Omnicom

ANNUAL REPORT

97

Omnicom

Comparative Highlights

	1997	1996	% Change
	(Amounts in Thousands Except Per Share Amounts)		
Domestic billings	**$10,894,800**	$9,262,700	18%
International billings	**11,096,300**	9,567,200	16%
Worldwide billings*	**21,991,100**	18,829,900	17%
Domestic commissions and fees	**1,616,768**	1,384,424	17%
International commissions and fees	**1,508,045**	1,257,243	20%
Worldwide commissions and fees**	**3,124,813**	2,641,667	18%
Domestic operating expenses	**1,398,121**	1,205,475	16%
International operating expenses	**1,323,146**	1,109,619	19%
Worldwide operating expenses	**2,721,267**	2,315,094	18%
Domestic operations–net income	**124,732**	95,195	31%
International operations–net income	**97,683**	81,134	20%
Worldwide net income	**222,415**	176,329	26%
Common stock data:***			
Net income per share—Basic	**1.40**	1.17	20%
—Diluted	**1.37**	1.12	22%
Dividends declared per share	**0.45**	0.375	20%
Weighted average number of common shares and common equivalent shares outstanding during the year—Basic	**159,419**	151,329	5%
—Diluted	**169,484**	161,383	5%
Shares outstanding at year end	**162,115**	160,857	1%

*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.

**Commissions and fees of majority-owned subsidiaries only are included.

***The information set forth in the table gives effect to the two-for-one stock split completed in December 1997.

Dear Fellow Shareholder:

Omnicom had another outstanding year in 1997, as we achieved record revenues, net income and earnings per share and continued to build the global reach and diversification that is essential to success in our rapidly changing industry.

For the year, net income increased 26 percent to $222.4 million and revenues grew 18 percent to $3.1 billion. We have achieved record revenues and net income in each of the 11 years since Omnicom was formed, and we entered 1998 with 26 consecutive quarters of year-over-year increases in earnings per share.

This excellent performance was among the reasons our Board of Directors in September declared a 25 percent increase in the cash dividend on our common stock. Taking into account the two-for-one stock split that went into effect in December, our quarterly common stock dividend is now 12.5 cents a share.

Our achievements rest upon the exceptional work done by our operating companies. Each of our three global advertising networks, our Diversified Agency Services division and our independent agencies achieved strong growth in revenues and profits, and all made important progress in enhancing our ability to provide our clients with the breadth and scope of services they demand.

One indicator of our ability to meet and exceed the expectations of our clients is our exceptional new business performance. In 1997, we gained $1.8 billion in net new business billings. That's a record, and the fifth consecutive year that net new business billings have exceeded $1 billion.

A key indicator is the recognition of the creative excellence of our work. I'll review the accomplishments of our companies later in this letter; for now, I'll simply note that Omnicom agencies won 75 Lion awards at the 1997 Cannes International Advertising Festival — fully 35 percent of the Lions awarded at the festival, more than any other advertising group.

Continuing Diversification

Omnicom's consistent performance reflects both the continued growth of our existing operations and the benefits of our ongoing diversification. Diversification — geographically and by line of business — enables us to better serve clients around the world. It enhances our ability to offer marketing communications services such as public relations and direct marketing that are becoming increasingly important as media fragmentation and increasing ad rates compel advertisers to find alternative ways to reach their target markets.

The following significant recent initiatives have contributed to this diversification strategy:

- Our acquisition of Fleishman-Hillard, the fifth-largest public relations agency in the world, makes us the largest provider of public relations services around the world.
- Our acquisition of the GGT Group, announced in January 1998 and completed in March, has expanded our family of outstanding agencies and clients, in particular strengthening our position in France, the United Kingdom and the United States. The acquisition confirmed our position as the largest advertising group in the world.

Omnicom is a truly global, diversified company. In 1997, half of Omnicom's billings were placed outside the United States, and about 44 percent of our business is outside the general media advertising business.

Market Recognition

The excellence of our companies, our advantageous strategic positioning and our consistent performance were rewarded by the marketplace in 1997: for the third year in a row, Omnicom led the advertising group in *The Wall Street Journal's* ranking of companies by total return to shareholders over the previous five years. Omnicom's total return in 1997 was 87.9 percent, and its returns have averaged 51.1 percent over the last three years, 35.5 percent over five years and 28.0 percent over 10 years. We were one of only 31 companies on *The Wall Street Journal's* "honor roll," composed of those companies that were in the top 20 percent of companies ranked on shareholder return over the past one, three, five and 10 years.

We also ranked 30th in the *BusinessWeek* 50, an annual listing of the best performing companies in the S&P 500. Rankings are based on key performance measures, including earnings and revenue growth, net margins, return on equity and total return to shareholders.

And, for the second straight year, Omnicom was the "most admired" company in the Advertising and Marketing group in *Fortune's* annual corporate reputation survey, which reflects the evaluations of industry leaders and financial analysts.

Operating Company Performance

Omnicom's operating companies had outstanding years in 1997.

BBDO Worldwide had an excellent year, with strong growth in revenues and profits and broad recognition of its creative excellence. BBDO operated 285 offices in 72 countries — a global network that is a key strategic resource, allowing it to serve 24 of its multinational clients in 10 or more countries.

For the second year in a row, BBDO was named the “Most Creative Agency Network in the World” by *Ad Age International*. The Cannes International Festival named BBDO its “1997 Agency of the Year,” and it won 77 major television advertising awards — more than any other competitor — in competitions including Cannes, New York, London International Festival, Clio, Addy and Andy. BBDO companies won agency of the year honors in Brazil, Croatia, the Czech Republic, Mexico, Spain and the United Kingdom.

In the U.S., BBDO’s TV commercial for HBO won the first Emmy ever awarded in the advertising category, and its commercial for Pepsi was the most liked Super Bowl ad in the *USA Today* Ad Meter Poll. It was the fifth year in a row that a BBDO commercial has taken the top spot, and BBDO created five of the top 20 ads.

It was also an outstanding year for new business, with new or expanded assignments from such clients as Texaco, Bayer, Starbucks, Volvo, Iberia Airlines, Rover, Pepsi and Sony Consumer Electronics.

In an important management change, Chris Jaques, formerly president of Bates Asia, was named chairman of BBDO Asia/Pacific.

DDB Needham Worldwide’s strong growth was driven by its best new business year ever. In the biggest new business win in its history, DDB Needham became McDonald’s lead agency for all adult and promotion activity in the United States, as well as overall brand positioning and creative direction. DDB Needham is now McDonald’s agency in 47 countries. Other client wins included Montgomery Ward, Hefty Bags, Van Kampen American Capital, CPC, Bayer and Reuters.

The DDB Needham network sustained its worldwide creative reputation by winning more awards at the International Advertising Festival in Cannes than any other agency for the fifth year in a row — topping the list with 30 Lions including the Festival’s Grand Prix for Diesel Jeans. DDB agencies were named most creative in the U.K. and France and awarded agency of the year honors in Australia, Canada, Chile, Russia, Slovenia, Dallas and Chicago.

DDB Needham created two of the five most popular television commercials in the U.S., as selected by *TV Guide*, and two of the top four, as selected by *Time* magazine. In addition, the agency’s work for Volkswagen in London was named “Campaign of the Year” for the U.K.

DDB Needham’s acquisition of DM9 in São Paulo, one of South America’s largest and most creative agencies, added greatly to the network’s strength. DDB Needham also won awards for web-site creativity on projects for Pepsi, Lockheed Martin, Web Street Securities and Sony.

In the U.S., DDB Needham strengthened its Optimum media buying arm, which now places more than $2 billion in media. Page Thompson, Optimum’s head, was named “Media Director of the Year” by *Media Week*, which cited not only Optimum’s billings growth but also its creativity. The year also saw the introduction of Beyond DDB, a new in-house brand encompassing such disciplines as direct marketing and sales promotion which already account for more than 20 percent of DDB’s worldwide revenues.

During 1997, DDB Needham added nine new countries, extending its coverage to a total of 95 countries through 203 offices. The growth and performance of this network was recognized by *Advertising Age*, which gave DDB Needham its first-ever “Global Network of the Year” award.

