Omnicom

ANNUAL REPORT

98

Omnicom

Comparative Highlights

	1998	1997	% Change
	(Amounts in Thousands Except Per Share Amounts)		
Domestic billings	**$14,199,620**	$10,894,800	30%
International billings	**14,264,680**	11,096,300	29%
Worldwide billings*	**28,464,300**	21,991,100	29%
Domestic commissions and fees	**2,098,220**	1,616,768	30%
International commissions and fees	**1,993,822**	1,508,045	32%
Worldwide commissions and fees**	**4,092,042**	3,124,813	31%
Domestic operating expenses	**1,795,772**	1,398,121	28%
International operating expenses	**1,736,096**	1,323,146	31%
Worldwide operating expenses	**3,531,868**	2,721,267	30%
Domestic operations–net income	**164,747**	124,732	32%
International operations–net income	**120,321**	97,683	23%
Worldwide net income	**285,068**	222,415	28%
Common stock data:			
Net income per share—Basic	**1.72**	1.40	23%
—Diluted	**1.68**	1.37	23%
Dividends declared per share	**0.525**	0.45	17%
Weighted average number of common shares and common equivalent shares outstanding during the year—Basic	**165,685**	159,419	4%
—Diluted	**175,844**	169,484	4%
Shares outstanding at year end	**168,593**	162,115	4%

*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. For calculating billings for majority-owned subsidiaries, total subsidiary commissions and fees are used. For calculating billings for 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.

Dear Fellow Shareholders:

We are pleased to report that 1998 marked the 12th consecutive year that Omnicom reported record results, and the fourth quarter of 1998 was the 30th consecutive quarter of year-over-year growth in revenue and earnings.

Total revenues from commissions and fees increased 31 percent to $4.1 billion in 1998, from $3.1 billion the previous year. Most notable is the revenue balance that Omnicom now produces — nearly evenly split between traditional advertising and marketing services, and between the United States and the rest of the world. This balance and diversification provides both areas of new business opportunity and a buffer against downturns in individual industries or economic regions.

Net income reached $285 million, an increase of 28 percent from 1997, and diluted earnings per share rose 23 percent to $1.68 per share from $1.37 per share.

Our operating margins increased to 13.7 percent from 12.9 percent in 1997, reflecting a continuing focus on costs. Our vendor and real-estate management processes, for example, allow all Omnicom agencies, no matter how small, to benefit from our economies of scale.

Reflecting this strong performance, our Board of Directors increased the quarterly cash dividend on our common stock by 20 percent to $.15 a share.

During 1998, each one of our agency brands continued to strengthen its market leadership position, while we completed acquisitions that added new complementary capabilities.

We have achieved these results by assembling the world's most notable advertising, marketing and communication brands and developing an entrepreneurial culture. This allows our people to provide global clients with all aspects of strategic counseling and creative excellence in every world region. Evidence of this success includes:

- $2.4 billion in net new business billings in 1998, eclipsing our previous record of $1.8 billion set in 1997 and marking the sixth year in a row that net new business wins exceeded $1 billion.
- Industry recognition for creative excellence. In 1998, the three Omnicom global agency networks (BBDO Worldwide, DDB Needham Worldwide and TBWA Worldwide) again dominated the International Advertising Festival at Cannes — the most prestigious creative award show in the industry — picking up 94 Lions awards, 55 more than the next-closest competitor. Goodby Silverstein captured the Grand Prix at Cannes and Agency of the Year honors at the Clios.

Market Recognition

We are gratified that, once again, the business and financial news media has also recognized our performance. On February 25, 1999, *The Wall Street Journal's* Shareholder Scoreboard (a ranking of 1,000 major U.S. public companies) named Omnicom the No. 1 advertising company with a five-year average return of 40.5 percent and a one-year average return of 38.3 percent. We captured the 30th spot in *BusinessWeek's* annual ranking of the best performing companies in the S&P 500. And a *Financial Times* survey named Omnicom the world's most respected company in the "media/leisure" category.

Change and Evolution

We achieved this record performance against a backdrop of economic and industry change. Client consolidation has created global brands that, accordingly, require global agency networks capable of providing an array of corporate communications services. The continuing fragmentation of media means more choices for consumers, more ways for advertisers to reach their target markets and more opportunities for companies with a full complement of communications services. The digital economy is creating new economic models of commerce that bear both enormous opportunities and challenges for clients.

In anticipation of those trends, we have strengthened, restructured and added to our portfolio of agencies. In BBDO Worldwide, DDB Needham Worldwide and TBWA Worldwide, we now own three of the top 10 global advertising networks. In addition, we own four outstanding national advertising agencies: Goodby, Silverstein and Partners in San Francisco; GSD&M in Austin; Martin/Williams in Minneapolis; and Merkley Newman Harty in New York.

All other agency and marketing services brands are housed within Diversified Agency Services, (DAS). Through both internal development and acquisitions in DAS, we have assembled a group of communication and marketing service companies that are leaders in specialty advertising, direct response/consultancy, public relations and sales promotion.

In October 1996, we also formed Optimum Media Direction (OMD) in response to client demands for unbundled media buying with global capabilities and reach. We believe the future of media will reward a handful of large, sophisticated global media brands, and OMD will become one of those brands.

Acquisitions

In March 1998, we completed the acquisition of the GGT Group. GGT was combined with TBWA Worldwide, resulting in TBWA moving from the 18th largest to the 10th largest agency in the world, and creating our third global advertising network.

Another significant acquisition in 1998 was the completion of the purchase of Fleishman-Hillard, which, together with existing Omnicom public relations brands Porter Novelli, Ketchum, Gavin Anderson, Clark & Weinstock and GPC International, created the largest group of public relations capabilities in the world.

Finally, we announced in December 1998 that we would acquire those shares of Abbott Mead Vickers (AMV) PLC that we did not already own, this purchase was completed in February 1999. AMV and BBDO have worked together since 1991, and AMV's principal advertising agency, Abbot Mead Vickers • BBDO, is the largest advertising agency in the United Kingdom. In addition, AMV's group of media and marketing services companies will complement both our Optimum Media Direction and our other affiliated companies in Europe.

Advertising Agency Brands

BBDO Worldwide again delivered strong growth in revenue and profits, while winning significant new business and capturing awards for creative excellence. In 1998, BBDO continued to expand its global network that now includes 291 offices in 73 countries and 27 multinational clients in 10 or more countries. In addition to the AMV acquisition, I&S/BBDO Tokyo joined the BBDO network, marking the first time a U.S. company has taken direct equity in a major Japanese agency in order to merge operations.

BBDO's major new account wins in the United States included Charles Schwab and PepsiCo media. Key new multinational assignments for BBDO included Dell Computer, Frito-Lay, and Duracell.

During 1998, BBDO won numerous awards in creative contests worldwide, receiving 32 Lions at the International Advertising Festival at Cannes and dominating the Clio awards with 58 awards. BBDO New York alone won 19 Clios, making it the most awarded U.S. agency. It also captured the Grand Prize for advertising effectiveness for Mars Snickers' "Hungry? Why Wait?" campaign at the Effies, and *TV Guide* named two BBDO spots among its Top 10 for 1998. In *USA Today's* Ad Meter poll conducted during the 1998 Super Bowl, BBDO's Pepsi commercial "Flying Geese" ranked first among viewers rating the commercials. In seven countries, BBDO Network companies won Agency of the Year honors.

DDB Needham Worldwide added three offices and representation in one country for a total of 206 offices in 96 countries. The network also had another strong year in terms of revenue and profits. New business wins included the global Compaq Computer account, now one of its four largest clients worldwide. Among other wins, DDB captured US West, Epson, Polo Ralph Lauren, Merck's Vioxx, Nicorette, Heinz's Weight Watchers foods, and additional new business from Parmalat.

The DDB network further solidified its creative reputation by winning 34 Lions at the International Advertising Festival in Cannes, more than any other agency for the sixth year in a row. Included in this count was the first ever Cyber Lion. It also captured ten "One Show" awards; the only other agency to do so was sister Omnicom agency Goodby, Silverstein & Partners.

Among the nine DDB agencies that were named agency of the year in their countries, DM9 DDB, Sao Paulo, Brazil, also took Agency of the Year honors at Cannes. In the U.K, BMP DDB won Campaign of the Year for Volkswagen and Agency of the Year for its overall body of work from *Campaign* magazine. The Volkswagen campaign also prevailed at the International Automotive Advertising Awards in Michigan, where it captured the Gold Triomphe Best of Show, the first time the Best of Show was awarded to a foreign campaign.

