

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended June 30, 1998
or

[] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from

Commission file number 0-20833

LAMAR ADVERTISING COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation)

72-1205791
(I.R.S. Employer
Identification No.)

5551 Corporate Blvd.,
Baton Rouge, LA
(Address of principal
executive officers)

70808
(Zip Code)

Registrant's telephone number, including area code (504) 926-1000

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

<u>Class</u>	<u>Outstanding as of August 5, 1998</u>
Class A Common Stock, \$.001 par value	35,829,668
Class B Common Stock, \$.001 par value	18,117,440

CONTENTS

Page

PART I - FINANCIAL INFORMATION

ITEM 1.	FINANCIAL STATEMENTS	
	Condensed Consolidated Balance Sheets as of June 30, 1998 and December 31, 1997	1 - 2
	Condensed Consolidated Statements of Operations for the three months ended June 30, 1998 and June 30, 1997 and six months ended June 30, 1998 and June 30, 1997	3
	Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 1998 and June 30, 1997 and six months ended June 30, 1998 and June 30, 1997	4
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 1998 and June 30, 1997	5 - 6
	Notes to Condensed Consolidated Financial Statements	7 - 10
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations . . .	11 - 14
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risks	14

PART II - OTHER INFORMATION

ITEM 6.	Exhibits and Reports on Form 8-K	15 - 16
	Signatures	16

PART I - FINANCIAL INFORMATION
ITEM 1.- FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, <u>1998</u>	December 31, <u>1997</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,435	\$ 7,246
Receivables		
Trade accounts, net	33,500	29,854
Affiliates, related parties and employees	648	788
Other	<u>442</u>	<u>1,284</u>
Net receivables	34,590	31,926
Prepaid expenses	9,867	9,112
Other current assets	<u>5,387</u>	<u>1,136</u>
Total current assets	<u>56,279</u>	<u>49,420</u>
Property, plant and equipment	518,555	429,615
Less accumulated depreciation and amortization	<u>(132,849)</u>	<u>(113,477)</u>
Net property, plant and equipment	<u>385,706</u>	<u>316,138</u>
Investment securities	-	679
Intangible assets	374,796	278,923
Receivables - noncurrent	1,916	1,625
Other assets	<u>13,342</u>	<u>4,551</u>
Total assets	<u>832,039</u>	<u>651,336</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Trade accounts payable	3,563	3,308
Accrued expenses	16,454	14,804
Current maturities of long-term debt	3,995	5,109
Deferred income	<u>6,560</u>	<u>7,537</u>
Total current liabilities	30,572	30,758
Long-term debt	540,009	534,091
Deferred income	1,038	837
Other liabilities	3,381	2,250
Deferred tax liability	<u>11,885</u>	<u>14,687</u>
Total liabilities	<u>586,885</u>	<u>582,623</u>

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS, CONTINUED
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, <u>1998</u>	December 31, <u>1997</u>
<u>STOCKHOLDERS' EQUITY</u>		
Class A preferred stock, par value \$638, \$63.80 cumulative dividends, authorized 10,000 shares; 5,719.49 shares issued and outstanding at June 30, 1998, and December 31, 1997, respectively	3,649	3,649
Class A common stock, \$.001 par value, authorized 75,000,000 shares; issued and outstanding 35,734,869 shares and 28,453,805 shares at June 30, 1998, and December 31, 1997, respectively	36	28
Class B common stock, \$.001 par value, authorized 37,500,000 shares; issued and outstanding 18,117,440 shares at June 30, 1998, and 18,762,909 at December 31, 1997	18	19
Additional paid in capital	277,707	95,691
Accumulated deficit	(36,256)	(30,320)
Accumulated other comprehensive income		
Unrealized loss on investment securities net of deferred tax benefit	- -	(354)
Stockholders' equity	<u>245,154</u>	<u>68,713</u>
 Total liabilities and stockholders' equity	 <u>\$ 832,039</u>	 <u>651,336</u>