TBWA International’s outstanding year included the expansion of its network, adding offices in Thailand, India, Indonesia, New Zealand, Australia (Sydney), Brazil, Finland, Israel, and Central and Eastern Europe. It now operates in 60 countries and 86 cities.

In the USA, TBWA Chiat/Day, was named “Agency of the Year” by six publications, including *USA Today*, *Advertising Age*, and *Adweek*. *USA Today*, which also named Chief Creative Officer Lee Clow “Creative Director of the Year,” said the agency, “churned out some of Madison Avenue’s most talked about advertising in 1997.”

TBWA Hunt Lascaris in South Africa was named “Agency of the Year” by *Financial Mail*, a title it has won five out of the last six years. Whybin Lawrence TBWA in Australia was named “Emerging Agency of the Year” by *B&T Weekly*.

New business wins included the worldwide assignment for Apple Computer, the first time Apple has appointed a single agency, Taco Bell, Samsonite, Sony PlayStation, ABC Television, Phillips Van Heusen, and Prodigy. Nissan, the agency’s largest global advertiser, was won in six new countries, bringing the total to 24.

Campaigns for Apple, ABC Television, Taco Bell and The Weather Channel were featured on the “best of 1997" lists of *Time, Entertainment Weekly* and *TV Guide*. Consumers voted the Nissan campaign the most memorable TV campaign of 1997 — marking, according to *The Wall Street Journal*, the first time in 20 years that automotive advertising topped the survey.

In management changes, Bob Kuperman, president and CEO of the Venice, California office, was appointed president and CEO, TBWA Chiat/Day North America. Peter Economides joined TBWA International as worldwide director of network clients, after heading offices for McCann-Erickson on four continents.

Goodby, Silverstein & Partners continued to attract notice for its creative excellence. It was the Clio Award Agency of the Year and had more work featured in Communication Arts and the One Show than any other agency in the world. It also ran a close second to BBDO Worldwide at Cannes.

The agency's creative reputation translated into key new business wins, as Goodby landed accounts for Nike (women's products, apparel, Niketown retail and outdoor lines), Pepsi (7-UP International, Mirinda Orange and Orange Slice), and SBC Long Distance. Goodby's assignment with Hewlett Packard expanded to include an international branding campaign. And "Louie the Lizard" talked his way into an expanded role for Goodby with Anheuser-Busch.

Cline, Davis & Mann, our newly-acquired healthcare advertising agency, also had an outstanding year, and was named "Agency of the Year" by *Med Ad News* in April.

Diversified Agency Services (DAS) extended its rapid growth, topping $1 billion in revenues for the first time and contributing about one-third of Omnicom's total revenues and income. DAS is now a group of 14 marketing services and specialized advertising disciplines with 410 offices in 55 countries.

Public relations was one of the fastest-growing areas of the business in 1997, with a real growth rate of approximately 25 percent. Following the acquisition of Fleishman-Hillard, Communications Consulting Worldwide was formed to act as an umbrella organization for two leading full-service firms, Fleishman-Hillard and Porter Novelli International, two leading high technology firms, Brodeur Porter Novelli and Copithorne & Bellows, and GPC International, the premier public policy and government relations consulting firm in Canada and Europe.

During the year, Ketchum Public Relations formed a worldwide practice specializing in public relations for technology companies, after acquiring two agencies in that field — Crescent Communications in Atlanta, Georgia, and Thomas Associates in Redwood City, California.

Achieving the leading and most influential positions in key marketing sectors is one of our central strategies, and DAS owns many of the market leaders. Bernard Hodes is number one in recruitment advertising. With several brand-name agencies, DAS is the leader in healthcare communications. Doremus is the market leader in financial services advertising. Rapp Collins Worldwide is the world's largest direct response agency and the leader in one-to-one marketing. We also hold four of the top 20 agencies in promotional marketing.

During 1997, DAS committed significant resources to employee training and development, establishing DAS University, with a curriculum designed specifically for our marketing services and specialty communications businesses.

Omnicom's Future

Our objectives in 1998 are the same as in 1997.

- *Continue to grow revenues and net income at double-digit rates*
- *Continue to improve our operating margins*
- *Continue to grow our leading brands*
- *Increase the revenues we earn in Asia and Latin America*
- *Continue to make acquisitions that meet our strategic objectives and are accretive to current shareholders*

Our portfolio of powerful companies has made Omnicom a leader in our industry and an increasingly visible presence on Wall Street — and that presence was reinforced when Omnicom was added to the Standard & Poor's 500 Index in December 1997.

As our visibility grows, so do expectations — ours and others. We operate in a changing and challenging industry. But we're confident that we are well-positioned to seize the best opportunities our industry has to offer. And we know that the talent, skill and commitment of our people around the world will continue to drive our success.

John Wren

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, 1997 **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 16, 1998, there were 169,335,907 shares of Common Stock outstanding; the aggregate market value of the voting stock held by nonaffiliates at March 16, 1998 was approximately $7,541,593,000.

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 16, 1998*
Common Stock, $.50 Par Value	169,335,907
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 18, 1998 are incorporated by reference into Part III of this Report.

OMNICOM GROUP INC.

Index to Annual Report on Form 10-K

Year Ended December 31, 1997

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 6, 1998.

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 1997 and 1996, 50% and 51%, respectively, of the Omnicom Group's billings came from its non-U.S. operations.

According to the unaudited industry-wide figures published in 1997 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 several independent agencies, including 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.

In March 1998, the Company completed its acquisition of The GGT Group plc, a UK headquartered advertising and marketing services group. The GGT Group's principal subsidiaries operate in France, the United Kingdom and the United States.

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, Chile, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Italy, Malaysia, Mexico, the Netherlands, Peru, Poland, Portugal, Puerto Rico, Russia, Singapore, Spain, Sweden, Taiwan and Thailand; through affiliates located in Argentina, Australia, Colombia, Costa Rica, Croatia, Cyprus, 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 Albania, Bulgaria, the Dominican Republic, Ecuador, Estonia, Indonesia, Korea, Lithuania, Pakistan, Paraguay, Slovenia, South Africa, Switzerland, Uruguay and Yugoslavia.

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, Brazil, Bulgaria, Canada, China, Colombia, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Italy, Japan, Latvia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Romania, Singapore, the Slovak Republic, Spain, Sweden, Taiwan, Thailand and the United Kingdom; and through affiliates located in Miami, Florida and in Argentina, Brazil, Chile, Costa Rica, El Salvador, Germany, Guatemala, Honduras, India, Korea, Malaysia, Panama, Poland, Switzerland, Turkey, Uruguay and Venezuela. The DDB Needham Worldwide Network uses the services of associate agencies in Honolulu, Hawaii; Austria, Bahrain, Bangladesh, Belarus, Belize, Bolivia, Cyprus, the Dominican Republic, Ecuador, Egypt, Georgia, Guam, Indonesia, Ireland, Israel, Jordan, Kuwait, Lebanon, Lithuania, Luxembourg, Monaco, Morocco, Nicaragua, Oman, Pakistan, Paraguay, Peru, Puerto Rico, Russia, Saudi Arabia, Slovenia, South Africa, Trinidad, Tunisia, Ukraine, the United Arab Emirates, Uruguay, Vietnam, the Former Yugoslav Republic of Macedonia and Yugoslavia. 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; and Los Angeles and San Francisco, California, through Ketchum Advertising in Pittsburgh, Pennsylvania; 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 Austria, Australia, Belgium, Brazil, Bulgaria, Croatia, the Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary, India, Italy, the Netherlands, Poland, Portugal, Romania, Singapore, the Slovak Republic, South Africa, Spain, Switzerland, Thailand and the United Kingdom; and through affiliates located in Argentina, Canada, Chile, China, the Czech Republic, Finland, Hungary, Israel, the Netherlands, Norway and Sweden. The TBWA International Network uses the services of associate agencies in Austria, Australia, Cyprus, Egypt, Ireland, Indonesia, Japan, Jordan, Kenya, Kuwait, Lebanon, Namibia, New Zealand, Russia, Saudi Arabia, Slovenia, South Korea, Syria, Taiwan, the United Arab Emirates and Zimbabwe.