DDB captured the Grand Prix at the New York Festivals for TV and Cinema advertising for Budweiser advertising and also saw a McIlhenny Tabasco spot voted one of the Top 10 Super Bowl spots of all time by *TV Guide*. In recognition of the networks' creative legacy, agency founder Bill Bernbach was named by *Time* magazine as one of the men who most influenced advertising in this century.

Adding greatly to its strength, DDB continued to acquire top agencies around the world with the acquisition of Palmer Jarvis in Canada and Moss Dragoti in New York. In the United States, the agency also formed DDB Digital, an interactive agency as an independent unit of Beyond DDB, the agency's integrated marketing arm that encompasses such disciplines as direct marketing and sales promotion.

TBWA Worldwide's growth stemmed in part from completing its acquisition of the GGT Group and executing its merger with BDDP Worldwide to create TBWA Worldwide. Bringing these two agencies into the fold vaulted TBWA into the ranks of the top 10 advertising agencies in the world with 136 offices in 63 countries. In Europe, the merger of TBWA/Simons Palmer and GGT created one of the most powerful agencies in the London market. Headquartered in Paris, BDDP@TBWA is now the third largest agency in France.

In August 1998, the agency announced the acquisition of Square One in Africa and the consolidation of all marketing services in that market under the Tequila brand. In London, Tequila also merged with Payne Stracey to create one of the largest marketing services businesses in the United Kingdom and a crucial hub in the Tequila Worldwide system.

TBWA also acquired Nippo, the 11th largest agency in Japan, now called TBWA/Nippo.

In addition to growth through acquisitions, TBWA won several new clients, including NatWest Bank in the United Kingdom, the worldwide account for Societe Bic as well as Levi's, Kinko's and Barnes and Noble's on-line bookstore in the United States. In the United States, TBWA Chiat/Day was named Creative Agency of the Year for the second year in a row by *Creativity* magazine. BDDP@TBWA was voted No. 1 and No. 2 for strategy and creative, respectively, in France. Teran/TBWA was Agency of the Year in Mexico and won several awards at Cannes, while Frederick & Valenzuela/TBWA was the most awarded agency in Chile at the 1998 Chilean Advertising Film Festival and TBWA/Germany was named top agency for 1998 by an influential trade paper. In addition, *People*, *Life and TV Guide* all named TBWA Chiat/Day's Taco Bell campaign the best liked advertising campaign of the year.

In the new TBWA Worldwide management lineup, William G. Tragos, co-founder of TBWA, announced his retirement. Michael Greenlees, previously Chairman and CEO of the GGT Group PLC, became CEO and President of TBWA Worldwide; Lee Clow, previously Chairman/Chief Creative Officer, TBWA/Chiat Day, became Chairman and Chief Creative Officer of TBWA Worldwide.

Goodby Silverstein & Partners had an excellent year in 1998, adding Cracker Jack, *The Wall Street Journal*, Pacific Bell Wireless Communications, Mattel/Intel, The Learning Channel and Breyer's ice cream to its client roster.

Acknowledged for its creative excellence, the agency greatly expanded its relationships with existing clients Hewlett Packard, Nike and Pepsi. Its Budweiser "Louie the Lizard" campaign was picked as the No. 1 all-time favorite by *USA Today's* Ad Track. Its work for Polaroid was No. 6 and its "Got Milk" campaign No. 7. No other agency had three on the top 10 list.

Diversified Agency Services (DAS)

DAS continued to build upon the momentum it has generated over the past 10 years through a strategic balance of internal growth, acquisition and geographic expansion. DAS now holds 76 marketing services companies in 22 marketing disciplines, all working through a combination of networks and regional organizations to serve international and local clients through 476 offices in 62 countries.

In public relations, DAS now comprises three of the top six worldwide public relations networks – Porter Novelli, Fleishman-Hillard and Ketchum. Technology and healthcare public relations have helped drive this sector's growth and Omnicom is the worldwide leader through its full service agencies and its technology-focused agencies Brodeur/Porter Novelli and Copithorne & Bellows.

Omnicom has built the most influential healthcare franchise globally and it operates, under the TARGIS network, a broad based international network of healthcare agencies. In the United States, Omnicom owns nine healthcare agencies, six of which are in the top 20 healthcare agencies as ranked by *Medical Advertising News*. Two of its agencies, Harrison & Star and Cline Davis Mann, have been recognized as Agency of the Year over the past several years by the same publication.

In direct response/consultancy, Rapp Collins is recognized worldwide as an innovator in relationship marketing and database technologies with an expertise in telecommunications and pharmaceuticals. In early

1999, Rapp Collins formed Acuity Healthcare Group, a strategic consulting unit to the healthcare industry. Acuity develops relationship marketing programs directed toward both physicians and patients to solidify brand loyalty and retention. Interbrand is one of the world's leaders in brand strategy, valuation and development, environmental design, research and trademark consulting.

In early 1999, Mercedes-Benz of North America selected DAS to handle its full range of marketing communications for the Mercedes-Benz product portfolio in the United States. The DAS national advertising agency, Merkley Newman Harty will serve as the lead integrator on the Mercedes-Benz assignment, working with other DAS units including The Designory, Rapp Collins, Alcone Marketing Group and Case • Dunlap.

DAS has assembled the leading worldwide sales promotion network through its ownership of four of the top 10 promotional marketing agencies. Through Alcone Marketing Group and The Integer Group, we emphasize strategic and tactical retail execution, database linked incentives and loyalty programs. We continued to expand these capabilities through the 1998 acquisitions of Claydon Heeley and GMR Marketing.

The Digital Economy

Despite its infancy, the growth of the digital economy is exponential and clients look to high-end strategic, technical and design solutions in interactive media as increasingly vital to their overall marketing efforts. Three years ago, we created Communicade as an umbrella for our portfolio of investments in interactive, e-commerce, digital design and technology companies.

Today, we have significant minority investments in five interactive companies – AGENCY.COM, Organic, Razorfish, Red Sky Interactive and THINK New Ideas. All five companies were named by *AdWeek* to its Top 10 ranking of interactive companies during 1998. In addition to these specialist companies, our existing companies in the United States and Europe have added groups under their own brands to work with clients on digital marketing.

Chief Financial Officer Changes

During 1998, we announced the appointment of Randall J. Weisenburger as Executive Vice President and Chief Financial Officer of Omnicom effective January 1, 1999, succeeding Fred J. Meyer, who was named Vice Chairman. Randy joined Omnicom from Wasserstein Perella & Co., where he was President and Chief Executive Officer of that company's merchant banking subsidiary.

Fred Meyer has served as Omnicom's chief financial officer for 10 years and he has been a key member of the team responsible for our outstanding financial and operating performance. We gratefully acknowledge Fred's many contributions to Omnicom as chief financial officer.

A Business Balance for Future Growth

The market and geographic balance that we have built into Omnicom now provides for multiple economic engines to drive future growth. This balance also gives us an excellent platform from which to pursue our strategic objective – to become worldwide leaders in each of our market segments and in each of our key geographic markets.

Finally, as we pursue these objectives, it is the skill, creativity and commitment from employees within this company that provide value for our clients and, ultimately, drive financial value for our shareholders. To all Omnicom Group employees throughout the world, I offer my deepest appreciation for your continuing efforts.

John Wren

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-10551

OMNICOM GROUP INC.

(Exact name of registrant as specified in its charter)

New York **(State or other jurisdiction of incorporation or organization)**	**13-1514814** **(I.R.S. Employer Identification No.)**
437 Madison Avenue, New York, NY **(Address of principal executive offices)**	**10022** **(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 15, 1999, there were 178,128,121 shares of Common Stock, $.50 par value, outstanding; the aggregate market value of the voting stock held by nonaffiliates at March 15, 1999 was approximately $12,188,544,000.

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 17, 1999 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, 1998

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 5, 1999.

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"), provides corporate communications services to clients worldwide on a global, pan-regional, national and local basis. Operations cover the major regions of North America, the United Kingdom, Germany, France, the remainder of Continental Europe, Latin America, the Far East, Australia, the Middle East and Africa. In both 1998 and 1997, approximately 50% of the Omnicom Group's billings came from its non-U.S. operations. The communications services offered by the Company include advertising in various media such as television, radio, newspaper, magazines, outdoor, and the internet, as well as, public relations, specialty advertising, direct response and promotional marketing, strategic media planning and buying, and internet and digital media development.

According to the unaudited industry-wide figures published in 1998 by the trade journal *Advertising Age*, Omnicom Group Inc. was ranked as the largest advertising agency group worldwide.

