitions in Chile and Colombia and the establishment of a new office in Brazil, and continued its growth in Asia/Pacific with a new office in Hong Kong. In Toronto, Hughes Rapp Collins merged with another agency to form the largest direct/database marketing agency in Canada.

Interbrand, our corporate branding and identity specialist, acquired Zintzmeyer & Lux in Zurich and Gerstman & Meyers, a leading packaging design firm in the United States.

Goodby, Silverstein & Partners, acknowledged as a creative star in the U.S. advertising community, had an excellent year in 1996. For the second year in a row, the agency won the coveted Kelly Prize, given for America's best magazine campaign. This was the first time this has ever happened to one agency working on two different clients, Norwegian Cruise Lines and Porsche.

The agency also won the Mercury Award for the nation's best radio campaign, a spot for Sega. The agency won awards at the international competitions, including the Clios, Cannes and The One Show, and won the San Francisco Advertising Club Show for the ninth consecutive year, an important achievement because the competition always includes some of the great creative agencies of the West.

TBWA International continued its growth through 1996. The agency expanded its operations in Latin America, opening new offices in Brazil, Chile and Argentina. In the Asia/Pacific area, TBWA established new agencies in Singapore, Hong Kong and in four mainland cities in China. In Europe, TBWA opened in Warsaw, Munich, Berlin and Cyprus. TBWA opened an office in Durban, its third in South Africa.

The agency continues to gain recognition for outstanding advertising. Its Nissan "Toys" commercial was named the"Best of 1996" by *Time, USA Today, Entertainment Weekly* and *Rolling Stone*. The Nissan campaign received 11 gold medals and the "Best of Show" at the International Automotive Awards. Absolut Vodka's long-running campaign became the subject of Absolut Book, which landed on *The New York Times* bestseller list.

In terms of significant new business, the agency won assignments from Novartis and Canon in Europe, plus Gramercy Pictures and Sara Lee's Champion Sportswear in the U.S. The agency added additional billings from Nissan, Seagram and Beiersdorf as it expanded into Latin America, Asia and Australia.

Several large account gains totaling over $250 million were won in early 1997 from clients such as Samsonite, Philips-Van Heusen and Taco Bell.

The agency continued to build its management ranks, naming Alasdair Ritchie, President of Europe; Keith Smith, Executive Director, Asia/Pacific; Reg Lascarls, Executive Director, Africa and Middle East; and Robert Rosenthal, Executive Director, Latin America.

In short, from an operational as well as financial perspective, Omnicom is doing very well and is poised to do even better. We have an enviable portfolio of powerful companies, each of which is empowered to do its very best to help clients prosper. And in the process our Group as a whole is bound to prosper as well.

We approach the future with great confidence in the strength of our management in all of our companies and in the talent and dedication of our people around the world. It is their commitment to lead our industry that will drive our continued success in the years ahead.

John Wren

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Fiscal Year Ended: December 31, 1996 **Commission File Number: 1-10551**

OMNICOM GROUP INC.

(Exact name of registrant as specified in its charter)

New York	**13-1514814**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
437 Madison Avenue, New York, NY	**10022**
(Address of principal executive offices)	**(Zip Code)**

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.50 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

At March 14, 1997, there were 81,081,151 shares of Common Stock outstanding; the aggregate market value of the voting stock held by nonaffiliates at March 14, 1997 was approximately $4,070,322,000.

Indicate the number of shares outstanding of each of the registrant's classes of stock, as of the latest practicable date.

Class	*Outstanding at March 14, 1997*
Common Stock, $.50 Par Value	81,081,151
Preferred Stock, $1.00 Par Value	NONE

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's definitive proxy statement relating to its annual meeting of shareholders scheduled to be held on May 19, 1997 are incorporated by reference into Part III of this Report.

OMNICOM GROUP INC.

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The information called for by Items 10, 11, 12 and 13, to the extent not included in this document, is incorporated herein by reference to such information to be included under the captions "Election of Directors," "Common Stock Ownership of Management," "Directors' Compensation" and "Executive Compensation," in the Company's definitive proxy statement which is expected to be filed by April 7, 1997.

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PART I

Item 1. *Business*

Omnicom Group Inc., through its wholly and partially-owned companies (hereinafter collectively referred to as the "Company" or the "Omnicom Group"), operates advertising agencies which plan, create, produce and place advertising in various media such as television, radio, newspaper and magazines. The Omnicom Group offers its clients such additional services as marketing consultation, consumer market research, design and production of merchandising and sales promotion programs and materials, direct mail advertising, corporate identification, public relations, and interactive marketing. The Omnicom Group offers these services to clients worldwide on a local, national, pan-regional or global basis. Operations cover the major regions of North America, the United Kingdom, Continental Europe, the Middle East, Africa, Latin America, the Far East and Australia. In 1996 and 1995, 51% and 53%, respectively, of the Omnicom Group's billings came from its non-U.S. operations.

According to the unaudited industry-wide figures published in 1996 by the trade journal *Advertising Age*, Omnicom Group Inc. was ranked as the second largest advertising agency group worldwide.

The Omnicom Group operates as three separate, independent agency networks: the BBDO Worldwide Network, the DDB Needham Worldwide Network and the TBWA International Network. The Omnicom Group also operates two independent agencies, Cline, Davis & Mann and Goodby, Silverstein & Partners, certain marketing service and specialty advertising companies through its Diversified Agency Services division ("DAS"), and certain interactive marketing companies through Communicade.

The BBDO Worldwide, DDB Needham Worldwide and TBWA International Networks

General

BBDO Worldwide, DDB Needham Worldwide and TBWA International, by themselves and through their respective subsidiaries and affiliates, independently operate advertising agency networks worldwide. Their primary business is to create marketing communications for their clients' goods and services across the total spectrum of advertising and promotion media. Each of the agency networks has its own clients and competes with each other in the same markets.

The BBDO Worldwide, DDB Needham Worldwide and TBWA International agencies typically assign to each client a group of advertising specialists which may include account managers, copywriters, art directors and research, media and production personnel. The account manager works with the client to establish an overall advertising strategy for the client based on an analysis of the client's products or services and its market. The group then creates and arranges for the production of the advertising and/or promotion and purchases time, space or access in the relevant media in accordance with the client's budget.

BBDO Worldwide Network

The BBDO Worldwide Network operates in the United States through BBDO Worldwide which is headquartered in New York and has full-service offices in New York, New York; Los Angeles, California; Miami, Florida; Atlanta, Georgia; Chicago, Illinois; Detroit, Michigan; and Minneapolis, Minnesota.

The BBDO Worldwide Network operates internationally through subsidiaries in Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Italy, Malaysia, Mexico, the Netherlands, Peru, Poland, Portugal, Puerto Rico, Russia, Singapore, Spain, Sweden, Taiwan, Thailand and the United Kingdom; through affiliates located in Argentina, Australia, Chile, Costa Rica, Croatia, the Czech Republic, Egypt, El Salvador, Guatemala, Honduras, India, Israel, Kuwait, Lebanon, New Zealand, Nicaragua, Norway, Panama, the Philippines, Romania, Saudi Arabia, the Slovak Republic, Turkey, the United Kingdom, the United Arab Emirates and Venezuela; and through a joint venture in Japan. The BBDO Worldwide Network uses the services of associate agencies in Colombia, the Dominican Republic, Ecuador, Indonesia, Korea, Pakistan and Uruguay.

DDB Needham Worldwide Network

The DDB Needham Worldwide Network operates in the United States through The DDB Needham Worldwide Communications Group, which is headquartered in New York and has full-service offices in New York, New York; Los Angeles and San Francisco, California; Dallas, Texas; Chicago, Illinois; and Seattle, Washington; and through Griffin Bacal Inc., which is headquartered in New York.

The DDB Needham Worldwide Network operates internationally through subsidiaries in Australia, Austria, Belgium, Bulgaria, Canada, China, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Italy, Japan, Latvia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Poland, Portugal, Romania, Singapore, the Slovak Republic, Spain, Sweden, Taiwan, Thailand and the United Kingdom; and through affiliates located in Miami, Florida and in Brazil, Chile, Costa Rica, El Salvador, Germany, Guatemala, Honduras, India, Korea, Malaysia, Panama, Switzerland, Turkey and Venezuela. The DDB Needham Worldwide Network uses the services of associate agencies in Argentina, Bahrain, Bangladesh, Belize, Bolivia, the Dominican Republic, Egypt, Guam, Indonesia, Ireland, Israel, Kuwait, Lebanon, Montenegro, Morocco, Nicaragua, Oman, Pakistan, Paraguay, Peru, Puerto Rico, Russia, Saudi Arabia, Serbia, Slovenia, South Africa, Trinidad, the United Arab Emirates, Uruguay and Vietnam. Griffin Bacal Inc. operates internationally through subsidiaries in Canada and the United Kingdom and through a branch in Mexico.

TBWA International Network

The TBWA International Network operates in North America through TBWA Chiat/Day which is headquartered in New York and has full-service offices in New York, New York; Los Angeles, California; and St. Louis, Missouri; through Ketchum Advertising in Pittsburgh, Pennsylvania and San Francisco, California; through Graf Bertel Buczek in New York, New York; and through TBWA Chiat/Day Canada in Toronto, Canada. The TBWA International Network also operates in North America through its affiliate, TBWA Chiat/Day Mexico.

The TBWA International Network operates internationally through subsidiaries in Australia, Belgium, Brazil, China, Denmark, France, Germany, Greece, Hong Kong, Italy, the Netherlands, Portugal, Singapore, South Africa, Spain, Thailand and the United Kingdom; and through affiliates located in Argentina, Chile, Hungary, the Netherlands, Norway, Poland, Sweden and Switzerland. The TBWA International Network uses the services of associate agencies in Austria, Cyprus, the Czech Republic, India, Israel, Japan, the Middle East, Norway, Russia, South Korea and Zimbabwe.

Diversified Agency Services

DAS is the Omnicom Group's Marketing Services and Specialty Advertising Division. The DAS mission is to provide the best customer driven marketing communications coordinated for the clients' benefit. Marketing services include: promotion, public relations, public affairs, direct/database marketing, branding consultancy, graphic arts, sports marketing and directory advertising. Specialty advertising includes: financial, healthcare, multicultural and recruitment advertising. DAS also operates independent consumer advertising and media buying agencies.