Diversified Agency Services

DAS is the Omnicom Group's Marketing Services and Specialty Communications Division. The DAS mission is to create breakthrough customer driven marketing communications and services that build clients' businesses. Marketing services include: branding consultancy (Interbrand), contract publishing (Premier Magazines, Specialist Publications), corporate and financial public relations (Gavin Anderson & Company), direct/database marketing (Rapp Collins Worldwide, Russ Reid), field marketing (CPM International), graphic arts (RC Communications), integrated communications (The FOCUS Agency, Integer Group), organizational communications (Smythe Dorward Lambert), promotional marketing (Alcone Marketing Group, The Anvil Consultancy, Case•Dunlap, Pathways Marketing Consultants, Product Plus International, TLP, Inc.), public affairs (GPC International), public relations (Copithorne & Bellows, Fleishman-Hillard, Ketchum Public Relations Worldwide, Porter Novelli International), reputation management (Clark & Weinstock), sports and event marketing (GMR Marketing, Millsport) and telemarketing (Optima Direct, InTelMark). Specialty communications include: corporate/financial advertising (Doremus & Company), directory advertising (Ketchum Directory Advertising), healthcare communications (Diversified Healthcare Communications Group, Health & Medical Communications Group, TARGIS Healthcare Communications Worldwide), managed care consultancy (GMR Group) and recruitment communications (Bernard Hodes Advertising, Macmillan Davies Hodes). DAS also operates independent consumer advertising (Merkley Newman Harty) and media buying (Creative Media) agencies.

DAS has headquarter offices in New York, London and Hong Kong, and operates globally through its 62 companies in 22 strategic business units, with subsidiaries, affiliates and associates in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, the Czech Republic, Denmark, the Dominican Republic, Ecuador, Finland, France, Germany, Greece, Guatemala, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, Myanmar, the Netherlands, New Zealand, Norway, Panama, Peru, the Philippines, Poland, Portugal, Puerto Rico, Russia, Singapore, the Slovak Republic, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, the United States, Venezuela and Vietnam.

Communicade

Communicade has minority interests in six interactive marketing agencies in the United States: AGENCY.COM, Razorfish and Think New Ideas, headquartered in New York; Red Sky Interactive and Organic Online, in San Francisco, California; and Interactive Solutions, in Boston, Massachusetts. Communicade also operates through a wholly owned subsidiary, Eagle River Interactive, headquartered in Chicago, Illinois.

Omnicom Group Inc.

As the parent company of BBDO Worldwide, DDB Needham Worldwide, TBWA International, DAS, Communicade and several 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, Henkel, Johnson & Johnson, Mars, McDonald's, Nissan, PepsiCo, Pfizer, SBC Communications, Sony, Tricon, Visa and Volkswagen.

The Omnicom Group's ten largest clients accounted for approximately 20% of 1997 commission 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 1997 commission 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 division primarily charges fees for its 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 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 DAS and Communicade, and the other independent agencies have enabled the Omnicom Group to represent competing clients.

The Omnicom agencies have sought, and 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, 1997, the Omnicom Group, excluding unconsolidated companies, employed approximately 27,200 persons, of which approximately 11,900 were employed in the United States and approximately 15,300 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 lease obligations and, where appropriate, consolidates its leased premises. Management has obtained subleases for most of the premises vacated as a result of such consolidations. 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 space to allow for the growth of the agency.

DDB Needham Worldwide occupies approximately 251,000 sq. ft. of space at 437 Madison Avenue, New York, New York under leases expiring in the year 2010, which include options for additional space to allow for the 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 space to allow for the 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 and Washington D.C. and at various other locations occupy approximately an aggregate of 3,320,000 sq. ft. of space under leases with varying expiration dates.

International

The Company's international subsidiaries in Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Poland, Portugal, Puerto Rico, Romania, 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*

A Special Meeting of Shareholders of the Company was held on December 1, 1997 to consider and vote upon a proposal to approve an amendment to the Company's Restated Certificate of Incorporation increasing the number of authorized shares of Common Stock, par value $.50 per share, from 150,000,000 to 300,000,000 to allow the Company to issue additional shares for a two-for-one stock split in the form of a dividend declared by the Board of Directors in September 1997 contingent upon shareholder approval, among other corporate purposes. The proposal was approved with 70,083,831 affirmative votes being cast, 179,029 negative votes being cast and 97,104 abstentions.

No other matters were submitted to a vote of security holders during the last quarter of 1997.

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	69
John D. Wren	Chief Executive Officer & President of Omnicom Group and Chairman & Chief Executive Officer of Diversified Agency Services	45
Fred J. Meyer	Chief Financial Officer of Omnicom Group	67
Dennis E. Hewitt	Treasurer of Omnicom Group	53
Barry J. Wagner	Secretary & General Counsel of Omnicom Group	57
Jonathan E. Ramsden	Controller of Omnicom Group	33
Allen Rosenshine	Chairman & Chief Executive Officer of BBDO Worldwide	59
James A. Cannon	Vice Chairman & Chief Financial Officer of BBDO Worldwide	59
Keith L. Reinhard	Chairman & Chief Executive Officer of DDB Needham Worldwide	63
William G. Tragos	Chairman & Chief Executive Officer of TBWA International	63

John D. Wren was appointed Chief Executive Officer of the Company effective January 1, 1997, succeeding Bruce Crawford in the position. Mr. Wren was appointed President of the Company 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 and 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 6, 1998.

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 sales price on March 16, 1998 was $45\,^{3}/_{16}$. All sales prices and per share amounts give effect to the two-for-one stock split completed in December 1997.

	High	Low	Dividends Paid Per Share of Common Stock
1996			
First Quarter	$22\,^{1}/_{2}$	$17\,^{13}/_{16}$	.0875
Second Quarter	$23\,^{1}/_{4}$	$20\,^{1}/_{8}$	.0875
Third Quarter	$23\,^{7}/_{8}$	$19\,^{9}/_{16}$	.10
Fourth Quarter	$25\,^{3}/_{4}$	22	.10
1997			
First Quarter	$26\,^{7}/_{16}$	$22\,^{5}/_{16}$	.10
Second Quarter	$32\,^{1}/_{8}$	$23\,^{15}/_{16}$	.10
Third Quarter	$37\,^{1}/_{8}$	$31\,^{1}/_{32}$	.125
Fourth Quarter	$42\,^{3}/_{8}$	33	.125

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 February 3, 1998 the Board of Directors declared a regular quarterly dividend of $0.125 per share of common stock, payable April 2, 1998 to holders of record on March 13, 1998.

Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders on March 16, 1998
Common Stock, $.50 par value	3,365
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. All per share amounts give effect to the two-for-one stock split completed in December 1997.

	(Dollars in Thousands Except Per Share Amounts)				
	1997	**1996**	**1995**	**1994**	**1993**
For the year:					
Commissions and fees	$3,124,813	$2,641,667	$2,257,536	$1,907,795	$1,688,960
Income before change in accounting principles	222,415	176,329	139,955	111,495	65,568
Net income	222,415	176,329	139,955	83,486	65,568
Earnings per common share before change in accounting principles:					
Basic	1.40	1.17	0.95	0.80	0.52
Diluted	1.37	1.12	0.93	0.77	0.51
Cumulative effect of change in accounting principles:					
Basic	—	—	—	(0.20)	—
Diluted	—	—	—	(0.20)	—
Earnings per common share after change in accounting principles:					
Basic	1.40	1.17	0.95	0.60	0.52
Diluted	1.37	1.12	0.93	0.59	0.51
Dividends declared per common share	0.45	0.375	0.33	0.31	0.31
At year end:					
Total assets	4,965,743	4,055,943	3,527,677	3,040,211	2,465,408
Long-term obligations:					
Long-term debt	341,665	204,744	290,379	199,487	301,044
Deferred compensation and other liabilities	114,668	124,739	122,623	150,291	113,197

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

Results of Operations

In 1997, domestic revenues from commissions and fees increased 16.8 percent. The effect of acquisitions, net of divestitures, accounted for a 2.7 percent increase. The remaining 14.1 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

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 1997, international revenues increased 19.9 percent. The effect of acquisitions, net of divestitures, accounted for a 16.2 percent increase in international revenues. Changes in the foreign exchange value of the U.S. dollar decreased international revenues by 10.3 percent. The remaining 14.0 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 1997, worldwide operating expenses increased 17.5 percent. Acquisitions, net of divestitures during the year, accounted for a 7.9 percent increase in worldwide operating expenses. Changes in the foreign exchange value of the U.S. dollar decreased worldwide operating expenses by 4.7 percent. The remaining 14.3 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 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.