Corporate Communications Services

The Omnicom Group companies provide a variety of advertising and marketing communication services to their clients, including: the creation and production of advertising, marketing consultation, strategic media planning and buying, financial and business-to-business advertising, directory advertising, healthcare communications, managed care consultancy, recruitment communications, branding consultancy, digital communications, contract publishing, design and image consultancy, direct/database marketing, field marketing, integrated promotional marketing, public affairs, corporate and financial public relations, reputation management, sports and event marketing, telemarketing, and internet and digital media development.

Brands

The above services are provided to clients through numerous worldwide, national and regional independent agency brands. These brands include, among others, BBDO Worldwide, DDB Needham Worldwide, TBWA Worldwide, Adelphi Group, Alcone Marketing Group, Bernard Hodes Advertising, Brodeur Worldwide, Case•Dunlap, Clark & Weinstock, Claydon Heeley, Copithorne & Bellows, CPM International, Diversified Healthcare Communications Group, Doremus & Company, Fleishman-Hillard, Gavin Anderson & Company, GMR Marketing, Goodby, Silverstein & Partners, GPC International, Griffin Bacal, GSD&M, Health & Medical Communications Group, Integer Group, Interbrand, Ketchum, Ketchum Directory Advertising, Martin-Williams, Merkley Newman Harty, Moss Dragoti, Optimum Media Direction, Porter Novelli International, Rapp Collins Worldwide, TARGIS Healthcare Communications Worldwide, The Designory, TicToc and TLP, Inc. Additionally, through its wholly-owned subsidiary Communicade, Omnicom has significant minority equity investments in five interactive marketing agencies: AGENCY.COM, Razorfish and Think New Ideas, headquartered in New York and Red Sky Interactive and Organic Online, in San Francisco, California.

Markets

The Omnicom Group agency brands provide services to their clients on a global, pan-regional, national and local basis. These agencies operate throughout the major cities of the United States and through subsidiaries and affiliates in Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Honduras, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Kuwait, Latvia, Lebanon, Lithuania, Malaysia, Mexico, the Netherlands, New Zealand, Nicaragua, Norway, Panama, Peru, the Philippines, Poland, Portugal, Puerto Rico, Romania, Russia, Saudi Arabia, Singapore, the Slovak Republic, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uruguay, Venezuela and other countries around the world.

For financial information concerning domestic and foreign operations and segment reporting see Note 5 of the Notes to Consolidated Financial Statements.

Clients

The clients of the Omnicom Group include major industrial, financial and service industry companies as well as smaller, pan-regional, national and local clients. Among its largest clients, listed in alphabetical order, are Daimler/Chrysler, Gillette, 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 19% of 1998 commission and fees. The majority of these have been clients on average for more than twenty-five years. Twelve Omnicom Group agency brands provided services to the Company's largest client, which accounted for approximately 5% of 1998 commissions and fees.

Commissions and Fees

Commissions charged on media billings 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 companies bill their clients for this amount plus the commission.

In many cases, fees are generated in lieu of commissions. Several different fee arrangements are used depending on the client and individual agency. In general, fee charges relate to the cost of providing services plus a markup.

Revenues are also generated by arranging for the production of advertisements and commercials. Although, as a general matter, the Omnicom Group agencies do not themselves produce the advertisements and commercials, their creative and production staffs direct and supervise the production company. Agencies bill the client for production costs plus a commission. In some circumstances, certain production work is done by the agency.

Revenues are dependent upon the marketing requirements of clients and tend to be highest in the second and fourth quarters of the calendar year.

Competitive Conditions

The Company's business is highly competitive and accounts may shift agencies, usually on 90 days' notice. Clients may also reduce advertising and marketing budgets at any time. An agency's ability to compete for new clients is affected in some instances by the policy, which many advertisers and marketers 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, Omnicom Group's consistent maintenance of separate, independent agency brands have enabled the Company to represent competing clients.

The Omnicom agency brands have sought, and will seek, new business by showing potential clients examples of advertising and marketing campaigns 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 Company's 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 agencies 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. The Company believes that its compensation arrangements for its key employees, which in addition to base salaries and performance bonuses may include stock options, restricted stock and retirement plans, are highly competitive with those of other advertising agencies. As of December 31, 1998, the Omnicom Group, excluding unconsolidated companies, employed approximately 35,600 persons, of which approximately 15,300 were employed in the United States and approximately 20,300 were employed in its international offices.

Government Regulation

The Company's 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. 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 50,000 sq. ft. of space at 437 Madison Avenue, New York, New York under a lease expiring in the year 2010.

Offices in Atlanta, Boston, Chicago, Coral Gables, Dallas, Detroit, Houston, Irvine, Kansas City, Los Angeles, Minneapolis, New York, Palo Alto, Philadelphia, Pittsburgh, San Francisco, San Jose, Seattle, Stamford, St. Louis and Washington D.C. and at various other locations occupy approximately an aggregate of 5,018,000 sq. ft. of space under leases with varying expiration dates.

International

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

Item 3. *Legal Proceedings*

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

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

No matters were submitted to a vote of security holders during the last quarter of 1998.

Supplemental Item. ***Executive Officers of the Registrant***

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	70
John D. Wren	Chief Executive Officer & President of Omnicom Group	46
Randall J. Weisenburger	Executive Vice President and Chief Financial Officer	40
Dennis E. Hewitt	Treasurer of Omnicom Group	54
Barry J. Wagner	Secretary & General Counsel of Omnicom Group	58
Philip J. Angelastro	Controller of Omnicom Group	34
Allen Rosenshine	Chairman & Chief Executive Officer of BBDO Worldwide	60
James A. Cannon	Vice Chairman & Chief Financial Officer of BBDO Worldwide	60
Keith L. Reinhard	Chairman & Chief Executive Officer of DDB Needham Worldwide	64

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.

Randall J. Weisenburger joined the Company in September 1998 and became its Executive Vice President and Chief Financial Officer on January 1, 1999. Mr. Weisenburger was previously with Wasserstein Perella & Co., where he was President and Chief Executive Officer of Wasserstein Perella Management Partners, its merchant banking subsidiary.

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.

Philip J. Angelastro was promoted to Controller of the Company effective February 1, 1999. Mr. Angelastro joined the Company in June 1997 as Vice President of Finance with Diversified Agency Services after being a Partner at Coopers & Lybrand LLP.

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 5, 1999.

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 quarterly high and low sale prices reported 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 15, 1999 was $69 1/2. Certain sales prices and per share amounts give effect to the two-for-one stock split completed December 1997.

	High	Low	Dividends Paid Per Share of Common Stock
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
1998			
First Quarter	47 1/16	37 7/8	.125
Second Quarter	49 7/8	45 1/2	.125
Third Quarter	57 1/4	45	.125
Fourth Quarter	58	38 9/16	.15

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 2, 1999 the Board of Directors declared a regular quarterly dividend of $0.15 per share of common stock, payable April 1, 1999 to holders of record on March 12, 1999.

Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders on March 15, 1999
Common Stock, $.50 par value	3,696
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. Certain per share amounts give effect to the two-for-one stock split completed December 1997.

	(Dollars in Thousands Except Per Share Amounts)				
	1998	1997	1996	1995	1994
For the year:					
Commissions and fees	$4,092,042	$3,124,813	$2,641,667	$2,257,536	$1,907,795
Income before change in accounting principles	285,068	222,415	176,329	139,955	111,495
Net income	285,068	222,415	176,329	139,955	83,486
Earnings per common share before change in accounting principles:					
Basic	1.72	1.40	1.17	0.95	0.80
Diluted	1.68	1.37	1.12	0.93	0.77
Cumulative effect of change in accounting principles:					
Basic	—	—	—	—	(0.20)
Diluted	—	—	—	—	(0.20)
Earnings per common share after change in accounting principles:					
Basic	1.72	1.40	1.17	0.95	0.60
Diluted	1.68	1.37	1.12	0.93	0.59
Dividends declared per common share	0.525	0.45	0.375	0.33	0.31
At year end:					
Total assets	6,910,060	4,965,743	4,055,943	3,527,677	3,040,211
Long-term obligations:					
Long-term debt and convertible subordinated debentures	715,864	341,665	204,744	290,379	199,487
Deferred compensation and other liabilities	220,668	114,668	124,739	122,623	150,291

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

Results of Operations

In 1998, domestic revenues from commissions and fees increased 29.8 percent. The effect of acquisitions, net of divestitures, accounted for a 12.5 percent increase. The remaining 17.3 percent increase was due to the growth of existing businesses, including net new business gains and higher net spending from existing clients.

In 1997, 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 1998, international revenues increased 32.2 percent. The effect of acquisitions, net of divestitures, accounted for a 20.8 percent increase in international revenues. Changes in the foreign exchange value of the U.S. dollar decreased international revenues by 2.9 percent. The remaining 14.3 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 1998, worldwide operating expenses increased 29.8 percent. Acquisitions, net of divestitures during the year, accounted for a 16.5 percent increase in worldwide operating expenses. Changes in the foreign exchange value of the U.S. dollar decreased worldwide operating expenses by 1.3 percent. The remaining 14.6 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 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.