DAS agencies headquartered in the United States include: Gerstman & Meyers, Harrison & Star, Interbrand Schechter, Kallir, Philips, Ross, Ketchum Healthcare Communications, Lyons/Lavey/Nickel/Swift, Merkley Newman Harty, RC Communications, The Rodd Group and Shain Colavito Pensabene Direct in New York; Bernard Hodes Advertising, Doremus & Company, Gavin Anderson & Company Worldwide, Ketchum Public Relations Worldwide, Porter Novelli and Rapp Collins Worldwide, all in various cities and headquartered in New York; Alcone Marketing Group headquartered in Irvine, California; TLP in Dallas, Texas; Baxter, Gurian & Mazzei in Los Angeles, California; Clark & Weinstock in New York, New York and Washington, D.C.; Corbett HealthConnect in Chicago, Illinois; Creative Media in New York, New York and San Francisco, California; Millsport in Stamford, Connecticut; Optima Direct in Vienna, Virginia; Ketchum Directory Advertising, headquartered in Chicago, Illinois; The GMR Group in Fort Washington, Pennsylvania; and Rainoldi, Kerzner & Radcliffe in San Francisco, California.

DAS operates in the United Kingdom through subsidiaries which include Colour Solutions, Countrywide Communications Group, CPM International, GPC Market Access Group, Granby Marketing Services, Interbrand, MacMillan Davies Hodes Advertising, MacMillan Davies Hodes Consultants, Paling Walters Targis, Premier Magazines, Product Plus International, Smythe Dorward Lambert, Specialist Publications, The Anvil Consultancy and WWAV Rapp Collins Group.

In addition, DAS operates internationally with subsidiaries and affiliates in Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, Panama, Puerto Rico, Singapore, South Africa, Spain, Sweden, Switzerland and Taiwan.

Communicade

The Omnicom Group has minority interests in six interactive marketing agencies in the United States: AGENCY.COM Ltd., Razorfish, Inc. and Think New Ideas, Inc., headquartered in New York; Red Sky Interactive and Organic Online, Inc., in San Francisco, California; and Interactive Solutions Inc., in Boston, Massachusetts.

Omnicom Group Inc.

As the parent company of BBDO Worldwide, DDB Needham Worldwide, TBWA International, DAS, Communicade and two independent agencies, the Company, through its wholly-owned subsidiary Omnicom Management Inc., provides a common financial and administrative base for the operating groups. The Company oversees the operations of each group through regular meetings with their respective top-level management. The Company sets operational goals for each of the groups and evaluates performance through the review of monthly operational and financial reports. The Company provides its groups with centralized services designed to coordinate financial reporting and controls, tax, treasury and real estate planning, and to focus corporate development objectives. The Company also develops consolidated services for its agencies and their clients such as consolidated media buying arrangements.

Clients

The clients of the Omnicom Group include major industrial, financial and service industry companies as well as smaller, local clients. Among its largest clients are Anheuser-Busch, Chrysler, Gillette, Hasbro, Henkel, Johnson & Johnson, Mars, McDonald's, Nissan, PepsiCo, Pfizer, Sony, Visa and Volkswagen.

The Omnicom Group's ten largest clients accounted for approximately 20% of 1996 commissions and fees. The majority of these have been clients for more than ten years. The Omnicom Group's largest client accounted for less than 6% of 1996 commissions and fees.

Revenues

Commissions charged on media billings represent a significant proportion of revenues for the Omnicom Group. Commission rates are not uniform and are negotiated with the client. In accordance with industry practice, the media source typically bills the agency for the time or space purchased and the Omnicom Group bills its client for this amount plus the commission. The Omnicom Group typically requires that payment for media charges be received from the client before the agency makes payments to the media. In some instances a member of the Omnicom Group, like other advertising agencies, is at risk in the event that its client is unable to pay the media.

The Omnicom Group's advertising networks also generate revenues by arranging for the production of advertisements and commercials. Although, as a general matter, the Omnicom Group does not itself produce the advertisements and commercials, the Omnicom Group's creative and production staff directs and supervises the production company. Agencies bill the client for production costs plus a commission. In some circumstances, certain production work is done by the Omnicom Group's personnel.

In many cases, fees are generated in lieu of commissions. Several different fee arrangements are used depending on client and individual agency needs. In general, fee charges relate to the cost of providing services plus a markup. The DAS companies primarily charge fees for their various specialty services, which vary in type and scale, depending upon the service rendered and the client's requirements.

Advertising agency revenues are dependent upon the marketing requirements of clients and tend to be highest in the second and fourth quarters of the fiscal year.

Other Information

For additional information concerning the contribution of international operations to commissions and fees and net income see Note 5 of the Notes to Consolidated Financial Statements.

The Omnicom Group is continuously developing new methods of improving its research capabilities, to analyze specific client requirements and to assess the impact of advertising. In the United States, approximately 198 people on the Omnicom Group's staff were employed in research during the year and the Omnicom Group's domestic research expenditures approximated $34,816,000. Substantially all such expenses were incurred in connection with contemporaneous servicing of clients.

The advertising business is highly competitive and accounts may shift agencies with comparative ease, usually on 90 days' notice. Clients may also reduce advertising budgets at any time for any reason. An agency's ability to compete for new clients is affected in some instances by the policy, which many advertisers follow, of not permitting their agencies to represent competitive accounts in the same market. As a result, increasing size may limit an agency's potential for securing certain new clients. In the vast majority of cases, however, the separate, independent identities of BBDO Worldwide, DDB Needham Worldwide, TBWA International, the independent agencies within the DAS Group and Communicade, and the other independent agencies have enabled the Omnicom Group to represent competing clients.

BBDO Worldwide, DDB Needham Worldwide, TBWA International, DAS, Communicade and the independent agencies have sought, and as part of the Omnicom Group's operating segments will seek, new business by showing potential clients examples of advertising campaigns produced and by explaining the variety of related services offered. The Omnicom Group competes in the United States and internationally with a multitude of full service and special service agencies. In addition to the usual risks of the advertising agency business, international operations are subject to the risk of currency exchange fluctuations, exchange control restrictions and to actions of governmental authorities.

Employees

The business success of the Omnicom Group is, and will continue to be, highly dependent upon the skills and creativity of its creative, research, media and account personnel and their relationships with clients. The Company believes its operating groups have established reputations for creativity and marketing expertise which attract, retain and stimulate talented personnel. There is substantial competition among advertising agencies for talented personnel and all agencies are vulnerable to adverse consequences from the loss of key individuals. Employees are generally not under employment contracts and are free to move to competitors of the Omnicom Group. The Company believes that its compensation arrangements for its key employees, which include stock options, restricted stock and retirement plans, are highly competitive with those of other advertising agencies. As of December 31, 1996, the Omnicom Group, excluding unconsolidated companies, employed approximately 22,700 persons, of which approximately 10,400 were employed in the United States and approximately 12,300 were employed in its international offices.

Government Regulation

The advertising business is subject to government regulation, both within and outside the United States. In the United States, federal, state and local governments and their agencies and various consumer groups have directly or indirectly affected or attempted to affect the scope, content and manner of presentation of advertising. The continued activity by government and by consumer groups regarding advertising may cause further change in domestic advertising practices in the coming years. While the Company is unable to estimate the effect of these developments on its U.S. business, management believes the total volume of advertising in general media in the United States will not be materially reduced due to future legislation or regulation, even though the form, content, and manner of presentation of advertising may be modified. In addition, the Company will continue to ensure that its management and operating personnel are aware of and are responsive to the possible implications of such developments.

Item 2. *Properties*

Substantially all of the Company's offices are located in leased premises. The Company actively manages its obligations and, where appropriate, consolidates its leased premises. Management has obtained subleases for most of the premises vacated. Where appropriate, management has established reserves for the difference between the cost of the leased premises that were vacated and anticipated sublease income.

Domestic

The Company's corporate office occupies approximately 32,000 sq. ft. of space at 437 Madison Avenue, New York, New York under a lease expiring in the year 2010.

BBDO Worldwide occupies approximately 285,000 sq. ft. of space at 1285 Avenue of the Americas, New York, New York under a lease expiring in the year 2012, which includes options for additional growth of the agency.

DDB Needham Worldwide occupies approximately 171,000 sq. ft. of space at 437 Madison Avenue, New York, New York under leases expiring in the year 2010, which include options for additional growth of the agency.

TBWA Chiat/Day occupies approximately 58,000 sq. ft. of space at 180 Maiden Lane, New York, New York under a lease expiring in the year 2016, which includes options for additional growth of the agency.

Offices in Atlanta, Boston, Chicago, Dallas, Detroit, Houston, Irvine, Los Angeles, Mahwah, Minneapolis, New York, Philadelphia, Pittsburgh, San Francisco, San Jose, Seattle, St. Louis and Washington, D.C. and at various other locations occupy approximately 2,877,000 sq. ft. of space under leases with varying expiration dates.

International

The Company's international subsidiaries in Australia, Austria, Belgium, Brazil, Canada, China, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Puerto Rico, Singapore, the Slovak Republic, South Africa, Spain, Sweden, Taiwan, Thailand and the United Kingdom occupy premises under leases with various expiration dates.

Item 3. *Legal Proceedings*

The Company has no material pending legal proceedings, other than ordinary routine litigation incidental to its business.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during 1996.

Executive Officers of the Company

The individuals named below are Executive Officers of the Company and, except as indicated below, have held their current positions during the last five years:

Name	Position	Age
Bruce Crawford	Chairman of Omnicom Group	68
John D. Wren	Chief Executive Officer & President of Omnicom Group and Chairman & Chief Executive Officer of Diversified Agency Services	44
Fred J. Meyer	Chief Financial Officer of Omnicom Group	66
Dennis E. Hewitt	Treasurer of Omnicom Group	52
Barry J. Wagner	Secretary & General Counsel of Omnicom Group	56
Jonathan E. Ramsden	Controller of Omnicom Group	32
Allen Rosenshine	Chairman & Chief Executive Officer of BBDO Worldwide	58
James A. Cannon	Vice Chairman & Chief Financial Officer of BBDO Worldwide	58
Keith L. Reinhard	Chairman & Chief Executive Officer of DDB Needham Worldwide	62
William G. Tragos	Chairman & Chief Executive Officer of TBWA International	62

John D. Wren was appointed Chief Executive Officer of the Omnicom Group effective January 1, 1997, succeeding Bruce Crawford in the position. Mr. Wren was appointed President of the Omnicom Group and Chairman of Diversified Agency Services in September 1995. Mr. Wren was appointed Chief Executive Officer of Diversified Agency Services in May 1993. Mr. Wren had served as President of Diversified Agency Services since February 1992, having previously served as its Executive Vice President and General Manager.

Fred J. Meyer joined the Company in April 1988 as Chief Financial Officer. Mr. Meyer was previously Senior Vice President and Chief Financial Officer of CBS Inc.

Dennis E. Hewitt was promoted to Treasurer of the Company in January 1994. Mr. Hewitt joined the Company in May 1988 as Assistant Treasurer.

Barry J. Wagner was promoted to Secretary & General Counsel of the Company in May 1995. Mr. Wagner was previously Assistant Secretary of the Company.