Net interest expense in 1997 increased $1.0 million. The effect of higher average borrowings during the year, resulting in part from the issuance of the 4 1/4% Convertible Subordinated Debentures, was offset by the effect of higher average amounts of cash and marketable securities invested during 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.

In 1997, the effective tax rate increased to 41.0 percent. This increase primarily reflects higher tax rates at the Company’s international subsidiaries.

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 1997, consolidated net income increased 26.1 percent. 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, which excludes net interest expense, increased to 12.9 percent in 1997 from 12.4 percent in 1996 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 greater profits earned by the Company’s existing equity affiliates. The increase in minority interest expense was caused by higher earnings from companies in which minority interests exist and additional minority interests resulting from acquisitions. In 1997, the impact of acquisitions, net of divestitures, resulted in a 16.0 percent increase in consolidated net income, while changes in the foreign exchange value of the U.S. dollar decreased consolidated net income by 5.0 percent.

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.

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

At December 31, 1997, accounts receivable less allowance for doubtful accounts, increased by $353.1 million from December 31, 1996. At December 31, 1997, accounts payable and other accrued liabilities increased by $525.2 million and $108.6 million, respectively, from December 31, 1996. 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 1997 as compared to 1996.

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. The Company or its international operations may in some cases 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, Brazil, 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. Derivative financial instruments are subject to market and counterparty risk. Market risk is the potential for loss resulting from changes in market conditions. The Company periodically determines the potential loss from market risk by performing a value-at-risk computation. Value-at-risk uses a statistical model that utilizes historic currency exchange and interest rate data to measure the potential impact on future earnings of the Company's existing portfolio of derivative financial instruments. The value-at-risk analysis performed on the Company's December 31, 1997 portfolio of derivative financial instruments indicated that the risk of loss was immaterial. Counterparty risk arises from the inability of a counterparty to meet its obligations. 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.

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, 1997 and 1996, the Company had forward foreign exchange contracts outstanding with an aggregate notional principal amount of $584 million and $301 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, 1997 and 1996, the Company had no other derivative contracts outstanding.

Year 2000 Issue

The Year 2000 issue is the result of computer programs being written using two digits, rather than four, to define the applicable year. Accordingly, any of the computer programs utilized by the Company, that have date sensitive software may cause system failures or miscalculations if data entry of “00” is recognized as a date other than 2000.

The Company has determined that it is required to modify portions of its software so that its computer systems will properly utilize dates beyond December 31, 1999. The Company is dependent on third-party computer systems and applications, particularly with respect to such critical tasks as accounting, billing and buying, planning and paying for media, as well as on its own computer systems and internally developed applications. The Company intends to modify or replace all affected systems for compliance, and is also monitoring the adequacy of the processes and progress of third-party vendors of systems that may be affected by the Year 2000 issue. The Company believes that with upgrades or modifications to existing software and conversion to new software, the impact of the Year 2000 issue can be overcome. However, if such upgrades, modifications and conversions are not made, or are not made in a timely manner, the Year 2000 issue could have a material impact on the Company’s operations.

The Company will utilize both internal and external resources to reprogram, or replace, and test software for Year 2000 compliance. The Company has a team of managers dedicated to addressing Year 2000 compliance for the Company, clients and vendors. The costs of the project have not yet been determined but are not expected to have a material adverse effect on the Company. Amounts incurred are expected to be expensed as incurred, unless new software is purchased which will be capitalized. The Company has not incurred significant costs to date.

Capital Resources and Liquidity

Cash and cash equivalents increased $46.2 million during 1997 to $556.4 million at December 31, 1997. 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 January 3, 1997, the Company issued $218.5 million 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 $31.50 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.

On July 12, 1996, the Company issued a Notice of Redemption for the outstanding 4.5%/6.25% Step-Up Convertible Subordinated Debentures issued on September 1, 1993 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 $13.72 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 August 18, 1997 and October 1, 1997, Deutsche Mark 69 million and Deutsche Mark 20 million, respectively, of the Deutsche Mark 200 million Floating Rate Bonds were repurchased.

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, 1997, the Company had $509 million in such unsecured committed lines of credit, comprised of a $360 million, five year revolving credit agreement expiring June 30, 2001, and $149 million in lines of credit, principally outside of the United States. Of the $509 million in unsecured committed lines, $14 million were used at December 31, 1997.

On February 20, 1998, the Company amended and restated the $360 million revolving credit agreement originally entered into in 1996. The amended and restated $500 million revolving credit agreement is with a consortium of banks and expires on June 30, 2003. 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 6, 1998, the Company issued $230.0 million of 2 1/4% Convertible Subordinated Debentures with a scheduled maturity in 2013. The debentures are convertible into common stock of the Company at a conversion price of $49.83 per share subject to adjustment in certain events. Debenture holders have the right to require the Company to redeem the debentures on January 6, 2004 at a price of 118.968%, 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 31, 2001 initially at 112.841% and at increasing prices thereafter to 118.968% until January 6, 2004, and 100% thereafter. Unless the debentures are redeemed, repaid, or converted prior thereto, the debentures will mature on January 6, 2013 at their principal amount. The proceeds of this issuance will be used for general corporate purposes, including working capital.

On March 4, 1998, the Company issued 4,000,000 shares of common stock for aggregate proceeds before expenses of $171.4 million. The proceeds of this issuance will be used for general corporate purposes, including the funding of the acquisition of The GGT Group plc.

The Company anticipates that the year end cash position, together with future cash flows from operations, funds available under existing credit facilities (including the 2 1/4% Convertible Subordinated Debentures) and the proceeds from the issuance of 4,000,000 shares of common stock in March 1998 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 6, 1998. 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 6, 1998.

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 6, 1998.

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

Incorporated by reference to the Company's definitive proxy statement expected to be filed by April 6, 1998.

PART IV

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

All other schedules are omitted because they are not applicable.

3. Exhibits:

(3)(i) Articles of Incorporation (as amended on December 4, 1997 and as restated for filing purposes), filed as Exhibit 4.1 to Omnicom Group Inc.'s Registration Statement No. 333-46303, are incorporated herein by reference.

(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 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 January 3, 1997 between the Registrant and Morgan Stanley & Co. Incorporated related to the Registrant's 4 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.
4.8	Indenture dated January 6, 1998, between the Registrant and The Chase Manhattan Bank, as trustee, in connection with the issuance of 2 1/4% Convertible Subordinated Debentures due 2013 filed as Exhibit 4.1 to Omnicom Group Inc.'s Report on Form 8-K dated January 20, 1998, is incorporated herein by reference.
4.9	Form of Debentures (included in Exhibit 4.8 above) filed as Exhibit 4.2 to Omnicom Group Inc.'s Report on Form 8-K dated January 20, 1998, is incorporated herein by reference.
4.10	Registration Rights Agreement dated January 6, 1998, between the Registrant and Morgan Stanley & Co. Incorporated related to the Registrant's 2 1/4% Convertible Subordinated Debentures due 2013 filed as Exhibit 4.3 to Omnicom Group Inc.'s Report on Form 8-K dated January 20, 1998 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 Chiat/Day Inc. (then known as 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, filed as Exhibit 10.15 to Omnicom Group Inc.'s Annual Report on Form 10K for the year ended December 31, 1996, is incorporated herein by reference.
10.16	Copy of $500,000,000 Amended and Restated Credit Agreement, dated as of May 10, 1996 amended and restated as of February 20, 1998, between Omnicom Finance Inc., Omnicom Finance Limited, ABN AMRO Bank N.V., Chase Securities Inc. and the financial institutions party thereto.
(21)	Subsidiaries of the Registrant.
(23)	Consents of Experts and Counsel.
23.1	Consent of Arthur Andersen LLP.
(24)	Powers of Attorney from Bernard Brochand, Robert J. Callander, James A. Cannon, Leonard S. Coleman, Jr., Susan S. Denison, 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, 1997.