Net interest expense in 1998 increased $17.7 million. This increase primarily reflects higher average borrowings during the year, resulting in part from the issuance of the 2¼% Convertible Subordinated Debentures and the 5.20% French franc Notes, partially offset by the effect of higher average amounts of cash and marketable securities invested during 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 4¼% 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.

In 1998, the effective tax rate increased to 41.5 percent. The increase primarily reflects higher effective tax rates at the Company's international subsidiaries.

In 1997, the effective tax rate increased to 41.0 percent. This increase primarily reflects higher effective 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 1998, consolidated net income increased 28.2 percent. This increase was the result of revenue growth and margin improvement, partially offset by a decrease in equity income and an increase in minority interest expense. Operating margin, which excludes net interest expense, increased to 13.7 percent in 1998 from 12.9 percent in 1997 as a result of greater growth in commission and fee revenue than the growth in operating expenses. The decrease in equity income was primarily due to the conversion of certain affiliates into subsidiaries and to decreased earnings at certain of the Company's 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 1998, the impact of acquisitions, net of divestitures, resulted in a 13.5 percent increase in consolidated net income, while changes in the foreign exchange value of the U.S. dollar decreased consolidated net income by 1.9 percent.

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.

At December 31, 1998, accounts receivable less allowance for doubtful accounts, increased by $666.4 million from December 31, 1997. At December 31, 1998, accounts payable and other accrued liabilities increased by $676.8 million and $366.9 million, respectively, from December 31, 1997. 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 1998 as compared to 1997.

The Company is subject to the risk of currency exchange rate fluctuations related to its international operations. 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 Australia, Brazil, Canada, France, Germany, the Netherlands, Spain and the United Kingdom.

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, 1998 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. 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, 1998 and 1997, the Company had forward foreign exchange contracts outstanding with an aggregate notional principal amount of $865 million and $584 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, 1998, the Company had Japanese yen 16.3 billion aggregate notional principal amount of cross currency interest rate swaps. The swaps convert a portion of the Company's U.S. dollar floating rate debt into fixed rate Japanese yen debt and effectively hedge the Company's net investment in Japanese yen denominated assets.

At December 31, 1998 and 1997, 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 developed a Year 2000 readiness plan to address Year 2000 issues. This plan has included the establishment of Omnicom 2000, a special purpose entity dedicated to ensuring that Omnicom companies are addressing and resolving Year 2000 compliance issues. Omnicom 2000 comprises an Executive Committee of senior executives from Omnicom and its principal subsidiaries, and a team of dedicated internal managers and consultants. Omnicom 2000 has also retained external managers and consultants to assist in project management and quality control. The Company’s plan includes an assessment phase, a testing phase, an implementation phase and a contingency planning phase. Additionally, the Audit Committee of the Board of Directors meets periodically to review progress against the plan.

As part of its assessment phase, the Company has compiled a detailed inventory of systems and potential Year 2000 readiness issues at all of its principal locations. Based on this information, 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. In addition, the Company is dependent on third-party computer systems and applications, particularly with respect to such tasks as accounting, billing and buying, planning and paying for media. The Company is in the process of modifying or replacing affected systems, and is also evaluating 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 it has identified critical third-party vendors, and it recently completed its testing of these critical vendors to determine their Year 2000 readiness. The Company has been working with and will continue to work with these and other vendors and believes they will be Year 2000 compliant. As a result of the above, the Company has completed the assessment. Additionally, the Company believes that the implementation phase of its Year 2000 readiness plan will be substantially completed by the middle of 1999. Contingency planning will continue throughout 1999.

The Company believes that, through upgrades, modifications, and replacement of its existing hardware, software and non-IT systems, it will achieve Year 2000 readiness. However, if such upgrades, modifications and replacements 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 out-of-pocket costs incurred in 1998 for its Year 2000 program were not material to consolidated results of operations and are expected to be immaterial in 1999. These costs, the majority of which will not be capitalizable, include third party consultants and the replacement and remediation of existing computer software and hardware. Such costs do not include internal management time, the effects of which are also not expected to be material to the Company’s results of operations or financial condition. The Company will continue to refine its estimates of the costs of its Year 2000 efforts, through progress reports from each location and through its capital expenditure budget review process.

At this stage of the process, the Company believes that it is difficult to specifically identify the cause of the most reasonable worst case Year 2000 scenario. Due to the decentralized nature of the Company’s structure and systems, the Company believes that a reasonable worst case scenario could involve the failures of significant third parties (including entities with which the Company has no direct involvement such as telecommunications companies and public utilities) that continue for more than several days and affect a significant number of the Company’s operating locations. The Company is considering various contingency planning approaches in the event of such failures and is currently developing a plan for its operations to follow in the event of a Year 2000 failure. The development of the Company’s contingency plans will be ongoing and will reflect additional information with regard to third parties’ Year 2000 readiness as it is received.

The Company’s Year 2000 efforts are ongoing and its overall plan, as well as the consideration of contingency plans, will continue to evolve as new information becomes available. While the Company anticipates continuity of its business activities, that continuity will be dependent upon its ability, and the ability of third parties with whom the Company relies on directly, or indirectly, to be Year 2000 compliant.

Capital Resources and Liquidity

Cash and cash equivalents increased $91.6 million during 1998 to $648.0 million at December 31, 1998. The Company's positive net cash flow provided by operating activities was maintained. 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 the issuance of debt obligations, was used to fund acquisitions, make capital expenditures and repay debt obligations.

On June 24, 1998, the Company issued French franc 1 billion (approximately $164 million at the June 24, 1998 exchange rate) of 5.20% Notes with a scheduled maturity in 2005.

On March 4, 1998, the Company issued 4,000,000 shares of common stock for aggregate proceeds before expenses of $171.4 million.

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.

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%. The bonds matured on March 1, 1999 and were repaid at par.

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, 1998, the Company had $701 million in such unsecured committed lines of credit, comprised of a $500 million revolving credit agreement expiring June 30, 2003, and $201 million in lines of credit, principally outside of the United States. Of the $701 million in unsecured committed lines, $35 million were used at December 31, 1998. Management believes the aggregate lines of credit available to the Company are adequate to support its short-term cash requirements including dividends, capital expenditures, acquisitions, debt repayments and maintenance of working capital.

The Company anticipates that the year end cash position, together with the future cash flows from operations and funds available under existing credit facilities will be adequate to meet its long-term cash requirements as presently contemplated.

Forward Looking Statements

This report contains disclosures which are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as “may,” “will,” “expect,” “project,” “estimate,” “anticipate,” “envisage,” “plan” or “continue.” These forward-looking statements are based upon the Company’s current plans or expectations and are subject to a number of uncertainties and risks that could significantly affect current plans and anticipated actions and the Company’s future financial condition and results. The uncertainties and risks include, but are not limited to, general economic and business conditions; loss of significant customers; changes in levels of client advertising; the impact of competition; risks relating to acquisition activities; the complexity of integrated computer systems; and the success and expense of the remediation efforts of the Company, its subsidiaries and third parties in achieving Year 2000 compliance. As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of the Company.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

Information with respect to quantitative and qualitative disclosure about market risk is set forth under Item 7 in Part II of this Form 10-K.

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 5, 1999. Information regarding the Company’s executive officers is set forth under the Supplemental Item 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 5, 1999.

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 5, 1999.

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

Incorporated by reference to the Company’s definitive proxy statement expected to be filed by April 5, 1999.

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.
4.11	Fiscal Agency Agreement dated June 24, 1998, in connection with the issuance of FRF 1,000,000,000 5.20 % Notes due 2005 filed as Exhibit 4.1 to Omnicom Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference.
4.12	Subscription Agreement dated June 22, 1998 by and among Omnicom Group Inc., Morgan Stanley S.A. and Others, in connection with the issuance of FRF 1,000,000,000 5.20 % Notes due 2005 filed as Exhibit 4.2 to Omnicom Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference.
4.13	Deed of the Covenant dated June 24, 1998, in connection with the issuance of FRF 1,000,000,000 5.20 % Notes due 2005 filed as Exhibit 4.3 to Omnicom Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 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, as amended, filed as Exhibit 4.1 to Omnicom Group Inc.'s Form S-8 Registration Statement No. 333-74591, is incorporated herein by reference.
10.4	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.
10.5	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.