Jonathan E. Ramsden was promoted to Controller of the Company in June 1996. Mr. Ramsden joined the Company in March 1996 after nine years with Arthur Andersen.

Similar information with respect to the remaining Executive Officers of the Company, who are all directors of the Company, can be found in the Company's definitive proxy statement expected to be filed April 7, 1997.

The Executive Officers of the Company are elected annually following the annual meeting of the shareholders of their respective employers.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

Price Range of Common Stock and Dividend History

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "OMC". The table below shows the range of reported last sale prices on the New York Stock Exchange Composite Tape for the Company's common stock for the periods indicated and the dividends paid per share on the common stock for such periods; the reported last sale price on March 14, 1997 was $51.

	High	Low	Dividends Paid Per Share of Common Stock
1995			
First Quarter	28 7/16	25	.155
Second Quarter	30 13/16	27 1/16	.155
Third Quarter	33	29 5/16	.175
Fourth Quarter	37 1/4	31 3/16	.175
1996			
First Quarter	45	35 5/8	.175
Second Quarter	46 1/2	40 1/4	.175
Third Quarter	47 3/4	39 1/8	.20
Fourth Quarter	51 1/2	44	.20

The Company is not aware of any restrictions on its present or future ability to pay dividends. However, in connection with certain borrowing facilities entered into by the Company and its subsidiaries (see Note 7 of the Notes to Consolidated Financial Statements), the Company is subject to certain restrictions on the ratio of debt to cash flow, the ratio of total consolidated indebtedness to total consolidated capitalization and its ability to make investments in and loans to affiliates and unconsolidated subsidiaries.

On January 28, 1997 the Board of Directors declared a regular quarterly dividend of $.20 per share of common stock, payable April 3, 1997 to holders of record on March 14, 1997.

Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders on March 14, 1997
Common Stock, $.50 par value	3,658
Preferred Stock, $1.00 par value	None

Item 6. ***Selected Financial Data***

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements which begin on page F-1.

	(Dollars in Thousands Except Per Share Amounts)				
	1996	**1995**	**1994**	**1993**	**1992**
For the year:					
Commissions and fees	$2,641,667	$2,257,536	$1,907,795	$1,688,960	$1,600,326
Income before changes in accounting principles	176,329	139,955	111,495	65,568	59,650
Net income	176,329	139,955	83,486	65,568	56,250
Earnings per common share before changes in accounting principles:					
Primary	2.29	1.89	1.58	1.03	1.01
Fully diluted	2.25	1.85	1.54	1.01	0.86
Cumulative effect of changes in accounting principles:					
Primary	—	—	(0.40)	—	(0.06)
Fully diluted	—	—	(0.40)	—	(0.06)
Earnings per common share after changes in accounting principles:					
Primary	2.29	1.89	1.18	1.03	0.95
Fully diluted	2.25	1.85	1.18	1.01	0.81
Dividends declared per common share	0.75	0.66	0.62	0.62	0.60
At year end:					
Total assets	4,055,943	3,527,677	3,040,211	2,465,408	2,266,733
Long-term obligations:					
Long-term debt	204,744	290,379	199,487	301,044	324,133
Deferred compensation and other liabilities	124,739	122,623	150,291	113,197	102,814

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Results of Operations

In 1996, domestic revenues from commissions and fees increased 23.9 percent. The effect of acquisitions, net of divestitures, accounted for a 7.4 percent increase. The remaining 16.5 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1995, domestic revenues from commissions and fees increased 12.8 percent. The effect of acquisitions, net of divestitures, accounted for a 1.5 percent increase. The remaining 11.3 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1994, domestic revenues from commissions and fees increased 7.0 percent. The effect of acquisitions, net of divestitures, accounted for a 1.2 percent increase. The remaining 5.8 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1996, international revenues increased 10.3 percent. The effect of acquisitions, net of divestitures, accounted for a 3.2 percent increase in international revenues. Changes in the foreign exchange value of the U.S. dollar decreased international revenues by 3.4 percent. The remaining 10.5 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1995, international revenues increased 24.3 percent. The effect of acquisitions, net of divestitures, accounted for a 5.9 percent increase in international revenues. The weakening of the U.S. dollar increased international revenues by 6.7 percent. The remaining 11.7 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1994, international revenues increased 20.2 percent. The effect of acquisitions, net of divestitures, accounted for an 8.5 percent increase in international revenues. The weakening of the U.S. dollar increased

international revenues by 2.3 percent. The remaining 9.4 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1996, worldwide operating expenses increased 16.5 percent. Acquisitions, net of divestitures during the year, accounted for a 4.9 percent increase in worldwide operating expenses. Changes in the foreign exchange value of the U.S. dollar decreased worldwide operating expenses by 1.6 percent. The remaining 13.2 percent increase was caused by increases in employee compensation, including relatively higher levels of bonus and incentive compensation and severance payments, and growth in out-of-pocket expenditures to service the increased revenue base. Net foreign exchange gains did not significantly impact operating expenses for the year.

In 1995, worldwide operating expenses increased 17.4 percent. Acquisitions, net of divestitures during the year, accounted for a 3.9 percent increase in worldwide operating expenses. The weakening of the U.S dollar increased worldwide operating expenses by 3.2 percent. The remaining 10.3 percent increase was caused by normal salary increases and growth in out-of-pocket expenditures to service the increased revenue base. Net foreign exchange gains did not significantly impact operating expenses for the year.

In 1994, worldwide operating expenses increased 10.2 percent. Acquisitions, net of divestitures during the year, accounted for a 4.8 percent increase in worldwide operating expenses. The weakening of the U.S dollar increased worldwide operating expenses by 1.1 percent. The remaining 4.3 percent increase was caused by normal salary increases and growth in out-of-pocket expenditures to service the increased revenue base, partially offset by the elimination of special charges recorded in 1993 related to the restructuring of certain real estate operating leases, including the write off of fixed assets abandoned in conjunction with lease terminations. Net foreign exchange gains did not significantly impact operating expenses for the year.

Net interest expense in 1996 decreased $6.9 million, due primarily to lower average interest rates on borrowings and the conversion of the 4.5%/6.25% Step-Up Convertible Subordinated Debentures in September 1996.

Net interest expense in 1995 was comparable to net interest expense in 1994. The effect of higher average borrowings during the year was offset by the effect of higher average amounts of cash and marketable securities invested during the year.

Net interest expense in 1994 decreased by $4.4 million. This decrease reflects lower average interest rates on borrowings, primarily due to the conversion of the Company's 7% Convertible Subordinated Debentures in October 1993 and the conversion of the Company's 6.5% Convertible Subordinated Debentures in July 1994, partially offset by lower average funds available for investment during the year and declining interest rates in certain countries.

In 1996, the effective tax rate increased to 40.5 percent. This increase reflects an increase in the effective rate of state and local taxes.

In 1995, the effective tax rate decreased to 40.1 percent. The decrease reflects a reduction in the effect of nondeductible goodwill amortization and a decrease in the effective rate of state and local taxes.

In 1994, the effective tax rate decreased to 41.2 percent. The decrease reflects a reduction in losses of domestic and international subsidiaries without tax benefit, a reduction in the effective rate of state and local taxes and a reduction in the effect of nondeductible goodwill amortization, offset by the elimination of nontaxable proceeds from life insurance policies.

In 1996, consolidated net income increased 26.0 percent. This increase was the result of revenue growth and margin improvement. Operating margin, which excludes net interest expense, increased to 12.4 percent in 1996 from 12.0 percent in 1995 as a result of greater growth in commission and fee revenue than the growth in operating expenses. In 1996, the impact of acquisitions, net of divestitures, resulted in a 2.7 percent increase in consolidated net income, while changes in the foreign exchange value of the U.S. dollar decreased consolidated net income by 2.4 percent.

In 1995, consolidated net income increased 25.5 percent compared to 1994 consolidated net income before the adoption of SFAS 112. This increase was the result of revenue growth, margin improvement, and an increase in equity income, partially offset by an increase in minority interest expense. Operating margin increased to 12.0 percent in 1995 from 11.3 percent in 1994 as a result of greater growth in commission and fee revenue than the growth in operating expenses. The increase in equity income was primarily due to increased earnings of the Company's existing equity affiliates. The increase in minority interest expense was caused by higher earnings

from companies in which minority interests exist. In 1995, the impact of divestitures, net of acquisitions, resulted in a 4.4 percent decrease in consolidated net income, while the weakening of the U.S. dollar against several international currencies increased consolidated net income by 3.4 percent.

In 1994, consolidated net income before the adoption of SFAS 112 increased by 70.0 percent. This increase was the result of revenue growth, margin improvement, an increase in equity income and a reduction in the effective tax rate. Operating margin increased to 11.3 percent in 1994 from 9.1 percent in 1993 as a result of greater growth in commission and fee revenue than the growth in operating expenses. The increase in equity income was primarily due to earnings from new equity affiliates and was also due to improved net income at companies which are less than 50 percent owned. In 1994, the impact of divestitures, net of acquisitions, resulted in a 2.3 percent decrease in consolidated net income, while the weakening of the U.S. dollar against several international currencies increased consolidated net income by 1.4 percent.

At December 31, 1996, accounts receivable less allowance for doubtful accounts, increased by $52.2 million from December 31, 1995. At December 31, 1996, accounts payable and other accrued liabilities increased by $335.5 million and $97.3 million, respectively, from December 31, 1995. These increases were primarily due to an increased volume of activity resulting from business growth and acquisitions during the year and, in the case of accounts payable, differences in the timing of payments to media and other suppliers in 1996 compared to 1995.

Effective January 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits". The cumulative after tax effect of the adoption of this statement decreased net income by $28.0 million.

The Company's international operations are subject to the risk of currency exchange rate fluctuations. This risk is generally limited to the net income of the operations as the revenues and expenses of the operations are generally denominated in the same currency. When economically beneficial to do so, the Company or its international operations enter into hedging transactions to minimize the risk of adverse currency exchange rate fluctuations on the net income of the operation. The Company's major international markets are the United Kingdom, Germany, France, the Netherlands, Canada, Spain, and Australia. The Company's operations are also subject to the risk of interest rate fluctuations.

As part of managing the Company's exposures to currency exchange and market interest rates, the Company periodically enters into derivative financial instruments. In order to minimize counterparty risk, the Company only enters into derivative contracts with major well-known banks that have credit ratings equal to or better than the Company's. Additionally, these contracts contain provisions for net settlement. As such, the contracts settle based on the spread between the currency rates and interest rates contained in the contracts and the current market rates. This minimizes the risk of an insolvent counterparty being unable to pay the Company and, at the same time, having the creditors of the counterparty demanding the notional principal amount from the Company.

The Company's derivative activities are limited in volume and confined to risk management activities related to the Company's worldwide operations. A reporting system is in place which evaluates the impact on the Company's earnings resulting from changes in interest rates, currency exchange rates and other relevant market risks. This system is structured to enable senior management to initiate prompt remedial action, if appropriate.