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, 1998

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, 1998
/s/ JOHN D. WREN **(John D. Wren)**	Chief Executive Officer and President and Director	March 24, 1998
/s/ FRED J. MEYER **(Fred J. Meyer)**	Chief Financial Officer	March 24, 1998
/s/ JONATHAN E. RAMSDEN **(Jonathan E. Ramsden)**	Controller (Principal Accounting Officer)	March 24, 1998
/s/ BARRY J. WAGNER **(Barry J. Wagner)**	Secretary and General Counsel	March 24, 1998
/s/ BERNARD BROCHAND* **(Bernard Brochand)**	Director	March 24, 1998
/s/ ROBERT J. CALLANDER* **(Robert J. Callander)**	Director	March 24, 1998
/s/ JAMES A. CANNON* **(James A. Cannon)**	Director	March 24, 1998
/s/ LEONARD S. COLEMAN, JR.* **(Leonard S. Coleman, Jr.)**	Director	March 24, 1998
/s/ SUSAN S. DENISON* **(Susan S. Denison)**	Director	March 24, 1998
/s/ JOHN R. MURPHY* **(John R. Murphy)**	Director	March 24, 1998
/s/ JOHN R. PURCELL * **(John R. Purcell)**	Director	March 24, 1998
/s/ KEITH L. REINHARD* **(Keith L. Reinhard)**	Director	March 24, 1998
/s/ ALLEN ROSENSHINE* **(Allen Rosenshine)**	Director	March 24, 1998
/s/ GARY L. ROUBOS* **(Gary L. Roubos)**	Director	March 24, 1998
/s/ QUENTIN I. SMITH, JR.* **(Quentin I. Smith, Jr.)**	Director	March 24, 1998
/s/ WILLIAM G. TRAGOS* **(William G. Tragos)**	Director	March 24, 1998
/s/ EGON P.S. ZEHNDER* **(Egon P.S. Zehnder)**	Director	March 24, 1998

*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 the Company 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 Inc. and subsidiaries. These financial statements have been prepared in accordance with generally accepted accounting principles.

The system of internal controls of the Company, 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, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These consolidated 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 consolidated 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

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, 1998 (except for Note 14
as to which the date is March 24, 1998)

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, (Dollars in Thousands Except Per Share Data)		
	1997	1996	1995
COMMISSIONS AND FEES	$3,124,813	$2,641,667	$2,257,536
OPERATING EXPENSES:			
Salaries and Related Costs	1,835,118	1,555,553	1,305,087
Office and General Expenses	886,149	759,541	681,544
	2,721,267	2,315,094	1,986,631
OPERATING PROFIT	403,546	326,573	270,905
NET INTEREST EXPENSE:			
Interest and Dividend Income	(20,811)	(12,725)	(15,019)
Interest Paid or Accrued	43,112	34,067	43,271
	22,301	21,342	28,252
INCOME BEFORE INCOME TAXES	381,245	305,231	242,653
INCOME TAXES	156,484	123,639	97,386
INCOME AFTER INCOME TAXES	224,761	181,592	145,267
EQUITY IN AFFILIATES	30,089	20,510	20,828
MINORITY INTERESTS	(32,435)	(25,773)	(26,140)
NET INCOME	$ 222,415	$ 176,329	$ 139,955
NET INCOME PER COMMON SHARE:			
Basic	$ 1.40	$ 1.17	$ 0.95
Diluted	$ 1.37	$ 1.12	$ 0.93

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

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

A S S E T S

	December 31, (Dollars in Thousands) 1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 556,436	$ 510,267
Investments available-for-sale, at market, which approximates cost	87,668	12,841
Accounts receivable, less allowance for doubtful accounts of $32,190 and $25,642 (Schedule II)	1,908,532	1,555,411
Billable production orders in process, at cost	183,145	156,667
Prepaid expenses and other current assets	252,617	189,799
Total Current Assets	2,988,398	2,424,985
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost, less accumulated depreciation and amortization of $336,926 and $301,102	239,667	221,655
INVESTMENTS IN AFFILIATES	281,264	223,918
INTANGIBLES, less accumulated amortization of $235,257 and $198,880	1,234,539	1,000,312
DEFERRED TAX BENEFITS	68,086	79,828
DEFERRED CHARGES AND OTHER ASSETS	153,789	105,245
	$4,965,743	$4,055,943

L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y

	1997	1996
CURRENT LIABILITIES:		
Accounts payable	$2,595,255	$2,070,026
Current portion of long-term debt	3,358	4,160
Bank loans	14,314	4,612
Advance billings	185,591	151,539
Accrued taxes on income	80,489	66,409
Other accrued taxes	93,390	72,424
Other accrued liabilities	586,342	477,753
Dividends payable	20,246	16,153
Total Current Liabilities	3,578,985	2,863,076
LONG-TERM DEBT	341,665	204,744
DEFERRED COMPENSATION AND OTHER LIABILITIES	114,668	124,739
MINORITY INTERESTS	63,686	62,706
COMMITMENTS AND CONTINGENT LIABILITIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $1.00 par value, 7,500,000 shares authorized, none issued	—	—
Common stock, $.50 par value, 300,000,000 shares authorized, 173,836,221 and 172,577,014 shares issued in 1997 and 1996, respectively	86,918	86,289
Additional paid-in capital	533,412	511,366
Retained earnings	555,038	419,072
Unamortized restricted stock	(46,745)	(39,445)
Cumulative translation adjustment	(47,947)	3,490
Treasury stock, at cost, 11,721,122 and 11,719,872 shares in 1997 and 1996, respectively	(213,937)	(180,094)
Total Shareholders' Equity	866,739	800,678
	$4,965,743	$4,055,943

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

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Years Ended December 31, 1997
(Dollars in Thousands)

	Common Stock		Additional		Unamortized	Cumulative		Total
	Shares	Par Value	Paid-in Capital	Retained Earnings	Restricted Stock	Translation Adjustment	Treasury Stock	Shareholders' Equity
Balance December 31, 1994	158,524,464	$79,262	$342,139	$207,488	$(25,631)	$(28,254)	$(106,838)	$468,166
Net income				139,955				139,955
Dividends declared				(47,739)				(47,739)
Amortization of restricted shares					10,713			10,713
Share transactions under employee stock plans	1,161,488	581	7,914		(15,821)		17,111	9,785
Shares issued for acquisitions			1,009				2,659	3,668
Cumulative translation adjustment						1,613		1,613
Repurchases of shares							(34,654)	(34,654)
Balance December 31, 1995, as previously reported	159,685,952	79,843	351,062	299,704	(30,739)	(26,641)	(121,722)	551,507
Pooling of interests adjustment	2,413,706	1,207	5,082	436				6,725
Balance January 1, 1996, as restated	162,099,658	81,050	356,144	300,140	(30,739)	(26,641)	(121,722)	558,232
Net income				176,329				176,329
Dividends declared				(57,397)				(57,397)
Amortization of restricted shares					13,895			13,895
Share transactions under employee stock plans			7,329		(22,601)		26,893	11,621
Shares issued for acquisitions			9,382				17,808	27,190
Conversion of 4.5%/6.25% Step-Up Debentures	10,477,356	5,239	138,511					143,750
Cumulative translation adjustment						30,131		30,131
Repurchases of shares							(103,073)	(103,073)
Balance December 31, 1996, as previously reported	172,577,014	86,289	511,366	419,072	(39,445)	3,490	(180,094)	800,678
Pooling of interests adjustments	1,088,974	544	(492)	(14,735)				(14,683)
Balance January 1, 1997, as restated	173,665,988	86,833	510,874	404,337	(39,445)	3,490	(180,094)	785,995
Net income				222,415				222,415
Dividends declared				(71,714)				(71,714)
Amortization of restricted shares					17,311			17,311
Share transactions under employee stock plans			16,321		(24,611)		35,606	27,316
Shares issued for acquisitions	170,233	85	6,217				313	6,615
Cumulative translation adjustment						(51,437)		(51,437)
Repurchases of shares							(69,762)	(69,762)
Balance December 31, 1997	173,836,221	$ 86,918	$533,412	$555,038	$(46,745)	$(47,947)	$(213,937)	$866,739