10.6	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.
10.7	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.
10.8	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.
10.9	Copy of Deferred Compensation Agreement dated October 12, 1984, between William G. Tragos and TBWAChiat/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.
10.10	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.
10.11	Omnicom Group Inc. 1998 Incentive Compensation Plan, filed as Exhibit A to Omnicom Group Inc.'s Proxy Statement dated April 6, 1998, is incorporated herein by reference.
	Other Material Contracts.
10.12	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, filed as Exhibit 10.16 to Omnicom Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.
(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. 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, 1998.

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 29, 1999

By: /s/ RANDALL J. WEISENBURGER

Randall J. Weisenburger
Executive Vice President and 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 29, 1999
/s/ JOHN D. WREN **(John D. Wren)**	Chief Executive Officer and President and Director	March 29, 1999
/s/ RANDALL J. WEISENBURGER **(Randall J. Weisenburger)**	Executive Vice President and Chief Financial Officer	March 29, 1999
/s/ PHILIP J. ANGELASTRO **(Philip J. Angelastro)**	Controller (Principal Accounting Officer)	March 29, 1999
/s/ BERNARD BROCHAND* **(Bernard Brochand)**	Director	March 29, 1999
/s/ ROBERT J. CALLANDER* **(Robert J. Callander)**	Director	March 29, 1999
/s/ JAMES A. CANNON* **(James A. Cannon)**	Director	March 29, 1999
/s/ LEONARD S. COLEMAN, JR.* **(Leonard S. Coleman, Jr.)**	Director	March 29, 1999
/s/ SUSAN S. DENISON* **(Susan S. Denison)**	Director	March 29, 1999
/s/ JOHN R. MURPHY* **(John R. Murphy)**	Director	March 29, 1999
/s/ JOHN R. PURCELL * **(John R. Purcell)**	Director	March 29, 1999
/s/ KEITH L. REINHARD* **(Keith L. Reinhard)**	Director	March 29, 1999
/s/ ALLEN ROSENSHINE* **(Allen Rosenshine)**	Director	March 29, 1999
/s/ GARY L. ROUBOS* **(Gary L. Roubos)**	Director	March 29, 1999
/s/ QUENTIN I. SMITH, JR.* **(Quentin I. Smith, Jr.)**	Director	March 29, 1999
/s/ EGON P.S. ZEHNDER* **(Egon P.S. Zehnder)**	Director	March 29, 1999

*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, cash flows 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. Additionally, the Audit Committee has met periodically to review progress against the Company's Year 2000 readiness plan. 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	RANDALL J. WEISENBURGER
John D. Wren	**Randall J. Weisenburger**
Chief Executive Officer and President	**Executive Vice President and 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, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 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 16, 1999

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, (Dollars in Thousands Except Per Share Data)		
	1998	1997	1996
COMMISSIONS AND FEES	$4,092,042	$3,124,813	$2,641,667
OPERATING EXPENSES:			
Salaries and Related Costs	2,416,284	1,835,118	1,555,553
Office and General Expenses	1,115,584	886,149	759,541
	3,531,868	2,721,267	2,315,094
OPERATING PROFIT	560,174	403,546	326,573
NET INTEREST EXPENSE:			
Interest and Dividend Income	(29,577)	(20,811)	(12,725)
Interest Paid or Accrued	69,602	43,112	34,067
	40,025	22,301	21,342
INCOME BEFORE INCOME TAXES	520,149	381,245	305,231
INCOME TAXES	215,808	156,484	123,639
INCOME AFTER INCOME TAXES	304,341	224,761	181,592
EQUITY IN AFFILIATES	25,069	30,089	20,510
MINORITY INTERESTS	(44,342)	(32,435)	(25,773)
NET INCOME	$ 285,068	$ 222,415	$ 176,329
NET INCOME PER COMMON SHARE:			
Basic	$ 1.72	$ 1.40	$ 1.17
Diluted	$ 1.68	$ 1.37	$ 1.12

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) 1998	1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 648,016	$ 556,436
Investments available-for-sale, at market, which approximates cost	80,750	87,668
Accounts receivable, less allowance for doubtful accounts of $57,475 and $32,190 (Schedule II)	2,574,897	1,908,532
Billable production orders in process, at cost	245,873	183,145
Prepaid expenses and other current assets	431,733	252,617
Total Current Assets	3,981,269	2,988,398
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost, less accumulated depreciation and amortization of $414,544 and $336,926	326,550	239,667
INVESTMENTS IN AFFILIATES	268,507	281,264
INTANGIBLES, less accumulated amortization of $282,516 and $235,257	2,031,058	1,234,539
DEFERRED TAX BENEFITS	106,036	68,086
DEFERRED CHARGES AND OTHER ASSETS	196,640	153,789
	$6,910,060	$4,965,743

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

	1998	1997
CURRENT LIABILITIES:		
Accounts payable	$3,272,015	$2,595,255
Current portion of long-term debt	65,101	3,358
Bank loans	35,316	14,314
Advance billings	265,334	185,591
Accrued taxes on income	53,184	80,489
Other accrued taxes	126,883	93,390
Other accrued liabilities	953,210	586,342
Dividends payable	25,310	20,246
Total Current Liabilities	4,796,353	3,578,985
LONG-TERM DEBT	267,367	123,165
CONVERTIBLE SUBORDINATED DEBENTURES	448,497	218,500
DEFERRED COMPENSATION AND OTHER LIABILITIES	220,668	114,668
MINORITY INTERESTS	90,707	63,686
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, 177,291,763 and 173,836,221 shares issued in 1998 and 1997, respectively	88,646	86,918
Additional paid-in capital	643,782	533,412
Retained earnings	750,226	555,038
Unamortized restricted stock	(58,060)	(46,745)
Accumulated other comprehensive income	(94,064)	(47,947)
Treasury stock, at cost, 8,698,365 and 11,721,122 shares in 1998 and 1997, respectively	(244,062)	(213,937)
Total Shareholders' Equity	1,086,468	866,739
	$6,910,060	$4,965,743

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

OMNICOM GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Years Ended December 31, 1998
(Dollars in Thousands)

	Comprehensive Income	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Unamortized Restricted Stock	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
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
Comprehensive income:									
Net income	176,329				176,329				176,329
Other comprehensive income - foreign currency translation adjustments	30,131						30,131		30,131
Comprehensive income	206,460								
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
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 adjustment		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
Comprehensive income:									
Net income	222,415				222,415				222,415
Other comprehensive income - foreign currency translation adjustments	(51,437)						(51,437)		(51,437)
Comprehensive income	170,978								
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
Repurchases of shares								(69,762)	(69,762)
Balance December 31, 1997, as previously reported		173,836,221	86,918	533,412	555,038	(46,745)	(47,947)	(213,937)	866,739
Pooling of interests adjustment		3,550,366	1,776	(26,285)	(2,455)				(26,964)
Balance January 1, 1998, as restated		177,386,587	88,694	507,127	552,583	(46,745)	(47,947)	(213,937)	839,775
Comprehensive income:									
Net income	285,068				285,068				285,068
Other comprehensive income - foreign currency translation adjustments	(46,117)						(46,117)		(46,117)
Comprehensive income	238,951								
Dividends declared					(87,425)				(87,425)
Amortization of restricted shares						21,489			21,489
Share transactions under employee stock plans				40,759		(32,804)		43,012	50,967
Shares issued for acquisitions		62,673	31	6,173				2,088	8,292
Issuance of new shares				96,962				74,122	171,084
Repurchases of shares		(157,497)	(79)	(7,239)				(149,347)	(156,665)
Balance December 31, 1998		177,291,763	$88,646	$643,782	$750,226	$(58,060)	$(94,064)	$(244,062)	$1,086,468