At December 31, 1996 and 1995, the Company had forward foreign exchange contracts outstanding with an aggregate notional principal amount of $301 million and $325 million, respectively, most of which were denominated in the Company's major international market currencies. These contracts predominantly hedge certain of the Company's intercompany receivables and payables which are recorded in a currency different from that in which they will settle. The terms of these contracts are generally three months or less.

At December 31, 1996 no swap agreements were outstanding. At December 31, 1995, the Company had executed interest rate swap contracts with banks which became effective during 1996. These contracts consisted of: a $75 million notional principal amount U.S. dollar fixed to floating rate swap relating to a portion of the Company's intercompany interest cash flows; a Deutsche Mark 76.6 million notional principal amount (approximately $53.3 million at the December 31, 1995 exchange rate) floating to fixed rate swap and a $10 million notional principal amount U.S. dollar floating to fixed rate swap, both of which were to convert a portion of the Company's floating rate debt to a fixed rate. During 1996, these interest rate swap contracts were terminated.

At December 31, 1996 and 1995, the Company had no other derivative contracts outstanding.

The Company anticipates relatively favorable growth rates in its domestic and international markets.

Capital Resources and Liquidity

Cash and cash equivalents increased $196.3 million during 1996 to $510.3 million at December 31, 1996. The Company's positive net cash flow provided by operating activities was maintained, in part, by a continued favorable relationship between the collection of accounts receivable and the payment of obligations to media and other suppliers. After annual cash outlays for dividends paid to shareholders and minority interests and the repurchase of the Company's common stock for employee programs, the balance of the cash flow, together with the proceeds from issuance of debt obligations, was used to fund acquisitions, make capital expenditures and repay debt obligations.

On July 12, 1996, the Company issued a Notice of Redemption for the outstanding 4.5%/6.25% Step-Up Convertible Subordinated Debentures with a scheduled maturity in 2000. Prior to the September 5, 1996 redemption date, the debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $27.44 per common share.

On March 1, 1996, the Company issued Deutsche Mark 100 million Floating Rate Bonds (approximately $68 million at the March 1, 1996 exchange rate) due March 1, 1999. The bonds are unsecured, unsubordinated obligations of the Company and bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.375%.

On January 4, 1995, an indirect wholly-owned subsidiary of the Company issued Deutsche Mark 200 million Floating Rate Bonds due January 5, 2000. The bonds are unsecured, unsubordinated obligations of the issuer and are unconditionally and irrevocably guaranteed by the Company. The bonds bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.65%.

On June 1, 1994, the Company issued a Notice of Redemption for the outstanding $100 million of its 6.5% Convertible Subordinated Debentures due 2004. Prior to the July 27, 1994 redemption date, the debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $14.00 per common share.

The Company maintains relationships with a number of banks worldwide, which have extended unsecured committed lines of credit in amounts sufficient to meet the Company's cash needs. At December 31, 1996, the Company had $475 million in such unsecured committed lines of credit, comprised of a $360 million, five year revolving credit agreement expiring June 30, 2001, and $115 million in lines of credit, principally outside of the United States. Of the $475 million in unsecured committed lines, $5 million were used at December 31, 1996. Management believes the aggregate lines of credit available to the Company are adequate to support its short-term cash requirements for dividends, capital expenditures and maintenance of working capital.

On January 3, 1997, the Company issued $218.5 million of 4¹/₄% Convertible Subordinated Debentures with a scheduled maturity in 2007. The debentures are convertible into common stock of the Company at a conversion price of $63.00 per share subject to adjustment in certain events. Debenture holders have the right to require the Company to redeem the debentures on January 3, 2003 at a price of 112.418%, or upon the occurrence of a Fundamental Change, as defined in the indenture agreement, at the prevailing redemption price. The Company may redeem the debentures, as a whole or in part, on or after December 29, 2000 initially at 108.324% and at increasing prices thereafter to 112.418% until January 2, 2003 and 100% thereafter. Unless the debentures are redeemed, repaid or converted prior thereto, the debentures will mature on January 3, 2007 at their principal amount. The proceeds of this issuance are being used for general corporate purposes including working capital.

The Company anticipates that the year end cash position, together with the future cash flows from operations and funds available under existing credit facilities (including the 4¹/₄% Convertible Subordinated Debentures) will be adequate to meet its long-term cash requirements as presently contemplated.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary data required by this item appear beginning on page F–1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information with respect to the directors of the Company and compliance with Section 16 rules is incorporated by reference to the Company's definitive proxy statement expected to be filed by April 7, 1997. Information regarding the Company's executive officers is set forth in Part I of this Form 10-K.

Item 11. ***Executive Compensation***

Incorporated by reference to the Company's definitive proxy statement expected to be filed by April 7, 1997.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Incorporated by reference to the Company's definitive proxy statement expected to be filed by April 7, 1997.

Item 13. ***Certain Relationships and Related Transactions***

Incorporated by reference to the Company's definitive proxy statement expected to be filed by April 7, 1997.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a)1. Financial Statements:

	Page
Report of Management	F-1
Report of Independent Public Accountants	F-2
Consolidated Statements of Income for the three years ended December 31, 1996	F-3
Consolidated Balance Sheets at December 31, 1996 and 1995	F-4
Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1996	F-5
Consolidated Statements of Cash Flows for the three years ended December 31, 1996	F-6
Notes to Consolidated Financial Statements	F-7
Quarterly Results of Operations (Unaudited)	F-20

2. Financial Statement Schedules:

Schedule II—Valuation and Qualifying Accounts for the three years ended December 31, 1996	S-1

All other schedules are omitted because they are not applicable.

3. Exhibits:

(3)(i) Articles of Incorporation (as amended on November 28, 1995 and as restated for filing purposes).
Incorporated by reference to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995.

(ii) By-laws.
Incorporated by reference to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1987.

(4) Instruments Defining the Rights of Security Holders, Including Indentures.

4.1 Copy of Subscription Agreement dated December 14, 1994 by and among the Registrant, BBDO Canada Inc. and Morgan Stanley GmbH and the other Managers listed therein, in connection with the issuance of DM 200,000,000 Floating Rate Bonds of 1995 due January 5, 2000 of BBDO Canada Inc., including form of Guaranty by Registrant, filed as Exhibit 4.2 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

4.2 Paying Agency Agreement dated January 4, 1995 by and among the Registrant, BBDO Canada Inc. and Morgan Stanley GmbH in connection with the issuance of DM 200,000,000 Floating Rate Bonds of 1995 due January 5, 2000 of BBDO Canada Inc. filed as Exhibit 4.3 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

4.3 Copy of Subscription Agreement dated February 27, 1996 by and among the Registrant, Morgan Stanley Bank AG and Morgan Stanley & Co. International in connection with the issuance of DM 100,000,000 Floating Rate Bonds of 1996 due March 1, 1999 filed as Exhibit 4.4 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.

4.4 Paying Agency Agreement dated March 1, 1996 by and among the Registrant, Morgan Stanley Bank AG and Morgan Stanley & Co. International in connection with the issuance of DM 100,000,000 Floating Rate Bonds of 1996 due March 1, 1999 filed as Exhibit 4.5 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.

4.5 Indenture dated January 3, 1997 between the Registrant and The Chase Manhattan Bank, as trustee, in connection with the issuance of $4\frac{1}{4}$% Convertible Subordinated Debentures due 2007 filed as Exhibit 4.2 to Omnicom Group Inc.'s Form S-3 Registration Statement No. 333-22589, is incorporated herein by reference.

4.6 Form of Debentures (included in Exhibit 4.5 above) filed as Exhibit 4.3 to Omnicom Group Inc.'s Form S-3 Registration Statement No. 333-22589, is incorporated herein by reference.

4.7 Registration Rights Agreement dated as of January 3, 1997 between the Registrant and Morgan Stanley & Co. Incorporated related to the Registrant's $4\frac{1}{4}$% Convertible Subordinated Debentures due 2007 filed as Exhibit 4.4 to Omnicom Group Inc.'s Form S-3 Registration Statement No. 333-22589, is incorporated herein by reference.

(10) Material Contracts.

Management Contracts, Compensatory Plans, Contracts or Arrangements.

10.1 Copy of Registrant's 1987 Stock Plan, filed as Exhibit 10.26 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1987, is incorporated herein by reference.

10.2 Amendments to Registrant's 1987 Stock Plan, filed as Exhibit 10.2 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

10.3 Copy of Registrant's Profit-Sharing Retirement Plan dated May 16, 1988, filed as Exhibit 10.24 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1988, is incorporated herein by reference.

10.4 Amendment to Registrant's Profit-Sharing Retirement Plan, listed as Exhibit 10.3 above, adopted February 4, 1991, filed as Exhibit 10.28 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1990, is incorporated herein by reference.

10.5 Amendment to Registrant's Profit-Sharing Retirement Plan listed as Exhibit 10.3 above, adopted on December 7, 1992, filed as Exhibit 10.13 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.

10.6 Amendment to Registrant's Profit-Sharing Retirement Plan listed as Exhibit 10.3 above, adopted on July 1, 1993, filed as Exhibit 10.10 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

10.7 Standard Form of the Registrant's 1988 Executive Salary Continuation Plan Agreement, filed as Exhibit 10.24 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1989, is incorporated herein by reference.

10.8 Standard Form of the Registrant's Indemnification Agreement with members of Registrant's Board of Directors, filed as Exhibit 10.25 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1989, is incorporated herein by reference.

10.9 Copy of DDB Needham Worldwide Joint Savings Plan, effective as of May 1, 1989, filed as Exhibit 10.26 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1989, is incorporated herein by reference.

10.10	Copy of Severance Agreement dated July 6, 1993, between Keith Reinhard and The DDB Needham Worldwide Communications Group, Inc. (then known as DDB Needham Worldwide, Inc.), filed as Exhibit 10.11 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.	
10.11	Copy of Employment Agreement dated May 26, 1993, between William G. Tragos and TBWA International B.V., filed as Exhibit 10.13 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.	
10.12	Copy of Deferred Compensation Agreement dated October 12, 1984, between William G. Tragos and TBWA Advertising Inc., filed as Exhibit 10.14 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.	
10.13	Standard Form of Severance Compensation Agreement incorporated by reference to BBDO International Inc.'s Form S-1 Registration Statement filed with the Securities and Exchange Commission on September 28, 1973, is incorporated herein by reference.	
	Other Material Contracts.	
10.14	Copy of $360,000,000 Credit Agreement, dated May 10, 1996, between Omnicom Finance Inc., Omnicom Finance Limited, ABN AMRO Bank N.V., Chase Securities Inc. and the financial institutions party thereto, filed as Exhibit 10.15 to Omnicom Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, is incorporated herein by reference.	
10.15	Copy of Amendment No. 1 dated December 27, 1996, to the Omnicom $360,000,000 Credit Agreement dated May 10, 1996, listed as Exhibit 10.14 above.	
(21)	Subsidiaries of the Registrant	S-2
(23)	Consents of Experts and Counsel.	
23.1	Consent of Arthur Andersen LLP	S-15
(24)	Powers of Attorney from Bernard Brochand, Robert J. Callander, James A. Cannon, Leonard S. Coleman, Jr., John R. Murphy, John R. Purcell, Keith L. Reinhard, Allen Rosenshine, Gary L. Roubos, Quentin I. Smith, Jr., William G. Tragos and Egon P. S. Zehnder.	
(27)	Financial Data Schedule (filed in electronic format only).	