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

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, (Dollars in Thousands)		
	1997	1996	1995
Cash Flows From Operating Activities:			
Net income	$222,415	$ 176,329	$ 139,955
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of tangible assets	63,837	50,970	45,879
Amortization of intangible assets	39,036	34,849	28,250
Minority interests	32,435	25,773	26,140
Earnings of affiliates in excess of dividends received	(15,654)	(5,068)	(5,682)
Decrease (increase) in deferred tax benefits	15,629	(4,081)	2,400
Provisions for losses on accounts receivable	9,981	7,911	6,024
Amortization of restricted shares	17,311	13,895	10,713
(Increase) decrease in accounts receivable	(381,811)	31,511	(259,560)
Increase in billable production	(27,209)	(20,546)	(22,442)
Increase in other current assets	(45,893)	(21,132)	(7,040)
Increase in accounts payable	569,522	243,885	180,850
Increase (decrease) in other accrued liabilities	123,053	(68,426)	107,087
Increase (decrease) in accrued taxes on income	10,374	20,718	(12,808)
(Increase) decrease in advances to affiliates	(29,652)	2,151	4,951
(Increase) decrease in deferred charges and other assets	(42,365)	10,869	14,812
Other	(27,253)	(5,583)	(32,940)
Net Cash Provided by Operating Activities	533,756	494,025	226,589
Cash Flows From Investing Activities:			
Capital expenditures	(76,172)	(48,777)	(49,568)
Purchases of equity interests in subsidiaries and affiliates, net of cash acquired	(334,941)	(178,861)	(118,784)
Sales of equity interests in subsidiaries and affiliates	6,705	52,861	15,278
Purchases of investments available-for-sale and other investments	(112,037)	(14,840)	(14,200)
Sales of investments available-for-sale and other investments	41,798	25,775	21,496
Net Cash Used in Investing Activities	(474,647)	(163,842)	(145,778)
Cash Flows From Financing Activities:			
Net borrowings (repayments) under lines of credit	2,130	(16,114)	6,883
Proceeds from issuances of debt obligations	245,961	78,752	135,162
Repayment of principal of debt obligations	(81,389)	(20,485)	(67,718)
Share transactions under employee stock plans	27,316	11,621	5,681
Dividends and loans to minority stockholders	(33,179)	(24,154)	(15,498)
Dividends paid	(67,621)	(54,311)	(45,935)
Purchase of treasury shares	(69,762)	(103,073)	(34,654)
Net Cash Provided by (Used in) Financing Activities	23,456	(127,764)	(16,079)
Effect of exchange rate changes on cash and cash equivalents	(36,396)	(6,151)	7,470
Net Increase in Cash and Cash Equivalents	46,169	196,268	72,202
Cash and Cash Equivalents at Beginning of Period	510,267	313,999	241,797
Cash and Cash Equivalents at End of Period	$ 556,436	$ 510,267	$ 313,999
Supplemental Disclosures:			
Income taxes paid	$ 133,797	$ 112,155	$ 109,241
Interest paid.	$ 34,920	$ 34,640	$ 36,482

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. All amounts presented give effect to a two-for-one stock split in the form of a 100% stock dividend completed in December 1997 and to a prior two-for-one stock split completed in December 1995. 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. In addition, certain prior year amounts have been reclassified to conform with the 1997 presentation.

Investments Available-For-Sale. Investments available-for-sale consist principally of time deposits with financial institutions. 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, 1997.

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.

Common Stock. During 1997, a wholly-owned subsidiary of the Company issued securities which are exchangeable into common stock of the Company at the holders' option. Common stock issued at December 31, 1997 includes 170,233 shares of common stock issuable on the exchange of these securities.

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 ("SFAS") No. 52, "Foreign Currency Translation." Under this method, net transaction gains of $2.1 million, $1.5 million and $0.4 million are included in 1997, 1996 and 1995 net income, respectively.

Earnings Per Common Share. The Company has adopted the provisions of SFAS No. 128, "Earnings per Share", under which it is required to present basic and diluted earnings per share information. Basic earnings per share is based upon the weighted average number of common shares outstanding during each year. Diluted earnings per share is based on the above, common share equivalents outstanding, 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, 1997, the $4\frac{1}{4}$% Step-Up Convertible Subordinated Debentures were assumed to be converted for the full year. 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. The number of shares used in the computations were as follows:

	1997	1996	1995
Basic EPS computation	159,418,700	151,329,300	146,570,900
Diluted EPS computation	169,483,500	161,383,400	159,228,000

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 life 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 more than twenty-five 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 connection with the acquisition of equity interests in subsidiaries and affiliates, for each of the three years ended December 31:

	(Dollars in thousands)		
	1997	1996	1995
Fair value of non-cash assets acquired	$462,928	$277,005	$129,425
Cash paid, net of cash acquired	(334,941)	(178,861)	(118,784)
Common shares issued	(6,615)	(27,190)	(3,668)
Liabilities assumed	$121,372	$ 70,954	$ 6,973

During 1996, the Company issued 10,477,356 shares of common stock upon conversion of $143,750,000 of its 4.5%/6.25% Step-Up 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 February 1997, the Company completed the acquisitions of Cline Davis & Mann, Inc. and Gavin Anderson & Company (Japan), Inc. Both of these acquisitions were accounted for under the pooling-of-interests method of accounting and, accordingly, the results of operations of Cline Davis & Mann, Inc. and Gavin Anderson & Company (Japan), Inc. have been included in the consolidated financial statements since January 1, 1997. Prior year consolidated financial statements were not restated as the impact on such years was not material. A total of 1,088,974 shares of common stock were issued in connection with these acquisitions.

In May 1996, the Company completed the acquisition of Ketchum Communications Holdings, Inc. ("Ketchum"). The acquisition was accounted for under the pooling-of-interests method of accounting 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 2,413,706 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 presented. A total of 5,113,292 shares were issued in connection with these acquisitions.

During 1997, 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 $381.9 million for net assets, which included intangible assets of $351.9 million. Due to the nature of the advertising industry, companies acquired generally have tangible net liabilities or 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 $66.0 million. Pro forma combined results of operations of the Company as if these acquisitions had occurred on January 1, 1996 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, 1997.

Certain acquisitions entered into in 1997 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 are primarily comprised of 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, 1997 and 1996 was 9.9% and 6.6%, respectively. At December 31, 1997 and 1996, the Company had unsecured committed lines of credit aggregating $509 million and $475 million, respectively. The unused portion of credit lines was $495 million and $470 million at December 31, 1997 and 1996, respectively. The lines of credit are generally extended at the banks' lending rates to their most credit worthy borrowers. Compensating balances are not required within the terms of these credit agreements.

At December 31, 1997 and 1996, the committed lines of credit included $360 million under a 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 this revolving credit agreement at December 31, 1997 and 1996.

The revolving credit agreement includes a facility for issuing commercial paper backed by a bank letter of credit. During the years ended December 31, 1997, 1996 and 1995, the Company issued commercial paper with an average original maturity of 16, 26 and 31 days, respectively. The Company had no commercial paper borrowings outstanding as of December 31, 1997, 1996 and 1995. The maximum outstanding during the year was $235 million, $230 million and $210 million, in 1997, 1996 and 1995, respectively. The gross amount of issuance and redemption during the year was $2,017 million, $1,710 million and $1,211 million in 1997, 1996 and 1995, respectively.

4. Employee Stock Plans

Under the terms of the Company's 1987 Stock Plan, as amended (the "1987 Plan"), 26,200,000 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 2,912,000 at December 31, 1997.