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)		
	1998	1997	1996
Cash Flows From Operating Activities:			
Net income	$ 285,068	$ 222,415	$ 176,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of tangible assets	75,561	63,837	50,970
Amortization of intangible assets	57,374	39,036	34,849
Minority interests	44,342	32,435	25,773
Earnings of affiliates in excess of dividends received	(12,143)	(15,654)	(5,068)
Decrease (increase) in deferred tax benefits	21,387	15,629	(4,081)
Provisions for losses on accounts receivable	14,418	9,981	7,911
Amortization of restricted shares	21,489	17,311	13,895
(Increase) decrease in accounts receivable	(217,555)	(381,811)	31,511
Increase in billable production orders in process	(34,318)	(27,209)	(20,546)
Increase in prepaid expenses and other current assets	(65,190)	(45,893)	(21,132)
Increase in accounts payable	319,930	569,522	243,885
Increase (decrease) in other accrued liabilities	70,367	123,053	(68,426)
(Decrease) increase in accrued taxes on income	(39,326)	10,374	20,718
(Increase) decrease in advances to affiliates	(13,279)	(29,652)	2,151
Decrease (increase) in deferred charges and other assets	15,175	(42,365)	10,869
Other	(71,935)	(27,253)	(5,583)
Net Cash Provided by Operating Activities	471,365	533,756	494,025
Cash Flows From Investing Activities:			
Capital expenditures	(89,739)	(76,172)	(48,777)
Purchases of equity interests in subsidiaries and affiliates, net of cash acquired	(564,419)	(334,941)	(178,861)
Sales of equity interests in subsidiaries and affiliates	78,099	6,705	52,861
Purchases of investments available-for-sale and other investments	(77,148)	(112,037)	(14,840)
Sales of investments available-for-sale and other investments	101,735	41,798	25,775
Net Cash Used in Investing Activities	(551,472)	(474,647)	(163,842)
Cash Flows From Financing Activities:			
Proceeds from issuance of shares	171,084	—	—
Net (repayments) borrowings under lines of credit	(7,719)	2,130	(16,114)
Proceeds from issuances of debt obligations	404,282	245,961	78,752
Repayment of principal of debt obligations	(134,606)	(81,389)	(20,485)
Share transactions under employee stock plans	50,967	27,316	11,621
Dividends and loans to minority stockholders	(46,430)	(33,179)	(24,154)
Dividends paid	(82,361)	(67,621)	(54,311)
Purchase of treasury shares	(149,347)	(69,762)	(103,073)
Net Cash Provided by (Used in) Financing Activities	205,870	23,456	(127,764)
Effect of exchange rate changes on cash and cash equivalents	(34,183)	(36,396)	(6,151)
Net Increase in Cash and Cash Equivalents	91,580	46,169	196,268
Cash and Cash Equivalents at Beginning of Period	556,436	510,267	313,999
Cash and Cash Equivalents at End of Period	$ 648,016	$ 556,436	$ 510,267
Supplemental Disclosures:			
Income taxes paid	$ 200,246	$ 133,797	$ 112,155
Interest paid	$ 55,904	$ 34,920	$ 34,640

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, provides corporate communications services to clients worldwide on a global, pan-regional, national and local basis. Operations cover the major regions of North America, the United Kingdom, Continental Europe, Latin America, the Far East, Australia, the Middle East and Africa. The communications services offered by the Company include the creation and production of advertising, marketing consultation, strategic media planning and buying, financial and business-to-business advertising, directory advertising, healthcare communications, managed care consultancy, recruitment communications, branding consultancy, digital communications, contract publishing, design and image consultancy, direct/database marketing, field marketing, integrated promotional marketing, public affairs, corporate and financial public relations, reputation management, sports and event marketing, telemarketing, and internet and digital media development.

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 completion of the earnings process, including, 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 prior year amounts give effect to a two-for-one stock split in the form of a 100% stock dividend completed in December 1997. In addition, certain prior year amounts have been reclassified to conform with the 1998 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, 1998.

Billable Production. Billable production orders in process consist principally of costs incurred in providing communications services to clients. Such amounts are generally billed to clients when manpower is used, when costs are incurred for radio and television production and when print production is completed.

Common Stock. Wholly-owned subsidiaries of the Company have issued securities which are exchangeable into common stock of the Company at the holders’ option. Shares of common stock issuable on the exchange of these securities are included in common stock issued at December 31, 1998.

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 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 $8.9 million, $2.1 million and $1.5 million are included in 1998, 1997 and 1996 net income, respectively.

Earnings Per Common Share. 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, plus, if dilutive, common share equivalents which include outstanding options and restricted shares, 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. In determining for the year ended December 31, 1998, if the Convertible Subordinated Debentures were dilutive, the 2 1/4% and 4 1/4% Convertible Subordinated Debentures were assumed to be converted for the full year. For the year ended December 31, 1997, the 4 1/4% 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 purposes of computing diluted earnings per share for the years ended December 31, 1998, 1997 and 1996, respectively, 3,223,200, 3,128,300 and 2,813,400 shares were assumed to have been outstanding related to common share equivalents and 6,936,500, 6,936,500 and 7,240,700 shares were assumed to have been converted related to the Company's convertible subordinated debentures. Additionally, the assumed increase in net income used in the computations was $9,627,900, $9,631,300 and $5,134,400 for the years ended December 31, 1998, 1997 and 1996, respectively. The number of shares used in the computations were as follows:

	1998	1997	1996
Basic EPS computation	165,684,600	159,418,700	151,329,300
Diluted EPS computation	175,844,300	169,483,500	161,383,400

For purposes of computing diluted earnings per share for the year ended December 31, 1998, the Company's 2 $^1/_4$% Convertible Subordinated Debentures were not reflected in the computation as their inclusion would have been anti-dilutive.

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

Depreciation of Furniture and Equipment and Amortization of Leasehold Improvements. Depreciation charges are computed on a straight-line basis or declining balance method over the estimated useful lives of furniture and equipment, up to 10 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the terms of the related lease or the useful 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 corporate communications services 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 (valued at the then market value of the shares) 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)		
	1998	1997	1996
Fair value of non-cash assets acquired	$1,566,370	$462,928	$277,005
Cash paid, net of cash acquired	(564,419)	(334,941)	(178,861)
Common shares issued	(175,081)	(6,615)	(27,190)
Liabilities assumed	$ 826,870	$121,372	$ 70,954

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 corporate communications 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. 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 January 1998, the Company completed the acquisitions of Fleishman-Hillard, Inc., GPC International Holdings Inc. and Palmer Jarvis Inc. These acquisitions were accounted for under the pooling-of-interests method of accounting and, accordingly, the results of operations of Fleishman-Hillard Inc., GPC International Holdings Inc. and Palmer Jarvis Inc. have been included in the consolidated financial statements since January 1, 1998. Prior year consolidated financial statements were not restated as the impact on such years was not material. The number of shares issued by the Company in connection with these acquisitions is 3,550,366.

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.

During 1998, the Company made several other acquisitions whose aggregate cost, in cash or by issuance of the Company's common stock, totaled $876.0 million for net assets, which included intangible assets of $833.5 million. Due to the nature of corporate communications services companies, the companies acquired by Omnicom Group 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 competitive position of the Company's worldwide agency brands. Included in both figures are payments of $102.3 million made in 1998 related to acquisitions completed in prior years.

Certain acquisitions completed in 1998 and prior years require payments in future years if certain results are achieved by the companies that were acquired. 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, 1998 and 1997 was 6.8% and 9.9%, respectively. At December 31, 1998 and 1997, the Company had unsecured committed lines of credit aggregating $701.3 million and $509.4 million, respectively. The unused portion of credit lines was $666.0 million and $495.1 million at December 31, 1998 and 1997, respectively. The lines of credit are generally extended at lending rates that the banks grant to their most credit worthy borrowers. Material compensating balances are not required within the terms of these credit agreements.

At December 31, 1997, the committed lines of credit included $360 million under a revolving credit agreement expiring June 30, 2001. As of February 20, 1998, the $360 million revolving credit agreement was replaced by a $500 million revolving credit agreement expiring June 30, 2003. Due to the long-term nature of these credit agreements, borrowings under the agreements would be classified as long-term debt. There were no borrowings under these revolving credit agreements at December 31, 1998 and 1997.

The revolving credit agreement includes a facility for issuing commercial paper backed by a bank letter of credit. During the years ended December 31, 1998, 1997 and 1996, the Company issued commercial paper with an average original maturity of 11, 16 and 26 days, respectively. The Company had no commercial paper borrowings outstanding as of December 31, 1998, 1997 and 1996. The maximum outstanding during the year was $265 million, $235 million and $230 million, in 1998, 1997 and 1996, respectively. The gross amount of issuance and redemption during the year was $ 4,231 million, $2,017 million and $1,710 million in 1998, 1997 and 1996, respectively.

4. Employee Stock Plans

Effective March 24, 1998, the Company adopted the 1998 Incentive Compensation Plan (the "1998 Plan"). The maximum number of shares of common stock of the Company that may be granted in any calendar year, for restricted stock awards and non-qualified stock options to key employees under the 1998 Plan, is 1.5% of the total number of shares of common stock issued and outstanding on the first day of that calendar year. Any remaining reserved shares of common stock may be carried over to subsequent years. The remaining number of such reserved shares was 2,354,173 at December 31, 1998. Awards under the Company's 1987 Stock Plan, as amended, (the "1987 Plan") ceased to be made when the Company adopted the 1998 Plan.

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.