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the fourth quarter of the year ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 24, 1997

By: /s/ FRED J. MEYER

Fred J. Meyer
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BRUCE CRAWFORD **(Bruce Crawford)**	Chairman and Director	March 24, 1997
/s/ JOHN D. WREN **(John D. Wren)**	Chief Executive Officer and President and Director	March 24, 1997
/s/ FRED J. MEYER **(Fred J. Meyer)**	Chief Financial Officer	March 24, 1997
/s/ JONATHAN E. RAMSDEN **(Jonathan E. Ramsden)**	Controller (Principal Accounting Officer)	March 24, 1997
/s/ BARRY J. WAGNER **(Barry J. Wagner)**	Secretary and General Counsel	March 24, 1997
/s/ BERNARD BROCHAND* **(Bernard Brochand)**	Director	March 24, 1997
/s/ ROBERT J. CALLANDER* **(Robert J. Callander)**	Director	March 24, 1997
/s/ JAMES A. CANNON* **(James A. Cannon)**	Director	March 24, 1997
/s/ LEONARD S. COLEMAN, JR.* **(Leonard S. Coleman, Jr.)**	Director	March 24, 1997
/s/ JOHN R. MURPHY* **(John R. Murphy)**	Director	March 24, 1997
/s/ JOHN R. PURCELL * **(John R. Purcell)**	Director	March 24, 1997
/s/ KEITH L. REINHARD* **(Keith L. Reinhard)**	Director	March 24, 1997
/s/ ALLEN ROSENSHINE* **(Allen Rosenshine)**	Director	March 24, 1997
/s/ GARY L. ROUBOS* **(Gary L. Roubos)**	Director	March 24, 1997
/s/ QUENTIN I. SMITH, JR.* **(Quentin I. Smith, Jr.)**	Director	March 24, 1997
/s/ WILLIAM G. TRAGOS* **(William G. Tragos)**	Director	March 24, 1997
/s/ EGON P.S. ZEHNDER* **(Egon P.S. Zehnder)**	Director	March 24, 1997

*By BARRY J. WAGNER

Barry J. Wagner
Attorney-in-fact

REPORT OF MANAGEMENT

The management of Omnicom Group Inc. is responsible for the integrity of the financial data reported by Omnicom Group and its subsidiaries. Management uses its best judgment to ensure that the financial statements present fairly, in all material respects, the consolidated financial position and results of operations of Omnicom Group. These financial statements have been prepared in accordance with generally accepted accounting principles.

The system of internal controls of Omnicom Group, augmented by a program of internal audits, is designed to provide reasonable assurance that assets are safeguarded and records are maintained to substantiate the preparation of accurate financial information. Underlying this concept of reasonable assurance is the premise that the cost of control should not exceed the benefits derived therefrom.

The financial statements have been audited by independent public accountants. Their report expresses an independent informed judgment as to the fairness of management's reported operating results and financial position. This judgment is based on the procedures described in the second paragraph of their report.

The Audit Committee meets periodically with representatives of financial management, internal audit and the independent public accountants to assure that each is properly discharging their responsibilities. In order to ensure complete independence, the Audit Committee communicates directly and separately with the independent public accountants, internal audit and financial management to discuss the results of their audits, the adequacy of internal accounting controls and the quality of financial reporting.

JOHN D. WREN	FRED J. MEYER
John D. Wren	**Fred J. Meyer**
Chief Executive Officer and President	**Chief Financial Officer**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Omnicom Group Inc.:

We have audited the accompanying consolidated balance sheets of Omnicom Group Inc. (a New York corporation) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omnicom Group Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 1994, the Company changed its method of accounting for postemployment benefits.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page S-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

New York, New York
February 18, 1997

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, (Dollars in Thousands Except Per Share Data)		
	1996	1995	1994
COMMISSIONS AND FEES	$2,641,667	$2,257,536	$1,907,795
OPERATING EXPENSES:			
Salaries and Related Costs	1,555,553	1,305,087	1,102,944
Office and General Expenses	759,541	681,544	588,747
	2,315,094	1,986,631	1,691,691
OPERATING PROFIT	326,573	270,905	216,104
NET INTEREST EXPENSE:			
Interest and Dividend Income	(12,725)	(15,019)	(13,295)
Interest Paid or Accrued	34,067	43,271	40,485
	21,342	28,252	27,190
INCOME BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE	305,231	242,653	188,914
INCOME TAXES	123,639	97,386	77,927
INCOME AFTER INCOME TAXES AND BEFORE CHANGE IN ACCOUNTING PRINCIPLE	181,592	145,267	110,987
EQUITY IN AFFILIATES	20,510	20,828	18,322
MINORITY INTERESTS	(25,773)	(26,140)	(17,814)
INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE	176,329	139,955	111,495
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	—	(28,009)
NET INCOME	$ 176,329	$ 139,955	$ 83,486
NET INCOME PER COMMON SHARE:			
Income Before Change in Accounting Principle:			
Primary	$ 2.29	$ 1.89	$ 1.58
Fully Diluted	$ 2.25	$ 1.85	$ 1.54
Cumulative Effect of Change in Accounting Principle:			
Primary	$ —	$ —	$ (0.40)
Fully Diluted	$ —	$ —	$ (0.40)
Net Income:			
Primary	$ 2.29	$ 1.89	$ 1.18
Fully Diluted	$ 2.25	$ 1.85	$ 1.18

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

OMNICOM GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Significant Accounting Policies

Business. Omnicom Group Inc., through its wholly and partially-owned companies, operates advertising agencies which plan, create, produce and place advertising in various media such as television, radio, newspaper and magazines. Additional services such as marketing consultation, consumer market research, design and production of merchandising and sales promotion programs and materials, direct mail advertising, corporate identification, public relations, and interactive marketing are offered to clients. These services are offered to clients worldwide on a local, national, pan-regional or global basis. Operations cover the major regions of North America, the United Kingdom, Continental Europe, the Middle East, Africa, Latin America, the Far East and Australia.

Recognition of Commission and Fee Revenue. Substantially all revenues are derived from commissions for placement of advertisements in various media and from fees for manpower and for production of advertisements. Revenue is generally recognized when billed. Billings are generally rendered upon presentation date for media, when manpower is used, when costs are incurred for radio and television production and when print production is completed.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Omnicom Group Inc. and its domestic and international subsidiaries (the “Company”). All significant intercompany balances and transactions have been eliminated.

Restatements and Reclassifications. During 1995, the Company completed certain acquisitions which were accounted for under the pooling-of-interests method of accounting, as discussed in Note 2. Accordingly, the Company’s consolidated financial statements and notes to consolidated financial statements include the operating results of these companies for all periods presented. On December 15, 1995, the Company completed a two-for-one stock split in the form of a 100% stock dividend; as such all prior year balances have been adjusted to give retroactive effect to the split. In addition, certain prior year amounts have been reclassified to conform with the 1996 presentation.

Billable Production. Billable production orders in process consist principally of costs incurred in producing advertisements and marketing communications for clients. Such amounts are generally billed to clients when costs are incurred for radio and television production and when print production is completed.

Treasury Stock. The Company accounts for treasury share purchases at cost. The reissuance of treasury shares is accounted for at the average cost. Gains or losses on the reissuance of treasury shares are generally accounted for as additional paid-in capital.

Foreign Currency Translation. The Company’s financial statements were prepared in accordance with the requirements of Statement of Financial Accounting Standards No. 52, “Foreign Currency Translation.” Under this method, net transaction gains of $1.5 million, $0.4 million and $4.0 million are included in 1996, 1995 and 1994 net income, respectively.

Earnings Per Common Share. Primary earnings per share is based upon the weighted average number of common shares and common share equivalents outstanding during each year. Fully diluted earnings per share is based on the above and, if dilutive, adjusted for the assumed conversion of the Company’s Convertible Subordinated Debentures and the assumed increase in net income for the after tax interest cost of these debentures. For the year ended December 31, 1996, the 4.5%/6.25% Step-Up Convertible Subordinated Debentures were assumed to be converted through September 5, 1996, when they were converted into common stock. For the year ended December 31, 1995 the 4.5%/6.25% Step-Up Convertible Subordinated Debentures were assumed to be converted for the full year. For the year ended December 31, 1994 the 4.5%/6.25% Step-Up Convertible Subordinated Debentures were assumed to be converted for the full year; and the 6.5% Convertible Subordinated Debentures were assumed to be converted through July 27, 1994, when they were converted into common stock. The number of shares used in the computations were as follows:

	1996	1995	1994
Primary EPS computation ……………	77,071,300	74,375,300	70,764,800
Fully diluted EPS computation ………	80,747,400	79,913,100	79,925,700

For purposes of computing fully diluted earnings per share on net income and the cumulative effect of the change in accounting principle, for the year ended December 31, 1994, the Company's Convertible Subordinated Debentures were not reflected in the computations as their inclusion would have been anti-dilutive.

Severance Agreements. Arrangements with certain present and former employees provide for continuing payments for periods up to 10 years after cessation of their full-time employment in consideration for agreements by the employees not to compete and to render consulting services in the post employment period. Such payments, which are determined, subject to certain conditions and limitations, by earnings in subsequent periods, are expensed in such periods.

Depreciation of Furniture and Equipment and Amortization of Leasehold Improvements. Depreciation charges are computed on a straight-line basis or declining balance method over the estimated useful lives of furniture and equipment, up to 10 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the terms of the related lease or the useful lives of these assets.

Intangibles. Intangibles represent acquisition costs in excess of the fair value of tangible net assets of purchased subsidiaries. The intangible values associated with the Company's business consist predominantly of two types: the value of the worldwide agency networks and the value of ongoing client relationships. The Company's worldwide agency networks have been operating for an average of over sixty years and intangibles associated with enhancing network value are intended to enhance the long term value of the networks. Client relationships in the advertising industry are typically long term in nature and the Company's largest clients have on average been clients for approximately thirty years. As such, intangibles are amortized on a straight-line basis principally over a period of forty years. Each year, the intangibles are written down if, and to the extent, they are determined to be impaired. Intangibles are considered to be impaired if the future anticipated undiscounted cash flows arising from the use of the intangibles is less than the net unamortized cost of the intangibles.