Stock Options. As permitted by SFAS No. 123, "Accounting for Stock Based Compensation," 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, 1997 is as follows:

	Years Ended December 31,					
	1997		1996		1995	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option, beginning of year	6,757,800	$ 13.16	5,924,800	$ 10.19	4,776,000	$ 8.75
Options granted	1,440,000	24.28	1,880,000	19.80	1,660,000	13.17
Options exercised	(1,330,000)	9.45	(1,047,000)	8.26	(511,200)	6.46
Shares under option, end of year	6,867,800	16.21	6,757,800	13.16	5,924,800	10.19
Options exercisable at year-end	3,447,800		3,227,800		3,014,800	

The weighted average fair value of options granted during 1997, 1996 and 1995 was $6.27, $4.65 and $3.40 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:

	1997	1996	1995
Expected option lives	5 years	5 years	5 years
Risk free interest rate	6.15%	5.64% - 5.99%	5.95% - 7.14%
Expected volatility	19.7%	18.8% - 19.5%	20.9% - 25.7%
Dividend yield	1.5%	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 1997, 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		
	1997	1996	1995
Net income, as reported	$222,415	$176,329	$ 139,955
Net income, pro forma	217,260	172,849	138,570
Basic income per share, as reported	1.40	1.17	0.95
Basic income per share, pro forma	1.36	1.14	0.95
Diluted income per share, as reported	1.37	1.12	0.93
Diluted income per share, pro forma	1.34	1.10	0.92

The following table summarizes information about options outstanding and options exercisable at December 31, 1997:

	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
5.77	110,000	2 years	$ 5.77	110,000	$ 5.77
5.81 to 5.88	230,000	3 years	5.84	230,000	5.84
5.88	120,000	4 years	5.88	120,000	5.88
8.77	274,000	5 years	8.77	274,000	8.77
10.02	459,800	6 years	10.02	459,800	10.02
12.11	964,000	7 years	12.11	964,000	12.11
12.94 to 16.20	1,480,000	8 years	13.20	816,000	13.23
19.72 to 21.19	1,790,000	9 years	19.80	474,000	19.81
24.28	1,440,000	10 years	24.28	—	—
	6,867,800			3,447,800	

Restricted Shares. A summary of changes in outstanding shares of restricted stock for the three years ended December 31, 1997 is as follows:

	Years Ended December 31,		
	1997	1996	1995
Beginning balance	3,315,516	3,294,000	3,128,328
Amount granted	1,105,838	1,136,616	1,224,336
Amount vested	(1,123,882)	(1,030,224)	(980,844)
Amount forfeited	(160,122)	(84,876)	(77,820)
Ending balance	3,137,350	3,315,516	3,294,000

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, 1997, 1996 and 1995 amounted to $17.3 million, $13.9 million and $10.7 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, 1997, 1996 and 1995, and for the years then ended is presented below:

	(Dollars in Thousands)		
	United States	International	Consolidated
1997			
Commissions and Fees	$1,616,768	$1,508,045	$3,124,813
Operating Profit	218,647	184,899	403,546
Net Income	124,732	97,683	222,415
Identifiable Assets	2,091,832	2,873,911	4,965,743
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

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 and Australia, as of December 31, 1997, 1996, 1995, and for the years then ended:

	(Dollars in Thousands)		
	1997	1996	1995
Current assets	$589,664	$528,814	$1,399,700
Non-current assets	95,728	91,559	147,093
Current liabilities	500,633	422,886	1,400,349
Non-current liabilities	35,269	28,796	149,781
Minority interests	3,644	2,134	8,015
Gross revenues	538,647	525,404	702,639
Costs and expenses	446,528	431,031	582,850
Net income	56,226	57,352	79,262

The decrease in the summarized balance sheets and income statements of the Company's unconsolidated affiliates in 1996 as compared to 1995 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 $30.1 million, $20.5 million and $20.8 million for 1997, 1996 and 1995, respectively. The Company's equity in the net tangible assets of these affiliated companies was approximately $105.5 million, $97.5 million, $76.7 million at December 31, 1997, 1996 and 1995, 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 being 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, 1997 and 1996 consisted of the following:

	(Dollars in Thousands)	
	1997	1996
Deutsche Mark Floating Rate Bonds, with a scheduled maturity in 2000, interest at DM three month LIBOR plus 0.65%	$ 61,738	$ 129,880
Deutsche Mark Floating Rate Bonds, with a scheduled maturity in 1999, interest at DM three month LIBOR plus 0.375%	55,620	64,940
4 1/4% Convertible Subordinated Debentures with a scheduled maturity in 2007	218,500	—
Sundry notes and loans payable to banks and others at rates from 5.15% to 20.25%, maturing at various dates through 2003	9,165	14,084
	345,023	208,904
Less current portion	3,358	4,160
Total long-term debt	$341,665	$204,744

On January 3, 1997, the Company issued $218.5 million 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 $31.50 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.

On July 12, 1996, the Company issued a Notice of Redemption for its 4.5% / 6.25% Step-Up Convertible Subordinated Debentures issued on September 1, 1993 with a scheduled maturity in 2000. Prior to the September 5, 1996 redemption date, debenture holders elected to convert all of their outstanding debentures into common stock of the Company at a conversion price of $13.72 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%. Unless redeemed earlier, 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, subsequent to January 5, 1997 may be redeemed at the option of the issuer on any interest payment date at their principal amount plus any accrued but unpaid interest. On August 18, 1997 and October 1, 1997, Deutsche Mark 69 million and Deutsche Mark 20 million, respectively, of the Deutsche Mark 200 million Floating Rate Bonds were repurchased. Unless redeemed earlier, the remaining bonds will mature on January 5, 2000 and will be repaid at par.

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 expiring 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, 1997 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)
1998	$ 3,358
1999	58,505
2000	63,226
2001	691
2002	351
Thereafter	218,892

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)		
	1997	1996	1995
Income before income taxes:			
Domestic	$182,608	$162,388	$107,536
International	198,637	142,843	135,117
Total	$381,245	$305,231	$242,653
Provision for taxes on income:			
Current:			
Federal	$ 47,145	$49,394	$ 29,143
State and local	17,221	13,612	9,837
International	78,438	58,339	57,463
	142,804	121,345	96,443
Deferred:			
Federal	7,712	2,072	2,089
State and local	541	(120)	(1,481)
International	5,427	342	335
	13,680	2,294	943
Total	$156,484	$123,639	$ 97,386

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

	1997	1996	1995
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal income tax benefit	3.0	2.9	2.2
International subsidiaries' tax rates in excess of (less than) federal statutory rate	1.2	(0.1)	0.1
Non-deductible amortization of goodwill	3.0	3.4	3.4
Other	(1.2)	(0.7)	(0.6)
Effective rate	41.0%	40.5%	40.1%

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 liabilities 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, 1997 and 1996 of $142.1 million and $139.0 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, 1997 and 1996 of $49.7 million and $38.5 million, respectively, related principally to furniture and equipment depreciation and tax lease recognition.

Deferred tax benefits (liabilities) as of December 31, 1997 and 1996 consisted of the amounts shown below (dollars in millions):

	1997	1996
Deductible intangibles	$41.4	$ 46.5
Acquisition liabilities	18.9	15.9
Lease reserves	7.3	8.4
Severance and compensation reserves	29.4	26.9
Tax loss carryforwards	3.0	3.8
Amortization and depreciation	(1.7)	(2.9)
Other, net	(5.9)	1.9
	$92.4	$ 100.5

Net current deferred tax benefits as of December 31, 1997 and 1996 were $24.3 million and $20.7 million, respectively, and were included in prepaid expenses and other current assets. Net non-current deferred tax benefits as of December 31, 1997 and 1996 were $68.1 million and $79.8 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 $54.3 million, $49.8 million and $41.7 million in 1997, 1996 and 1995, 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 $5.3 million, $4.6 million and $4.4 million in 1997, 1996 and 1995, 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 1997, 1996 and 1995 consolidated results of operations.

10. Commitments and Contingent Liabilities

At December 31, 1997, 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 $235.9 million in 1997, $201.1 million in 1996 and $169.1 million in 1995 after reduction by rents received from subleases of $12.8 million, $11.9 million and $11.1 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:

	Gross Rent	(Dollars in Thousands) Sublease Rent	Net Rent
1998	$183,425	$11,308	$172,117
1999	171,566	9,168	162,398
2000	142,254	8,228	134,026
2001	122,569	7,171	115,398
2002	107,762	5,523	102,239
Thereafter	651,198	18,654	632,544

The present value of the gross future minimum base rents under noncancellable operating leases is $990.6 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 incident 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, 1997 and 1996. Amounts in parentheses represent liabilities.

	1997 (Dollars in Thousands)		1996 (Dollars in Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash, cash equivalents and investments available-for-sale	$644,104	$644,104	$523,108	$523,108
Long-term investments	6,269	6,269	5,946	5,946
Long-term debt	(345,023)	(439,251)	(208,904)	(208,904)
Financial Commitments				
Forward foreign exchange contracts	______	(3,430)	______	206
Guarantees	______	(5,604)	______	(5,615)
Letters of credit	______	(16,464)	______	(8,730)

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:

In 1997, a portion of the Company's long-term debt included floating rate debt, the carrying value of which approximates fair value. The Company's long-term debt also 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.