Pursuant to the 1987 Plan and 1998 Plan ("the Plans"), the price of options awarded 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, 1998 is as follows:

	Years Ended December 31,					
	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option, beginning of year	6,867,800	$ 16.21	6,757,800	$ 13.16	5,924,800	$ 10.19
Options granted	1,700,000	42.62	1,440,000	24.28	1,880,000	19.80
Options exercised	(1,377,000)	12.52	(1,330,000)	9.45	(1,047,000)	8.26
Shares under option, end of year	7,190,800	23.16	6,867,800	16.21	6,757,800	13.16
Options exercisable at year-end	3,730,800		3,447,800		3,227,800	

The weighted average fair value of options granted during 1998, 1997 and 1996 was $11.45, $6.27 and $4.65 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:

	1998	1997	1996
Expected option lives	5 years	5 years	5 years
Risk free interest rate	4.66% - 5.75%	6.15%	5.64% - 5.99%
Expected volatility	18.36% - 20.15%	19.7%	18.8% - 19.5%
Dividend yield	0.9% - 1.0%	1.5%	1.7%

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 1998, 1997 and 1996 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		
	1998	1997	1996
Net income, as reported	$285,068	$222,415	$176,329
Net income, pro forma	277,254	217,260	172,849
Basic income per share, as reported	1.72	1.40	1.17
Basic income per share, pro forma	1.67	1.36	1.14
Diluted income per share, as reported	1.68	1.37	1.12
Diluted income per share, pro forma	1.63	1.34	1.10

The following table summarizes information about options outstanding and options exercisable at December 31, 1998:

	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	80,000	1 year	$ 5.77	80,000	$ 5.77
5.81	140,000	2 years	5.81	140,000	5.81
5.88	80,000	3 years	5.88	80,000	5.88
8.77	214,000	4 years	8.77	214,000	8.77
10.02	329,800	5 years	10.02	329,800	10.02
12.11	614,000	6 years	12.11	614,000	12.11
12.94 to 16.20	980,000	7 years	13.20	980,000	13.20
19.72 to 21.19	1,646,000	8 years	19.81	894,000	19.82
24.28	1,407,000	9 years	24.28	399,000	24.28
39.75 to 48.03	1,700,000	10 years	42.62	—	—
	7,190,800			3,730,800	

Restricted Shares. A summary of changes in outstanding shares of restricted stock for the three years ended December 31, 1998 is as follows:

	Years Ended December 31,		
	1998	1997	1996
Beginning balance	3,137,350	3,315,516	3,294,000
Amount granted	783,419	1,105,838	1,136,616
Amount vested	(1,111,808)	(1,123,882)	(1,030,224)
Amount forfeited	(105,349)	(160,122)	(84,876)
Ending balance	2,703,612	3,137,350	3,315,516

All restricted shares granted under the Plans 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 Plans, 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, 1998, 1997 and 1996 amounted to $ 21.5 million, $17.3 million and $13.9 million, respectively.

5. Segment Reporting

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The Company's wholly-owned and partially-owned businesses operate within the corporate communications services operating segment. These businesses provide a variety of communications services to clients through several worldwide, national and regional independent agency brands. The businesses exhibit similar economic characteristics driven from their consistent efforts to create customer driven marketing communications and services that build their clients businesses. A summary of the Company's operations by geographic area as of December 31, 1998, 1997 and 1996, and for the years then ended is presented below:

	(Dollars in Thousands)						
	United States	United Kingdom	Germany	France	Other Europe	Other International	Consolidated
1998							
Commissions and Fees	$2,098,220	$463,595	$358,441	$306,734	$466,037	$399,015	$4,092,042
Long-Lived Assets	156,092	53,167	11,916	17,245	35,530	52,600	326,550
1997							
Commissions and Fees	$1,616,768	$330,327	$284,544	$172,395	$374,303	$346,476	$3,124,813
Long-Lived Assets	128,563	40,028	9,125	8,712	26,336	26,903	239,667
1996							
Commissions and Fees	$1,384,424	$277,208	$230,210	$172,278	$327,056	$250,491	$2,641,667
Long-Lived Assets	119,580	39,454	4,712	9,867	26,846	21,196	221,655

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, 1998, 1997, 1996, and for the years then ended:

	(Dollars in Thousands)		
	1998	1997	1996
Current assets	$410,116	$589,664	$528,814
Non-current assets	105,618	95,728	91,559
Current liabilities	341,020	500,633	422,886
Non-current liabilities	45,987	35,269	28,796
Minority interests	2,327	3,644	2,134
Gross revenues	376,818	538,647	525,404
Costs and expenses	317,933	446,528	431,031
Net income	34,120	56,226	57,352

The Company's equity in the net income of these affiliates amounted to $25.1 million, $30.1 million and $20.5 million for 1998, 1997 and 1996, respectively. The Company's equity in the net tangible assets of these affiliated companies was approximately $116.6 million, $105.5 million and $97.5 million at December 31, 1998, 1997 and 1996, 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. In 1998, the Company disposed of shares held in certain affiliates. The resulting impact of these sales was not material to the 1998 consolidated results of operations or financial position.

7. Long-Term Debt and Convertible Subordinated Debentures

Long-term debt and convertible subordinated debentures outstanding as of December 31, 1998 and 1997 consisted of the following:

	(Dollars in Thousands)	
	1998	1997
Deutsche Mark Floating Rate Bonds, with a scheduled maturity in 2000, interest at DM three month LIBOR plus 0.65%	$ 66,522	$ 61,738
Deutsche Mark Floating Rate Bonds, with a scheduled maturity in 1999, interest at DM three month LIBOR plus 0.375%	59,930	55,620
French Franc 5.20% Notes with a scheduled maturity in 2005	178,600	—
Floating Rate Loan Notes, with a scheduled maturity in 2001	2,033	—
Sundry notes and loans payable to banks and others at rates from 5.1% to 24%, maturing at various dates through 2018	25,383	9,165
	332,468	126,523
Less current portion	65,101	3,358
Total long-term debt	$267,367	$123,165
$4^{1}/_{4}$% Convertible Subordinated Debentures with a scheduled maturity in 2007	$218,497	$218,500
$2^{1}/_{4}$% Convertible Subordinated Debentures with a scheduled maturity in 2013	230,000	—
Total convertible subordinated debentures	$448,497	$218,500

On June 24, 1998, the Company issued French franc 1 billion of 5.20% Notes. The Notes are unsecured, unsubordinated obligations of the Company. The Notes are subject to redemption in whole at their principal amount at the option of the Company at any time in the event of certain changes affecting taxation in the United States. Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on June 24, 2005.

In March 1998, the Company issued floating rate Loan Notes in connection with the acquisition of the GGT Group plc. The Loan Notes are unsecured obligations and bear interest at a yearly rate offered in the London Inter-Bank Market for six month deposits of sterling. The Loan Notes are redeemable, at the option of the holder, in whole or in part at their nominal amount, together with accrued interest on any interest payment date after December 31, 1998. Under certain conditions, the Company may redeem the Loan Notes, at their nominal amount plus accrued interest on any interest payment date. Unless previously repaid, redeemed or purchased and cancelled, the Loan Notes will be repaid on June 30, 2001 at par.

On January 6, 1998, the Company issued $230 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.

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 March 1, 1996, the Company issued Deutsche Mark 100 million Floating Rate Bonds. The bonds are unsecured, unsubordinated obligations of the Company and bear interest at a per annum rate equal to Deutsche Mark three month LIBOR plus 0.375%. The bonds matured on March 1, 1999 and were 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 February 20, 1998, the $360 million revolving credit agreement was replaced by a $500 million revolving credit agreement. This $500 million revolving credit agreement is with a consortium of banks expiring June 30, 2003. 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, 1998 the Company was in compliance with these covenants.

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

	(Dollars in Thousands)
1999	$ 65,101
2000	69,960
2001	4,142
2002	2,072
2003	2,061
Thereafter	637,629

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)		
	1998	1997	1996
Income before income taxes:			
Domestic	$263,058	$182,608	$162,388
International	257,091	198,637	142,843
Total	$520,149	$381,245	$305,231
Provision for taxes on income:			
Current:			
Federal	$ 64,160	$ 47,145	$ 49,394
State and local	21,292	17,221	13,612
International	119,805	78,438	58,339
	205,257	142,804	121,345
Deferred:			
Federal	6,579	7,712	2,072
State and local	1,853	541	(120)
International	2,119	5,427	342
	10,551	13,680	2,294
Total	$215,808	$156,484	$123,639

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

	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal income tax benefit	2.9	3.0	2.9
International subsidiaries' tax rate differentials	1.8	1.2	(0.1)
Non-deductible amortization of goodwill	3.3	3.0	3.4
Other	(1.5)	(1.2)	(0.7)
Effective rate	41.5%	41.0%	40.5%

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, 1998 and 1997 of $200.3 million and $142.1 million, respectively, related principally to tax deductible intangibles, acquisition liabilities, compensation and severance, leases and accrued expenses.