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Three Months Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
<u>Net Revenues</u>	\$ <u>69,675</u>	\$ <u>50,108</u>	\$ <u>128,072</u>	\$ <u>87,955</u>
<u>Operating expenses</u>				
Direct advertising expenses	21,609	15,483	42,439	28,950
Selling, general and administrative expenses	15,008	10,828	28,224	20,081
Depreciation and amortization	<u>19,224</u>	<u>10,977</u>	<u>36,829</u>	<u>17,727</u>
	<u>55,841</u>	<u>37,288</u>	<u>107,492</u>	<u>66,758</u>
Operating income	<u>13,834</u>	<u>12,820</u>	<u>20,580</u>	<u>21,197</u>
<u>Other expense (income)</u>				
Interest income	(129)	(300)	(236)	(1,421)
Interest expense	13,915	8,460	27,241	15,404
Loss on disposition of assets	875	295	538	742
Other expenses	<u>101</u>	<u>164</u>	<u>121</u>	<u>177</u>
	<u>14,762</u>	<u>8,619</u>	<u>27,664</u>	<u>14,902</u>
Earnings (loss) before income taxes	(928)	4,201	(7,084)	6,295
Income tax expense (benefit)	<u>142</u>	<u>2,616</u>	(<u>1,423</u>)	<u>3,414</u>
Net earnings (loss)	(<u>1,070</u>)	<u>1,585</u>	(<u>5,661</u>)	<u>2,881</u>
Preferred stock dividends	<u>183</u>	<u>183</u>	<u>274</u>	<u>274</u>
Net earnings (loss) applicable to common stock	(<u>1,253</u>)	<u>1,402</u>	(<u>5,935</u>)	<u>2,607</u>
Net earnings (loss) per common share - basic	(<u>.02</u>)	<u>.03</u>	(<u>.12</u>)	<u>.06</u>
Net earnings (loss) per common share - diluted	(<u>.02</u>)	<u>.03</u>	(<u>.12</u>)	<u>.06</u>
Weighted average common shares outstanding	48,802,640	46,997,337	48,080,862	46,995,465
Incremental common shares from dilutive stock options	<u>- -</u>	<u>715,737</u>	<u>- -</u>	<u>765,497</u>
Weighted average common shares assuming dilution	<u>48,802,640</u>	<u>47,713,074</u>	<u>48,080,862</u>	<u>47,760,962</u>

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED) (IN THOUSANDS)

	Three Months Ended		Six Months Ended	
	<u>June 30, 1998</u>	<u>June 30, 1997</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Net earnings (loss) applicable to common stock	\$ (1,253)	\$ 1,402	\$ (5,935)	\$ 2,607
Other comprehensive income - unrealized loss on investment securities (net of deferred tax benefit of <u>84</u> and <u>120</u> for the three months ended June 30, 1998 and 1997, respectively and <u>217</u> and <u>523</u> for the six months ended June 30, 1998 and 1997, respectively.)	(<u>137</u>)	(<u>198</u>)	<u>354</u>	(<u>856</u>)
Comprehensive Income	(<u><u>1,390</u></u>)	<u><u>1,204</u></u>	(<u><u>5,581</u></u>)	<u><u>1,751</u></u>

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	<u>Six Months Ended</u> <u>June 30, 1998</u>	<u>Six Months Ended</u> <u>June 30, 1997</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net earnings (loss)	(5,661)	2,881
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	36,829	17,727
Loss on disposition of assets	538	742
Deferred taxes	(654)	(1,194)
Provision for doubtful accounts	703	710
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Receivables	(1,042)	(3,718)
Prepaid expenses	(295)	(366)
Other assets	(3,068)	(620)
Increase (Decrease) in:		
Trade accounts payable	200	(2,035)
Accrued expenses	(1,420)	2,142
Other liabilities	(167)	(1)
Deferred income	(853)	(415)
Net cash provided by operating activities	25,110	15,853
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Increase in notes receivable	(280)	(1,300)
Acquisition of new markets	(187,175)	(257,942)
Capital expenditures	(24,139)	(14,990)
Proceeds from disposition of assets	<u>1,289</u>	<u>52,186</u>
Net cash used in investing activities	(210,305)	(222,046)