In 1996, the majority of the Company's long-term debt was primarily floating rate debt and consequently the carrying amount approximates fair value.

Financial Commitments:

The estimated fair values 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 values 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 participates 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 which are reviewed annually. The Audit Committee reconfirmed, for the year 1997, the overall dollar limitations originally established in 1993, and will be requested to reconfirm the same limitations for 1998.

There were no swap agreements outstanding at December 31, 1997 and 1996.

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, 1997 and 1996, the aggregate amount of intercompany receivables and payables subject to this hedge program was $532 million and $287 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, 1997 and 1996. 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			
	1997		1996	
Currency	Company Buys	Company Sells	Company Buys	Company Sells
U.S. Dollar	$160,704	$ 47,588	$ 14,191	$ 401
German Mark	98,820	154,143	53,901	97,901
French Franc	26,693	9,216	35,436	602
Spanish Peseta	11,664	—	12,304	332
Belgian Franc	8,140	712	10,764	65
Dutch Guilder	5,884	12,238	19,285	—
Italian Lira	5,035	—	2,384	—
Swedish Krona	2,410	2,789	3,214	726
Hong Kong Dollar	—	12,140	—	20,291
Greek Drachma	—	6,548	—	8,186
Other	6,223	13,192	10,415	10,965
Total	$325,573	$258,566	$161,894	$139,469

The derivative financial instruments existing at December 31, 1997 and 1996 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 derivative contracts with major well-known banks that have credit ratings equal to or better than the Company's.

13. Adoption of New Accounting Principles

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. Adoption of SFAS No. 130 is required for fiscal years beginning after December 15, 1997.

In June 1997, the FASB also issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 requires disclosures regarding operating segments, products and services, geographic areas and major customers of an enterprise in both the complete set of financial statements and the condensed interim financial statements issued to shareholders. Adoption of SFAS No. 131 is required for fiscal years beginning after December 15, 1997.

The Company will adopt the provisions of these standards in 1998.

14. Subsequent Events

On January 6, 1998, the Company issued $230,000,000 of 2 1/4% Convertible Subordinated Debentures with a scheduled maturity in 2013. The debentures are convertible into common stock of the Company at a conversion price of $49.83 per share subject to adjustment in certain events. Debenture holders have the right to require the Company to redeem the debentures on January 6, 2004 at a price of 118.968%, 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 31, 2001 initially at 112.841% and at increasing prices thereafter to 118.968% until January 6, 2004, and 100% thereafter. Unless the debentures are redeemed, repaid or converted prior thereto, the debentures will mature on January 6, 2013 at their principal amount. The proceeds of this issuance are being used for general corporate purposes, including working capital.

On January 29, 1998, the Company announced that it had reached agreement on the terms of a recommended cash offer for The GGT Group plc (“GGT”), an advertising and marketing services group headquartered in the United Kingdom and operating primarily in France, the United Kingdom and the United States. The offer price of 200p for each share valued GGT’s fully diluted ordinary share capital at £143 million (approximately $235 million at the January 29, 1998 exchange rate). On March 24, 1998, the Company had received acceptances in respect of, or was the beneficial owner of, over 90% of GGT’s ordinary share capital.

On February 20, 1998, the Company amended and restated the $360 million revolving credit agreement originally entered into in 1996. The amended and restated $500 million revolving credit agreement is with a consortium of banks and expires on June 30, 2003.

On March 4, 1998, the Company issued 4,000,000 shares of common stock for aggregate proceeds before expenses of $171,400,000. The proceeds of this issuance will be used for general corporate purposes, including the funding of the acquisition of The GGT Group plc.

OMNICOM GROUP INC. AND SUBSIDIARIES

QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following table sets forth a summary of the unaudited quarterly results of operations for the two years ended December 31, 1997 and 1996, in thousands of dollars except for per share amounts. The information set forth in the following table gives effect to the two-for-one stock split completed in December 1997. In addition, as discussed in the notes to the consolidated financial statements, information for the first quarter of 1996 has been restated from the amounts originally reported as a result of the acquisition of Ketchum Communications Holdings, Inc. during 1996 which was accounted for under the pooling-of-interests method of accounting.

	First	Second	Third	Fourth
Commissions & Fees				
1997	$696,577	$786,341	$746,839	$895,056
1996	591,601	666,465	631,772	751,829
Income Before Income Taxes				
1997	69,641	117,913	73,060	120,631
1996	55,015	95,101	55,160	99,955
Income Taxes				
1997	28,266	48,045	29,879	50,294
1996	22,271	38,426	22,236	40,706
Income After Income Taxes				
1997	41,375	69,868	43,181	70,337
1996	32,744	56,675	32,924	59,249
Equity in Affiliates				
1997	4,144	7,282	4,601	14,062
1996	3,053	4,023	3,509	9,925
Minority Interests				
1997	(5,451)	(10,751)	(6,291)	(9,942)
1996	(4,884)	(7,745)	(4,200)	(8,944)
Net Income				
1997	40,068	66,399	41,491	74,457
1996	30,913	52,953	32,233	60,230
Basic Earnings Per Share				
1997	0.25	0.41	0.26	0.47
1996	0.21	0.36	0.21	0.38
Diluted Earnings Per Share				
1997	0.25	0.40	0.26	0.45
1996	0.21	0.34	0.21	0.37

Schedule II

OMNICOM GROUP INC. AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 31, 1997

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, 1997	$25,642	$9,981	$1,856	$1,577	$32,190
December 31, 1996	23,352	7,911	5,211	410	25,642
December 31, 1995	23,528	6,024	6,964	(764)	23,352

(1) Net of acquisition date balances in allowance for doubtful accounts of companies acquired of $2,013, $985 and $463 in 1997, 1996, and 1995, respectively.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 18, 1998 (except for Note 14 as to which the date is March 24, 1998) included in this Form 10-K into the previously filed Registration Statement File No. 333-41717 on Form S-8 of Omnicom Group Inc. and into the previously filed Registration Statement File Nos. 333-22589, 333-43883, 333-44357, 333-44481, 333-44483, 333-46303 and 333-47047 on Form S-3 of Omnicom Group Inc.

ARTHUR ANDERSEN LLP

New York, New York
March 24, 1998

Omnicom

Board Of Directors

Bruce Crawford
Chairman
Omnicom Group

John D. Wren
Chief Executive Officer and President
Omnicom Group
Chairman and Chief Executive Officer
Diversified Agency Services

Bernard Brochand
President, International Division
DDB Needham Worldwide

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Columbia School of Business,
Columbia University;
Retired Vice Chairman
Chemical Banking Corporation

James A. Cannon
Vice Chairman and
Chief Financial Officer
BBDO Worldwide

Leonard S. Coleman, Jr.
President, National League
Major League Baseball

Susan S. Denison
Partner, Entertainment and Media Practice
Johnson Smith Knisely

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Grenadier Associates Ltd.

Keith L. Reinhard
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DDB Needham Worldwide

Allen Rosenshine
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BBDO Worldwide

Gary L. Roubos
Chairman
Dover Corporation

Quentin I. Smith, Jr.
Corporate Director;
Retired Chairman and
Chief Executive Officer
Towers, Perrin, Forster & Crosby

William G. Tragos
Chairman and Chief Executive Officer
TBWA International

Egon P.S. Zehnder
Chairman
Egon Zehnder International

Committees Of The Board

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Leonard S. Coleman, Jr.
Quentin I. Smith, Jr.

Compensation
Quentin I. Smith, Jr., Chairman
Robert J. Callander
Egon P.S. Zehnder

Nominating
Gary L. Roubos, Chairman
John R. Purcell
Egon P.S. Zehnder

Omnicom Officers

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Chairman

John D. Wren
Chief Executive Officer and President

Fred J. Meyer
Chief Financial Officer

Barry J. Wagner
Secretary and General Counsel

Dennis E. Hewitt
Treasurer

Jonathan E. Ramsden
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 Shareholders will be held on Monday, May 18, 1998, 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

Arthur Andersen LLP
1345 Avenue of the Americas
New York, New York 10105

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