Deferred Taxes. Deferred tax liabilities and tax benefits relate to the recognition of certain revenues and expenses in different years for financial statement and tax purposes and to differences between the tax and book basis of assets and liabilities recorded in connection with acquisitions.

Cash Flows. The Company's cash equivalents are primarily comprised of investments in overnight interest-bearing deposits, commercial paper and money market instruments with original maturity dates of three months or less.

The following supplemental schedule summarizes the fair value of non-cash assets acquired, cash paid, common shares issued and the liabilities assumed in conjunction with the acquisition of equity interests in subsidiaries and affiliates, for each of the three years ended December 31:

	(Dollars in thousands)		
	1996	1995	1994
Fair value of non-cash assets acquired	$401,655	$129,425	$265,865
Cash paid, net of cash acquired	(178,861)	(118,784)	(150,660)
Common shares issued	(33,915)	(3,668)	(13,035)
Liabilities assumed	$188,879	$ 6,973	$102,170

During 1996, the Company issued 5,238,678 shares of common stock upon conversion of $143,750,000 of its 4.5%/6.25% Step-Up Convertible Subordinated Debentures. During 1994, the Company issued 7,142,466 shares of common stock upon conversion of $100 million of its 6.5% Convertible Subordinated Debentures.

Concentration of Credit Risk. The Company provides advertising and marketing services to a wide range of clients who operate in many industry sectors around the world. The Company grants credit to all qualified clients, but does not believe it is exposed to any undue concentration of credit risk to any significant degree.

Derivative Financial Instruments. Derivative financial instruments consist principally of forward foreign exchange contracts and interest rate swaps. In order for derivative financial instruments to qualify for hedge accounting the following criteria must be met: (a) the hedging instrument must be designated as a hedge; (b) the hedged exposure must be specifically identifiable and expose the Company to risk; and (c) it must be highly

probable that a change in fair value of the derivative financial instrument and an opposite change in the fair value of the hedged exposure will have a high degree of correlation. The majority of the Company's derivative activity relates to forward foreign exchange contracts. The Company executes these contracts in the same currency as the hedged exposure, whereby 100% correlation is achieved. Gains and losses on derivative financial instruments which are hedges of existing assets or liabilities are included in the carrying amount of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Interest received and/or paid arising from swap agreements which qualify as hedges are recognized in income when the interest is receivable or payable. Derivative financial instruments which do not qualify as hedges are revalued to the current market rate and any gains or losses are recorded in income in the current period.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Acquisitions

In May 1996, the Company completed the acquisition of Ketchum Communications Holdings, Inc. ("Ketchum"). The acquisition was accounted for as a pooling-of-interests and accordingly, the results of operations of Ketchum have been included in the consolidated financial statements since January 1, 1996. Prior year consolidated financial statements were not restated as the impact on such years was not material. A total of 1,206,853 shares were issued in connection with this acquisition.

In August 1995, the Company completed the acquisitions of Ross Roy Communications and Chiat/Day Holdings. Both transactions were accounted for under the pooling-of-interests method of accounting. Due to the aggregate materiality of these acquisitions, the Company's financial statements were restated to include the operating results of Ross Roy Communications and Chiat/Day Holdings for all periods prior to the acquisition date. A total of 2,556,646 shares were issued in connection with these acquisitions.

During 1996, the Company made several other acquisitions within the advertising industry whose aggregate cost, in cash or by issuance of the Company's common stock, totaled $237.6 million for net assets, which included intangible assets of $208.2 million. Due to the nature of the advertising industry, companies acquired generally have minimal tangible net assets. The majority of the purchase price is paid for ongoing client relationships and to enhance the Company's worldwide agency networks and marketing service companies. Included in both figures are contingent payments related to prior year acquisitions totaling $78.7 million. Pro forma combined results of operations of the Company as if these acquisitions had occurred on January 1, 1995 do not materially differ from the reported amounts in the consolidated statements of income for each of the two years in the period ended December 31, 1996.

Certain acquisitions entered into in 1996 and prior years require payments in future years if certain results are achieved. Formulas for these contingent future payments differ from acquisition to acquisition. Contingent future payments are not expected to be material to the Company's results of operations or financial position.

3. Bank Loans and Lines of Credit

Bank loans primarily comprised bank overdrafts of international subsidiaries which are treated as loans pursuant to bank agreements. The weighted average interest rate on the borrowings outstanding as of December 31, 1996 and 1995 was 6.6% and 6.5%, respectively. At December 31, 1996 and 1995, the Company had unsecured committed lines of credit aggregating $475 million and $374 million, respectively. The unused portion of credit lines was $470 million and $356 million at December 31, 1996 and 1995, respectively. The lines of credit are generally extended at the banks' lending rates to their most credit worthy borrowers. Material compensating balances are not required within the terms of these credit agreements.

At December 31, 1995, the committed lines of credit included $250 million under a three year revolving credit agreement expiring June 30, 1997. As of May 10, 1996, the $250 million revolving credit agreement was replaced by a $360 million revolving credit agreement expiring June 30, 2001. Due to the long term nature of

this credit agreement, borrowings under the agreement would be classified as long term debt. There were no borrowings under these revolving credit agreements at December 31, 1996 and 1995.

The revolving credit agreements include a facility for issuing commercial paper backed by a bank letter of credit. During the years ended December 31, 1996, 1995 and 1994, the Company issued commercial paper with an average original maturity of 26, 31 and 33 days, respectively. The Company had no commercial paper borrowings outstanding as of December 31, 1996, 1995 and 1994. The maximum outstanding during the year was $230 million, $210 million and $230 million, in 1996, 1995 and 1994, respectively. The gross amount of issuance and redemption during the year was $1,710 million, $1,211 million and $1,587 million in 1996, 1995 and 1994, respectively.

4. Employee Stock Plans

Under the terms of the Company's 1987 Stock Plan, as amended (the "1987 Plan"), 13,100,000 shares of common stock of the Company have been reserved for restricted stock awards and non-qualified stock options to key employees of the Company. The remaining number of such reserved shares was 2,629,000 at December 31, 1996.

Stock Options. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation," is effective for the Company's fiscal year ended December 31, 1996. As permitted by SFAS No. 123, the Company intends to continue to apply the accounting provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and to make annual pro forma disclosures of the effect of adopting the fair value method of accounting for employee stock options and similar instruments. During the initial periods of disclosure, the effects on net income may not be representative of the effects in future years due to the transitional provisions included in SFAS No. 123.

Under the terms of the 1987 Plan, the option price may not be less than 100% of the market value of the stock at the date of the grant. Options become exercisable 30% on each of the first two anniversary dates of the grant date with the final 40% becoming exercisable three years from the grant date.

A summary of the status of the Company's stock option plan for the three years ended December 31, 1996 is as follows:

	Years Ended December 31,					
	1996		1995		1994	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option, beginning of year	2,962,400	$20.37	2,388,000	$17.50	2,144,800	$14.82
Options granted	940,000	39.59	830,000	26.35	610,000	24.22
Options exercised	(523,500)	16.53	(255,600)	12.91	(366,800)	13.01
Shares under option, end of year	3,378,900	26.32	2,962,400	20.37	2,388,000	17.50
Options exercisable at year-end	1,613,900		1,507,400		1,267,500	

The weighted average fair value of options granted during 1996 and 1995 was $9.30 and $6.79 per option, respectively. The fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1996	1995
Expected option lives	5 years	5 years
Risk free interest rate	5.64% - 5.99%	5.95% - 7.14%
Expected volatility	18.8% - 19.5%	20.9% - 25.7%
Dividend yield	1.7%	2.2%

Using compensation cost for the Company's stock option plan, determined based on the estimated fair value at the grant date for options granted in 1996 and 1995 consistent with the provisions of SFAS No. 123, the effect on the Company's net income and income per share would have been as follows:

	Dollars in Thousands Except Per Share Data	
	1996	1995
Net income, as reported	$176,329	$139,955
Net income, pro forma	172,849	138,570
Primary income per share, as reported	2.29	1.89
Primary income per share, pro forma	2.25	1.87
Fully diluted income per share, as reported	2.25	1.85
Fully diluted income per share, pro forma	2.21	1.83

The following table summarizes information about options outstanding and options exercisable at December 31, 1996:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (in dollars)	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
10.16 to 11.53	120,000	3 years	$11.30	120,000	$11.30
11.63 to 11.75	192,000	4 years	11.67	192,000	11.67
11.75	145,000	5 years	11.75	145,000	11.75
17.53	234,000	6 years	17.53	234,000	17.53
20.03	414,900	7 years	20.03	414,900	20.03
24.22	542,000	8 years	24.22	298,000	24.22
25.88 to 32.41	791,000	9 years	26.37	210,000	26.43
39.44 to 42.38	940,000	10 years	39.59	—	—
	3,378,900			1,613,900	

Restricted Shares. A summary of changes in outstanding shares of restricted stock for the three years ended December 31, 1996 is as follows:

	Years Ended December 31,		
	1996	1995	1994
Beginning balance	1,647,000	1,564,164	1,480,872
Amount granted	568,308	612,168	629,160
Amount vested	(515,112)	(490,422)	(461,206)
Amount forfeited	(42,438)	(38,910)	(84,662)
Ending balance	1,657,758	1,647,000	1,564,164

All restricted shares granted under the 1987 Plan were sold at a price per share equal to their par value. The difference between par value and market value on the date of the sale is charged to shareholders' equity and then amortized to expense over the period of restriction. Under the 1987 Plan, the restricted shares become transferable to the employee in 20% annual increments provided the employee remains in the employ of the Company.

Restricted shares may not be sold, transferred, pledged or otherwise encumbered until the restrictions lapse. Under most circumstances, the employee must resell the shares to the Company at par value if the employee ceases employment prior to the end of the period of restriction.

The charge to operations in connection with these restricted stock awards for the years ended December 31, 1996, 1995 and 1994 amounted to $13.9 million, $10.7 million and $9.5 million, respectively.