The Company has recorded deferred tax liabilities as of December 31, 1998 and 1997 of $57.8 million and $49.7 million, respectively, related principally to furniture and equipment depreciation.

Deferred tax benefits (liabilities) as of December 31, 1998 and 1997 consisted of the amounts shown below (dollars in millions):

	1998	1997
Deductible intangibles	$39.1	$ 41.4
Acquisition liabilities	29.9	18.9
Lease reserves	11.3	7.3
Compensation and severance reserves	42.9	29.4
Tax loss carryforwards	1.6	3.0
Financial instruments	14.2	(5.2)
Amortization and depreciation	(0.7)	(1.7)
Other, net	4.2	(5.9)
	142.5	$ 92.4

Net current deferred tax benefits as of December 31, 1998 and 1997 were $36.4 million and $24.3 million, respectively, and were included in prepaid expenses and other current assets. Net non-current deferred tax benefits as of December 31, 1998 and 1997 were $106.0 million and $68.1 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 related to the Company's contributions to these plans amounted to $68.2 million, $54.3 million and $49.8 million in 1998, 1997 and 1996, 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 $5.2 million, $5.3 million and $4.6 million in 1998, 1997 and 1996, 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 costs related to these benefits were not material to the 1998, 1997 and 1996 consolidated results of operations or financial position.

10. Commitments and Contingent Liabilities

At December 31, 1998, 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 $302.4 million in 1998, $235.9 million in 1997 and $201.1 million in 1996 after reduction for rents received from subleases of $14.7 million, $12.8 million and $11.9 million, respectively. Future minimum base rents under terms of noncancellable operating leases, reduced by rents to be received from existing noncancellable subleases, are as follows:

		(Dollars in Thousands)	
	Gross Rent	Sublease Rent	Net Rent
1999	$238,486	$13,871	$224,615
2000	218,354	9,855	208,499
2001	190,058	7,814	182,244
2002	168,926	6,022	162,904
2003	156,238	4,683	151,555
Thereafter	877,836	18,145	859,691

The present value of the gross future minimum base rents under noncancellable operating leases is $1,240.4 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, 1998 and 1997. Amounts in parentheses represent liabilities.

	1998 (Dollars in Thousands)		1997 (Dollars in Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash, cash equivalents and investments available-for-sale	$ 728,766	$ 728,766	$644,104	$644,104
Long-term investments	10,562	10,562	6,269	6,269
Long-term debt and convertible subordinated debentures	(780,965)	(1,068,423)	(345,023)	(439,251)
Financial Commitments				
Cross currency interest rate swaps	—	(27,669)	—	—
Forward foreign exchange contracts	—	2,514	—	(3,430)
Guarantees	—	(6,417)	—	(5,604)
Letters of credit	—	(922)	—	(16,464)

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:

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 and fixed rate senior debt. The fair value of these instruments was determined by reference to quotations available in markets where these issues were traded. The quotations for the subordinated debentures primarily reflected the conversion value of the debentures into the Company's common stock.

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 established limitations on derivative activities which are reviewed annually.

At December 31, 1998, the Company had Japanese yen 16.3 billion aggregate notional principal amount of cross currency interest rate swaps. The swaps convert a portion of the Company's U.S. dollar floating rate debt into fixed rate Japanese yen debt and effectively hedge the Company's net investment in Japanese yen denominated assets.

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

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, 1998 and 1997, the aggregate amount of intercompany receivables and payables subject to this hedge program was $628 million and $532 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, 1998 and 1997. 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			
	1998		1997	
Currency	Company Buys	Company Sells	Company Buys	Company Sells
U.S. Dollar	$215,157	$ 45,010	$ 160,704	$ 47,588
German Mark	175,542	254,962	98,820	154,143
Japanese Yen	20,365	20,272	0	0
French Franc	15,535	32,284	26,693	9,216
Canadian Dollar	13,077	3,574	0	70
Dutch Guilder	3,386	9,633	5,884	12,238
Danish Krone	1,851	3,958	0	3,461
Hong Kong Dollar	1,485	5,978	0	12,140
Singapore Dollar	1,031	4,669	1,192	2,012
Norwegian Krone	0	8,120	0	2,045
Greek Drachma	0	6,183	0	6,548
Other	13,527	9,709	32,280	9,105
Total	$460,956	$404,352	$325,573	$258,566

The derivative financial instruments existing during the years ended December 31, 1998 and 1997 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. 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 Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which the Company is required to adopt effective January 1, 2000. SFAS No. 133 cannot be applied retroactively. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. Once implemented, SFAS No. 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997.

The Company intends to adopt SFAS No. 133 for its fiscal year ending December 31, 2000. The impact of SFAS No. 133 on the Company's financial statements will depend on a variety of factors, including future interpretative guidance from the FASB, the future level forecasted and actual foreign currency transactions, the extent of the Company's hedging activities, the types of hedging instruments used and the effectiveness of such instruments. However, the Company does not believe the effect of adopting SFAS No. 133 will be material to its financial position.

14. Subsequent Event

On February 10, 1999, the Company completed the acquisition of Abbott Mead Vickers plc ("AMV"). AMV provides corporate communications services to clients principally in the United Kingdom. The Company issued approximately 9.6 million new shares of common stock in exchange for the 92.3% of AMV ordinary shares not already owned by the Company, at a fixed exchange ratio of .1347 common shares of the Company per AMV ordinary share. The transaction will be accounted for under the pooling-of-interests method of accounting.

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, 1998 and 1997, 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.

	First	Second	Third	Fourth
Commissions & Fees				
1998	$860,976	$1,051,510	$981,577	$1,197,979
1997	696,577	786,341	746,839	895,056
Income Before Income Taxes				
1998	91,657	164,231	99,514	164,747
1997	69,641	117,913	73,060	120,631
Income Taxes				
1998	38,003	69,760	42,206	65,839
1997	28,266	48,045	29,879	50,294
Income After Income Taxes				
1998	53,654	94,471	57,308	98,908
1997	41,375	69,868	43,181	70,337
Equity in Affiliates				
1998	4,980	5,278	5,948	8,863
1997	4,144	7,282	4,601	14,062
Minority Interests				
1998	(7,731)	(13,757)	(9,464)	(13,390)
1997	(5,451)	(10,751)	(6,291)	(9,942)
Net Income				
1998	50,903	85,992	53,792	94,381
1997	40,068	66,399	41,491	74,457
Basic Earnings Per Share				
1998	0.31	0.51	0.32	0.57
1997	0.25	0.41	0.26	0.47
Diluted Earnings Per Share				
1998	0.31	0.50	0.32	0.55
1997	0.25	0.40	0.26	0.45

Schedule II

OMNICOM GROUP INC. AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 31, 1998

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, 1998	$32,190	$14,418	$(9,739)	$(1,128)	$57,475
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

(1) Net of acquisition date balances in allowance for doubtful accounts of companies acquired of $13,076, $2,013 and $985 in 1998, 1997, and 1996, respectively.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 16, 1999 included in this Form 10-K into the previously filed Registration Statement File No. 333-41717, 333-70091, 333-74591, 333-74727 and 333-74879 on Form S-8 of Omnicom Group Inc. and into the previously filed Registration Statement File Nos. 333-22589, 333-43883, 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 29, 1999

Omnicom

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Chairman
Omnicom Group

John D. Wren
Chief Executive Officer and President
Omnicom Group

Bernard Brochand
President, International Division
DDB Needham Worldwide

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Executive-in-Residence,
Columbia School of Business,
Columbia University;
Retired Vice Chairman
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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
TASA Worldwide/Johnson Smith Knisely

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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

Egon P.S. Zehnder
Chairman
Egon Zehnder International

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Leonard S. Coleman, Jr.
John R. Murphy
Quentin I. Smith, Jr.

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

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

Omnicom Officers

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Chairman

John D. Wren
Chief Executive Officer and President

Randall J. Weisenburger
Executive Vice President and Chief Financial Officer

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Bruce Redditt
Executive Vice President

Thomas W. Watson
Executive Vice President

Barry J. Wagner
Secretary and General Counsel

Dennis E. Hewitt
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Philip J. Angelastro
Controller

Kevin R. Conzelmann
Tax Counsel

Frank J. Holzmann
Tax Director

Maeve C. Robinson
Assistant Treasurer

Omnicom

Corporate Information

World Headquarters

Omnicom Group Inc.
437 Madison Avenue
New York, New York 10022
(212) 415-3600

Annual Meeting

The Annual Meeting of Stockholders will be held on Monday, May 17, 1999, 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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