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	<u>Six Months Ended</u> <u>June 30, 1998</u>	<u>Six Months Ended</u> <u>June 30, 1997</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net proceeds from issuance of common stock	179,929	225
Principal payments on long-term debt	(2,341)	(2,051)
Proceeds from issuance of notes payable	70	34
Net borrowings under credit agreements	7,000	135,000
Dividends	(<u>274</u>)	(<u>274</u>)
Net cash provided by financing activities	184,384	132,934
Net decrease in cash and cash equivalents	(811)	(73,259)
Cash and cash equivalents at beginning of period	<u>7,246</u>	<u>81,007</u>
Cash and cash equivalents at end of period	<u><u>6,435</u></u>	<u><u>7,748</u></u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	<u><u>27,100</u></u>	<u><u>14,756</u></u>
Cash paid for state and federal income taxes	<u><u>872</u></u>	<u><u>2,184</u></u>

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

1. Significant Accounting Policies

The information included in the foregoing interim financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K.

Earnings per share are computed in accordance with SFAS No. 128, "Earnings Per Share." SFAS No. 128 requires the replacement of previously reported primary and fully diluted earnings per share required by Accounting Principles Board Opinion No. 15 with earnings per share and diluted earnings per share. The calculations of earnings per share exclude any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. Per share amounts for all periods presented have been restated to conform to the requirements of SFAS No. 128.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported net earnings.

New Accounting Pronouncements

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998, and requires that the costs of start-up activities, including organizational costs, be expensed as incurred. At June 30, 1998, the Company estimates that \$1,300, of capitalized costs are included in intangible assets on the Company's balance sheet.

Effective January 1, 1998, the Company adopted the Statement of Financial Accounting Standards (SFAS) No. 130 "Reporting Comprehensive Income", which requires disclosure, in financial statement format, of all non-owner changes in equity. Adoption of this statement requires the presentation of comprehensive income, which includes the unrealized gain or loss on investment securities. Investment securities consist of the Company's investment in approximately 340,000 shares of common stock of Wireless One, Inc., a publicly-held company in the wireless cable business. The former Chief Executive Officer of Wireless One, Inc. is an employee and principal shareholder of the Company. The shares were sold in May, 1998, resulting in a realized loss of \$875.

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

2. Acquisitions

On January 2, 1998, the Company purchased all the outdoor advertising assets of Ragan Outdoor Advertising Company, Ragan Outdoor Advertising Company of Cedar Rapids, and Ragan Outdoor Advertising Company of Rockford, L.L.C. for a cash purchase price of \$25,000. The acquisition consisted of displays located in Rockford, Illinois, Cedar Rapids, Iowa and Davenport, Iowa.

On January 30, 1998, the Company acquired all of the outdoor advertising assets of three related outdoor advertising companies (Pioneer Advertising Company, Superior Outdoor Advertising Company and Overland Outdoor Advertising Company, Inc.) located in Missouri and Arkansas for a cash purchase price of \$19,200.

On April 30, 1998, the company purchased all the outdoor advertising assets of Northwest Outdoor Advertising, L.L.C. for a cash purchase price of approximately \$70,000. The acquired displays are located in the states of Washington, Montana, Oregon, Idaho, Wyoming, Nebraska, Nevada and Utah.

On May 15, 1998, the Company purchased the assets of Odegard Outdoor Advertising, L.L.C., for a cash purchase price of approximately \$8,500. This acquisition increases the Company's presence in the Kansas City, Missouri market.

On May 29, 1998, the Company entered into an agreement to purchase from Rainier Evergreen, Inc. or through it's affiliates (i) all of the issued and outstanding common stock of American Signs, Inc., (ii) the assets of the Sun Media division and (iii) the assets of Sun Media of the Rockies, Inc. The asset purchases were closed on that date; while the stock purchase was delayed due to lease transfer issues involving the Bureau of Interior Affairs. Approximately \$7.0 million of the total purchase price was transferred to an escrow agent awaiting final resolution involving these leases. The acquisition gives the Company a presence in Tacoma, Washington.