5. Segment Reporting

The Company operates advertising agencies and offers its clients additional marketing services and specialty advertising through its wholly-owned and partially-owned businesses. A summary of the Company's operations by geographic area as of December 31, 1996, 1995 and 1994, and for the years then ended is presented below:

	(Dollars in Thousands)		
	United States	International	Consolidated
1996			
Commissions and Fees	$1,384,424	$1,257,243	$2,641,667
Operating Profit	178,949	147,624	326,573
Net Income	95,195	81,134	176,329
Identifiable Assets	1,661,877	2,394,066	4,055,943
1995			
Commissions and Fees	$1,117,226	$1,140,310	$2,257,536
Operating Profit	139,927	130,978	270,905
Net Income	69,906	70,049	139,955
Identifiable Assets	1,316,521	2,211,156	3,527,677
1994			
Commissions and Fees	$ 990,774	$ 917,021	$1,907,795
Operating Profit	125,762	90,342	216,104
Net Income	41,381	42,105	83,486
Identifiable Assets	1,169,966	1,870,245	3,040,211

6. Investments in Affiliates

The Company has in excess of 65 unconsolidated affiliates accounted for under the equity method. The equity method is used when the Company has an ownership of less than 50% and exercises significant influence over the operating and financial policies of the affiliate. The following table summarizes the balance sheets and income statements of the Company's unconsolidated affiliates, primarily in Europe, Australia and Asia, as of December 31, 1996, 1995, 1994, and for the years then ended:

	(Dollars in Thousands)		
	1996	1995	1994
Current assets	$528,814	$1,399,700	$1,208,976
Non-current assets	91,559	147,093	146,899
Current liabilities	422,886	1,400,349	1,196,807
Non-current liabilities	28,796	149,781	162,328
Minority interests	2,134	8,015	9,699
Gross revenues	525,404	702,639	568,171
Costs and expenses	431,031	582,850	451,688
Net income	57,352	79,262	86,001

The decrease in the summarized balance sheets and income statements of the Company's unconsolidated affiliates in 1996 is due to the sale of the Company's minority interest in Aegis Group plc, partially offset by the growth of the Company's existing equity affiliates. The Company's equity in the net income of these affiliates amounted to $20.5 million, $20.8 million and $18.3 million for 1996, 1995 and 1994, respectively. The Company's equity in the net tangible assets of these affiliated companies was approximately $97.5 million,

$76.7 million and $65.8 million at December 31, 1996, 1995 and 1994, respectively. Included in the Company's investments in affiliates is the excess of acquisition costs over the fair value of tangible net assets acquired. These excess acquisition costs are amortized on a straight-line basis principally over a period of forty years.

7. Long-Term Debt

Long-term debt outstanding as of December 31, 1996 and 1995 consisted of the following:

	(Dollars in Thousands)	
	1996	1995
Deutsche Mark 200 million Floating Rate Bonds, with a scheduled maturity in 2000, interest at DM three month LIBOR plus 0.65%	$129,880	$139,220
Deutsche Mark 100 million Floating Rate Bonds, with a scheduled maturity in 1999, interest at DM three month LIBOR plus 0.375%	64,940	—
4.5%/6.25% Step-Up Convertible Subordinated Debentures with a scheduled maturity in 2000	—	143,750
Sundry notes and loans payable to banks and others at rates from 5.2% to 25%, maturing at various dates through 2004	14,084	10,343
	208,904	293,313
Less current portion	4,160	2,934
Total long-term debt	$204,744	$290,379

On July 12, 1996, the Company issued a Notice of Redemption for its 4.5%/6.25% Step-Up Convertible Subordinated Debentures with a scheduled maturity in 2000. Prior to the September 5, 1996 redemption date, the debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $27.44 per common share.

On March 1, 1996, the Company issued Deutsche Mark 100 million Floating Rate Bonds. The bonds are unsecured, unsubordinated obligations of the Company and bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.375%. The bonds will mature on March 1, 1999 and will be repaid at par.

On January 4, 1995, an indirect wholly-owned subsidiary of the Company issued Deutsche Mark 200 million Floating Rate Bonds. The bonds are unsecured, unsubordinated obligations of the issuer and are unconditionally and irrevocably guaranteed by the Company. The bonds bear interest at a rate equal to Deutsche Mark three month LIBOR plus 0.65% and may be redeemed at the option of the issuer on January 5, 1997 or any interest payment date thereafter at their principal amount plus any accrued but unpaid interest. Unless redeemed earlier, the bonds will mature on January 5, 2000 and will be repaid at par.

On June 1, 1994, the Company issued a Notice of Redemption for its $100 million 6.5% Convertible Subordinated Debentures with a scheduled maturity in 2004. Prior to the July 27, 1994 redemption date, the debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $14.00 per common share.

On May 10, 1996, the $250 million revolving credit agreement was replaced by a $360 million revolving credit agreement. This $360 million revolving credit agreement is with a consortium of banks and expires on June 30, 2001. This credit agreement includes a facility for issuing commercial paper backed by a bank letter of credit. The agreement contains certain financial covenants regarding the ratio of total consolidated indebtedness to total consolidated capitalization, the ratio of debt to cash flow, and a limitation on investments in and loans to affiliates and unconsolidated subsidiaries. At December 31, 1996 the Company was in compliance with these covenants.

Aggregate maturities of long-term debt in the next five years are as follows:

	(Dollars in Thousands)
1997	$ 4,160
1998	5,363
1999	67,468
2000	130,595
2001	415

8. Income Taxes

Income before income taxes and the provision for taxes on income consisted of the amounts shown below:

	Years Ended December 31, (Dollars in Thousands)		
	1996	1995	1994
Income before income taxes:			
Domestic	$162,388	$ 107,536	$ 90,064
International	142,843	135,117	98,850
Totals	$305,231	$ 242,653	$188,914
Provision for taxes on income:			
Current:			
Federal	$ 49,394	$ 29,143	$ 31,500
State and local	13,612	9,837	8,708
International	58,339	57,463	38,855
	121,345	96,443	79,063
Deferred:			
Federal	2,072	2,089	(5,167)
State and local	(120)	(1,481)	(1,285)
International	342	335	5,316
	2,294	943	(1,136)
Totals	$123,639	$ 97,386	$ 77,927

The Company's effective income tax rate varied from the statutory federal income tax rate as a result of the following factors:

	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal income tax benefit	2.9	2.2	2.6
International subsidiaries' tax rates (less than) in excess of federal statutory rate	(0.1)	0.1	0.2
Non-deductible amortization of goodwill	3.4	3.4	4.1
Other	(0.7)	(0.6)	(0.7)
Effective rate	40.5%	40.1%	41.2%

Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities. Deferred tax benefits result principally from recording certain expenses in the financial statements which are not currently deductible for tax purposes and from differences between the tax and book basis of assets and liabilites recorded in connection with acquisitions. Deferred tax liabilities result principally from expenses which are currently deductible for tax purposes, but have not yet been expensed in the financial statements.

The Company has recorded deferred tax benefits as of December 31, 1996 and 1995 of $139.0 million and $125.1 million, respectively, related principally to tax deductible intangibles, restricted stock amortization, severance and compensation, leases and accrued expenses.

The Company has recorded deferred tax liabilities as of December 31, 1996 and 1995 of $38.5 million and $33.2 million, respectively, related principally to furniture and equipment depreciation and tax lease recognition.

Deferred tax benefits (liabilities) as of December 31, 1996 and 1995 consisted of the amounts shown below (dollars in millions):

	1996	1995
Deductible intangibles	$ 46.5	$37.9
Acquisition liabilities	15.9	16.1
Lease reserves	8.4	8.3
Severance and compensation reserves	26.9	28.8
Tax loss carryforwards	3.8	6.0
Amortization and depreciation	(2.9)	(2.3)
Other, net	1.9	(2.9)
	$100.5	$91.9

Net current deferred tax benefits as of December 31, 1996 and 1995 were $20.7 million and $21.7 million, respectively, and were included in prepaid expenses and other current assets. Net non-current deferred tax benefits as of December 31, 1996 and 1995 were $79.8 million and $70.2 million, respectively. The Company has concluded that it is probable that it will be able to realize these net deferred tax benefits in future periods.

A provision has been made for additional income and withholding taxes on the earnings of international subsidiaries and affiliates that will be distributed.

9. Employee Retirement Plans

The Company's international and domestic subsidiaries provide retirement benefits for their employees primarily through defined contribution plans. Company contributions to the plans, which are determined by the boards of directors of the subsidiaries, have been in amounts up to 15% (the maximum amount deductible for federal income tax purposes) of total eligible compensation of participating employees. Expenses associated with these plans amounted to $49.8 million, $41.7 million and $36.6 million in 1996, 1995 and 1994, respectively.

The Company's pension plans are primarily international. These plans are not required to report to governmental agencies pursuant to the Employee Retirement Income Security Act of 1974 (ERISA). Substantially all of these plans are funded by fixed premium payments to insurance companies which undertake legal obligations to provide specific benefits to the individuals covered. Pension expense amounted to $4.6 million, $4.4 million and $0.8 million in 1996, 1995 and 1994, respectively.

Certain subsidiaries of the Company have executive retirement programs under which benefits will be paid to participants or their beneficiaries over 15 years beginning at age 65 or death. In addition, other subsidiaries have individual deferred compensation arrangements with certain executives which provide for payments over varying terms upon retirement, cessation of employment or death.

Some of the Company's domestic subsidiaries provide life insurance and medical benefits for retired employees. Eligibility requirements vary by subsidiary, but generally include attainment of a specified combined age plus years of service factor. The expense related to these benefits was not material to the 1996, 1995 and 1994 consolidated results of operations.

10. Commitments and Contingent Liabilities

At December 31, 1996, the Company was committed under operating leases, principally for office space. Certain leases are subject to rent reviews and require payment of expenses under escalation clauses. Rent expense was $201.1 million in 1996, $169.1 million in 1995 and $152.6 million in 1994 after reduction by rents received from subleases of $11.9 million, $11.1 million and $10.2 million, respectively. Future minimum base rents under terms of noncancellable operating leases, reduced by rents to be received from existing noncancellable subleases, are as follows:

	(Dollars in Thousands)		
	Gross Rent	Sublease Income	Net Rent
1997	$165,530	10,065	155,465
1998	141,952	6,184	135,768
1999	119,477	5,372	114,105
2000	101,477	4,361	97,116
2001	94,189	3,675	90,514
Thereafter	482,391	9,255	473,136

The present value of the gross future minimum base rents under noncancellable operating leases is $792.3 million.

Where appropriate, management has established reserves for the difference between the cost of leased premises that were vacated and anticipated sublease income.

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings and unasserted claims in the aggregate will not have a material adverse effect on its results of operations, consolidated financial position or liquidity.

11. Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1996 and 1995. Amounts in parentheses represent liabilities.

	1996 (Dollars in Thousands)		1995 (Dollars in Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash, cash equivalents and investments available-for-sale	$523,108	$523,108	$335,473	$335,473
Long-term investments	5,946	5,946	7,520	7,520
Long-term debt	(208,904)	(208,904)	(293,313)	(346,860)
Financial Commitments:				
Interest rate swaps	—	—	—	(378)
Forward foreign exchange contracts	—	206	—	(251)
Guarantees	—	(5,615)	—	(7,688)
Letters of credit	—	(8,730)	—	(1,996)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash equivalents and investments available-for-sale:

Cash equivalents and investments available-for-sale consist principally of investments in short-term, interest bearing instruments and are carried at fair market value, which approximates cost.

Long-term investments:

Included in deferred charges and other assets are long-term investments carried at cost, which approximates estimated fair value.

Long-term debt:

The majority of the Company's long-term debt is primarily floating rate debt and consequently the carrying amount approximates fair value.

In 1995, the fair value of the Company's long-term debt included convertible subordinated debentures. The fair value was determined by reference to quotations available in markets where that issue was traded. These quotations primarily reflected the conversion value of the debentures into the Company's common stock. These debentures were redeemed by the Company during 1996 as described in Note 7.

Financial Commitments:

The estimated fair value of derivative positions are based upon quotations received from independent, third party banks and represent the net amount required to terminate the position, taking into consideration market rates and counterparty credit risk. The fair value of guarantees, principally related to affiliated companies, and letters of credit were based upon the face value of the underlying instruments.

12. Financial Instruments and Market Risk

The Company utilizes derivative financial instruments predominantly to reduce certain market risks to which the Company is exposed. These market risks primarily consist of the impact of changes in currency exchange rates on assets and liabilities of non-U.S. operations and the impact of changes in interest rates on debt. The Company's derivative activities are limited in volume and confined to risk management activities. Senior management at the Company actively participate in the quantification, monitoring and control of all significant risks. A reporting system is in place which evaluates the impact on the Company's earnings resulting from changes in interest rates, currency exchange rates and other relevant market risks. This system is structured to enable senior management to initiate prompt remedial action, if appropriate. Adequate segregation of duties exists with regard to the execution, recording and monitoring of derivative activities. Additionally, senior management reports periodically to the Audit Committee of the Board of Directors concerning derivative activities. Since 1993, the Audit Committee has established limitations on derivative activities. These limitations have been reviewed annually, most recently on March 20, 1997. The Audit Committee has reconfirmed, for the year 1997, the overall dollar limitations originally established in 1993.

There were no swap agreements outstanding at December 31, 1996.

At December 31, 1995 the following swap agreements were outstanding:

	Original Maturity Date	Aggregate Notional Amount	Company Receives	Company Pays
		(Amounts in thousands)		
U.S. dollar fixed to floating rate swap	January 1997	$75,000	8.27%	U.S. Prime
Deutsche Mark ("DM") floating to fixed rate swap	January 1997	DM 76,640	3 mo. DM LIBOR	3.79%
U.S. dollar floating to fixed rate swap	October 2006	$10,000	6 mo. US LIBOR	6.51%

The $75 million swap related to a portion of the Company's intercompany interest cash flows. The DM 76.6 million (approximately $53.3 million at the December 31, 1995 exchange rate) and the $10 million swap agreements converted a portion of the Company's floating rate debt to a fixed rate. These swaps were terminated during 1996 at a $23 thousand charge to income.

The Company enters into forward foreign exchange contracts predominantly to hedge intercompany receivables and payables which are recorded in a currency different from that in which they will settle. Gains and losses on these positions are deferred and included in the basis of the transaction upon settlement. The terms of these contracts are generally three months or less. At December 31, 1996 and 1995, the aggregate amount of intercompany receivables and payables subject to this hedge program was $287 million and $306 million, respectively. The table below summarizes by major currency the notional principal amounts of the Company's forward foreign exchange contracts outstanding at December 31, 1996 and 1995. The "buy" amounts represent the U.S. dollar equivalent of commitments to purchase the respective currency, and the "sell" amounts represent the U.S. dollar equivalent of commitments to sell the respective currency.

	(Dollars in thousands) Notional Principal Amount			
	1996		1995	
Currency	Company Buys	Company Sells	Company Buys	Company Sells
German Mark	$ 53,901	$ 97,901	$ 3,394	$ 39,063
French Franc	35,436	602	75,472	43,283
Hong Kong Dollar	—	20,291	2,246	30,583
Dutch Guilder	19,285	—	8,463	3,292
U.S. Dollar	14,191	401	6,228	43,770
Spanish Peseta	12,304	332	4,632	9,902
Belgium Franc	10,764	65	9,583	81
Greek Drachma	—	8,186	—	5,120
Singapore Dollar	2,145	5,925	—	2,302
Australian Dollar	4,787	—	11,247	—
Other	9,081	5,766	12,549	14,065
Total	$161,894	$139,469	$133,814	$191,461

The derivative financial instruments existing during December 31, 1996 and 1995 were entered into for the purpose of hedging certain specific currency and interest rate risks. As a result of these financial instruments, the Company reduced financial risk in exchange for foregoing any gain (reward) which might have occurred if the markets moved favorably. In using derivative financial instruments, management exchanged the risks of the financial markets for counterparty risk. In order to minimize counterparty risk the Company only enters into contracts with major well-known banks that have credit ratings equal to or better than the Company's. Additionally, these contracts contain provisions for net settlement. As such, the contracts settle based on the spread between the currency rates and interest rates contained in the contracts and the current market rates. This minimizes the risk of an insolvent counterparty being unable to pay the Company the notional principal amount owed to the Company and, at the same time, having the creditors of the counterparty demanding the notional principal amount from the Company.

13. Adoption of New Accounting Principles

Effective January 1, 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits". This statement establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement (referred to in this statement as "postemployment benefits"). Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits, job training and counseling, and continuation of benefits such as health care benefits and life insurance coverage. The cumulative after tax effect of the adoption of SFAS No. 112 resulted in a reduction to net income of $28 million.

Effective January 1, 1994, the Company also adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. In compliance with SFAS No. 115, the Company classifies these investments as investments available-for-sale. At December 31, 1996, the Company's investments consisted principally of time deposits with financial institutions. These investments, with scheduled maturities of less than one year, are valued at estimated fair value, which approximates cost. These investments are generally redeemed at face value upon maturity and, as such, gains or losses on disposition are immaterial. There are no material unrealized holding gains or losses as of December 31, 1996.

In February 1997, the FASB issued SFAS No. 128, "Earnings per Share". Under SFAS No. 128, the presentation of Primary and Fully Diluted Earnings Per Share will be replaced by Basic and Diluted Earnings Per Share. Adoption of SFAS No. 128 is required for periods ending after December 15, 1997, at which time restatement for prior periods will be necessary. Had the provisions of SFAS No. 128 been in effect as of December 31, 1996, the Company would have reported the following earnings per share information:

	1996	1995	1994
Income Per Share Before Change in Accounting Principle:			
Basic	$2.33	$1.91	$ 1.59
Diluted	$2.25	$1.86	$ 1.54
Cumulative Effect of Change in Accounting Principle Per Share:			
Basic	$ —	$ —	$(0.40)
Diluted	$ —	$ —	$(0.40)
Net Income Per Share:			
Basic	$2.33	$1.91	$ 1.19
Diluted	$2.25	$1.86	$ 1.18

14. Subsequent Event

On January 3, 1997, the Company issued $218,500,000 of 4 1/4% Convertible Subordinated Debentures with a scheduled maturity in 2007. The debentures are convertible into common stock of the Company at a conversion price of $63.00 per share subject to adjustment in certain events. Debenture holders have the right to require the Company to redeem the debentures on January 3, 2003 at a price of 112.418%, or upon the occurrence of a Fundamental Change, as defined in the indenture agreement, at the prevailing redemption price. The Company may redeem the debentures, as a whole or in part, on or after December 29, 2000 initially at 108.324% and at increasing prices thereafter to 112.418% until January 2, 2003 and 100% thereafter. Unless the debentures are redeemed, repaid or converted prior thereto, the debentures will mature on January 3, 2007 at their principal amount. The proceeds of this issuance are being used for general corporate purposes including working capital.

Schedule II

OMNICOM GROUP INC. AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 31, 1996

Column A	Column B	Column C	Column D		Column E
		Additions	Deductions		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Removal of Uncollectible Receivables (1)	Translation Adjustments	Balance at End of Period
			(Dollars in Thousands)		
Valuation accounts deducted from assets to which they apply— allowance for doubtful accounts:					
December 31, 1996	$23,352	$7,911	$5,211	$410	$25,642
December 31, 1995	23,528	6,024	6,964	(764)	23,352
December 31, 1994 (2)	19,986	9,788	6,852	(606)	23,528

(1) Net of acquisition date balances in allowance for doubtful accounts of companies acquired of $985, $463 and $1,330 in 1996, 1995, and 1994, respectively.

(2) Information for 1994 has been restated from the amounts originally reported for certain acquisitions during 1995 which were accounted for under the pooling of interests method of accounting.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 18, 1997 included in this Form 10-K into the previously filed Registration Statement File Nos. 33-51493, 33-29375 and 33-37380 on Form S-8 of Omnicom Group Inc. and into the previously filed Registration Statement File Nos. 333-22589, 333-22587, 333-22561, 33-29375, 33-37380, 33-52385, 33-54110, 33-62976, 33-63200, 33-62978, 33-61852, 33-50409, 33-50267, 33-50271, 33-50269, 33-50257, 33-45881, 33-54851 and 33-55235 on Form S-3 of Omnicom Group Inc. and into the previously filed Registration Statement File Nos. 33-60347, 33-60167 and 333-01619 on Form S-4 of Omnicom Group Inc.

ARTHUR ANDERSEN LLP

New York, New York
March 24, 1997

Omnicom

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Omnicom Group

Bernard Brochand
President, International Division
DDB Needham Worldwide

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Chief Executive Officer and President
Omnicom Group
Chairman and Chief Executive Officer
Diversified Agency Services

Egon P.S. Zehnder
Chairman
Egon Zehnder International

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Quentin I. Smith, Jr.

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Controller

Kevin R. Conzelmann
Tax Counsel

Frank J. Holzmann
Tax Director

Maeve C. Robinson
Assistant Treasurer

Denis Streiff
Assistant Treasurer

Omnicom

Corporate Information

World Headquarters

Omnicom Group Inc.
437 Madison Avenue
New York, New York 10022

Annual Meeting

The Annual Meeting of Stockholders will be held on Monday, May 19, 1997, at 10:00 a.m. at
BBDO Worldwide Inc.
7th Floor Meeting Room
1285 Avenue of the Americas
New York, New York 10019

Transfer Agent & Registrar

ChaseMellon Shareholder Services
450 West 33rd Street
New York, New York 10001

Stock Listing

Omnicom Group Inc.'s common stock is traded on the New York Stock Exchange. The ticker symbol is OMC.

Stock Transfer Matters/Change of Address

To assist you in handling matters relating to stock transfer or change of address, please write to our transfer agent:

ChaseMellon Shareholder Services
Shareholder Relations Dept.
450 West 33rd Street
New York, New York 10001

Or call:

ChaseMellon Shareholder Services
(800) 851-9677

Independent Public Accountants

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