During the six months ended June 30, 1998, the Company completed 29 additional acquisitions of outdoor advertising assets, none of which were individually significant, for an aggregate cash purchase price of approximately \$37 million.

Each of these acquisitions were accounted for under the purchase method of accounting, and accordingly, the accompanying financial statements include the results of operations of each acquired entity from the date of acquisition. The acquisition costs have been allocated to assets acquired and liabilities assumed based on fair market value at the dates of acquisition. The following is a summary of the allocation of the acquisition costs in the above transactions.

Current assets	\$ 3,129
Property, plant and equipment	65,879
Other assets	7,000
Intangible assets	113,647
Current liabilities	3,277

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

Summarized below are certain unaudited pro forma statement of operations data for three months ended June 30, 1998 and 1997, and the six months ended June 30, 1998 and June 30, 1997 as if each of the above acquisitions and the acquisitions occurring in 1997, which are discussed in the Company's December 31, 1997 Consolidated Financial Statements, had been consummated as of January 1, 1997.

This pro forma information does not purport to represent what the Company's results of operations actually would have been had such transactions occurred on the date specified or to project the Company's results of operations for any future periods.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 1998</u>	<u>June 30, 1997</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Revenues, net	\$ 71,492	\$ 65,021	\$ 135,805	\$ 124,927
Net loss applicable to common stock	(1,741)	(2,407)	(7,672)	(8,217)
Net loss per common share - basic	(.04)	(.05)	(.16)	(.17)
Net loss per common share - diluted	(.04)	(.05)	(.16)	(.17)

3. Summarized Financial Information of Subsidiaries

Separate financial statements of each of the Company's direct or indirect wholly owned subsidiaries that have guaranteed the Company's obligations with respect to the 1996 Notes and 1997 Notes (collectively, the "Guarantors") are not included herein because the Guarantors are jointly and severally liable under the guarantees, and the aggregate assets, liabilities, earnings and equity of the Guarantors are substantially equivalent to the assets, liabilities, earnings and equity of the Company on a consolidated basis.

Summarized financial information for Missouri Logos, a Partnership, a 66 2/3% owned subsidiary of the Company and the only subsidiary of the Company that is not a Guarantor, is set forth below:

	<u>Six Months Ended June 30,</u>	
	<u>(Unaudited)</u>	
Balance Sheet Information:	<u>1998</u>	<u>1997</u>
Current assets	235	350
Total assets	288	408
Total liabilities	-	9
Venturers' equity	288	399
 Income Statement Information:		
Revenues	501	457
Net income	299	235

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

4. Stockholder's Equity

In June, 1998, the Company completed an equity offering of 6,375,000 shares of Class A Common Stock at an offering price of \$29 per share. This transaction resulted in a \$177,133 increase in total stockholders' equity after deducting commissions and fees related to the transaction.

5. Subsequent Events

In July, 1998, the company entered into a new Bank Credit Agreement (the "New Bank Credit Agreement") which consists of a committed \$250,000 revolving credit facility (the "New Revolving Credit Facility"), a \$150,000 term facility and a \$100,000 incremental facility funded at the discretion of the lenders. As of June 30, 1998, the Company had borrowings under the previous Bank Credit Agreement of \$66 million under the previous Revolving Credit Facility (the "Previous Revolving Credit Facility"). The new Bank Credit Agreement replaced the Company's previous Bank Credit Facility.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the consolidated financial condition and results of operations of the Company for the six month and three month periods ended June 30, 1998 and 1997. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes.

The following discussion is a summary of the key factors management considers necessary in reviewing the Company's results of operations, liquidity and capital resources. The future operating results of the Company may differ materially from the results described below. For a discussion of certain factors which may affect the Company's future operating performance, please refer to Exhibit 99.1 filed herewith, including without limitation, the factors described under the headings "Fluctuations in Economic and Advertising Trends," "Acquisition and Growth Strategy," "Competition," and "Substantial Indebtedness of the Company" in such Exhibit 99.1, and the factors described under the heading "Regulation of Tobacco Advertising" below.

RESULTS OF OPERATIONS

Six Months Ended June 30, 1998 Compared to Six Months Ended June 30, 1997

Net revenues increased \$40.1 million or 45.6% to \$128.1 million for the six months ended June 30, 1998 as compared to the same period in 1997. This increase was primarily the result of (i) a \$38.9 million increase in billboard net revenues, and (ii) a \$1.4 million increase in logo sign revenue due to the completion and development of the new state logo sign franchises awarded and acquired in 1997 and the continued expansion of the Company's existing logo sign franchises.

Operating expenses, exclusive of depreciation and amortization, increased \$21.6 million or 44.1% for the six months ended June 30, 1998 as compared to the same period in 1997. This was primarily the result of the additional operating expenses related to acquired outdoor advertising assets and the newly developed and acquired logo sign franchises.

Depreciation and amortization expense increased \$19.1 million or 107.8% from \$17.7 million for the six months ended June 30, 1997 to \$36.8 million for the six months ended June 30, 1998 as a result of an increase in capitalized assets resulting from the Company's recent acquisition activity.

Due to the above factors, operating income decreased \$.6 million or 2.9% to \$20.6 million for six months ended June 30, 1998 from \$21.2 million for the same period in 1997.

Interest income decreased \$1.2 million as a result of earnings on excess cash investments made during the six months ended June 30, 1997 as compared to the same period in 1998. Interest expense increased \$11.8 million from \$15.4 million for the six months ended June 30, 1997 to \$27.2 million for the same period in 1998 as a result of interest expense on the 1997 Notes issued by the company in September, 1997 and additional borrowings under the Company's bank credit facility.

Income tax expense decreased \$4.8 million creating a tax benefit of \$1.4 million for the six months ended June 30, 1998 as compared to the same period in 1997. The effective tax rate for the six months ended June 30, 1998 is 20.1 % which is less than the Company's historical effective tax rate due to permanent differences resulting from non-deductible amortization of goodwill.

As a result of the above factors, the Company recognized a net loss for the six months ended June 30, 1998 of \$5.7 million, as compared to net earnings of \$2.9 million for the same period in 1997.

Three Months Ended June 30, 1998 Compared to Three Months Ended June 30, 1997

Revenues for the three months ended June 30, 1998 increased \$19.6 million or 39.0% to \$69.7 million from \$50.1 million for the same period in 1997.

Operating expenses, exclusive of depreciation and amortization, for the three months ended June 30, 1998 increased \$10.3 million or 39.2% over the same period in 1997.

Depreciation and amortization expense increased \$8.2 million or 75.1% from \$11.0 million for three months ended June 30, 1997 to \$19.2 million for the three months ended June 30, 1998.

Operating income increased \$1.0 million or 7.9% to \$13.8 million for the three months ended June 30, 1998 as compared to \$12.8 million for the same period in 1997.

Interest expense increased \$5.5 million from \$8.5 million for the three months ended June 30, 1997 to \$13.9 million for the same period in 1998.

The Company recognized a net loss for the three months ended June 30, 1998 of \$1.1 million.

The results for the three months ended June 30, 1998 were affected by the same factors as the six months ended June 30, 1998. Reference is made to the discussion of the six month results.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically satisfied its working capital requirements with cash from operations and revolving credit borrowings. Its acquisitions have been financed primarily with borrowed funds.

On April 1, 1998, the Company financed the Farrar Outdoor acquisition with a \$6.0 million draw under the Previous Revolving Credit Facility and on April 30, 1998, the Company financed the acquisition of Northwest Outdoor with a \$64 million draw under the Previous Revolving Credit Facility. On May 15, 1998, the Company financed the Odegard Outdoor acquisition with a draw of \$6.0 million under the Previous Revolving Credit Facility and in June, 1998, the Company financed several acquisitions including Sun Media with draws totaling \$30 million under the Previous Revolving Credit Facility.

In June, 1998, the Company completed a public offering of 6,375,000 shares of Class A Common Stock at \$29.00 per share. Net proceeds to the Company after underwriting discounts from the equity offering were \$177.5 million. These proceeds were used to pay down outstanding bank debt of approximately \$173.0 million with the remainder used for operations.

In July, 1998, the Company entered into a new Bank Credit Agreement (the "New Bank Credit Agreement") which consists of a committed \$250.0 million revolving credit facility (the "New Revolving Credit Facility"), a \$150.0 million term facility and a \$100 million incremental facility funded at the discretion of the lenders. The New Bank Credit Agreement replaced the Company's previous bank

credit facilities. There is currently \$62.0 million outstanding under the New Revolving Credit Facility.

The Company's net cash provided by operating activities increased to \$25.1 million for the six months ended June 30, 1998 due primarily to an increase in noncash items of \$19.4 million, which is primarily an increase in depreciation and amortization of \$19.1 million. The increase in noncash items was offset by a decrease in net earnings of \$8.5 million, a decrease in accrued expenses of \$3.6 million and an increase in other assets of \$2.4 million. There was also a decrease in receivables of \$2.7 million and an increase in trade accounts payable of \$2.2 million. Net cash used in investing activities decreased \$11.7 million from \$222.0 million for the six months ended June 30, 1997 to \$210.3 million for the same period in 1998. This decrease was due to a \$70.8 million decrease in the purchase of new markets offset by a \$9.1 million increase in capital expenditures and a \$50.9 million decrease in proceeds from disposition of assets. Net cash provided by financing activities increased \$51.5 million for the six months ended June 30, 1998 due to a \$179.7 million increase in net proceeds from issuance of common stock offset by a \$128.0 million decrease in net borrowings under credit agreements.

The Company believes that internally generated funds and available funds under the New Bank Credit Agreement will be sufficient for the foreseeable future to satisfy all debt service obligations, and to finance additional acquisition activity and current operations.

Regulation of Tobacco Advertising

Approximately 9% of the Company's outdoor advertising net revenues and 8% of consolidated net revenues in fiscal 1997 came from the tobacco products industry, compared to 10% of outdoor advertising net revenues for fiscal 1996, 9% for fiscal 1995, 7% for fiscal 1994 and 1993, and 12% for fiscal 1992. The tobacco percentage for the six months ended June 30, 1998 was approximately 9%. Manufacturers of tobacco products, principally cigarettes, were historically major users of outdoor advertising displays. Beginning in 1992, the leading tobacco companies substantially reduced their domestic advertising expenditures in response to societal and governmental pressures and other factors. There can be no assurance that the tobacco industry will not further reduce advertising expenditures in the future either voluntarily or as a result of governmental regulation or as to what affect any such reduction may have on the Company.

In June 1997 several of the major tobacco companies in the United States and numerous state attorneys general reached agreement on a proposed settlement of litigation between such parties. The terms of this proposed settlement include a ban on all outdoor advertising of tobacco products commencing nine months after finalization of the settlement. The settlement, however, is subject to numerous conditions, the most notable of which is the enactment of legislation by the federal government. Such legislation is still pending before Congress. At this time, it is uncertain when a definitive settlement will be reached, if at all, or what the terms of any such settlement will be. An elimination or reduction in billboard advertising by the tobacco industry could cause an immediate reduction in the Company's outdoor advertising revenues and may simultaneously increase the Company's available inventory. An increase in available inventory could result in the Company reducing its rates or limiting its ability to raise rates for some period of time. If the tobacco litigation settlement were to be finalized in its current form and if the Company were unable to replace revenues from tobacco advertising with revenues from other sources, such settlement could have a material adverse effect on the Company's results of operations. While the Company believes that it would be able to replace a substantial portion of revenues from tobacco advertising that would be eliminated due to such a settlement with revenues from other sources, any replacement of tobacco advertising may take time and require a reduction in advertising rates.

In addition, the states of Florida, Mississippi, Texas and Minnesota have entered into separate settlements of litigation with the tobacco industry. None of these settlements is conditioned on federal government approval. The Florida and Mississippi settlements provided for the elimination of all outdoor advertising of tobacco products by February 1998 in such states and at such time all of the Company's tobacco billboards and advertising was removed. The Texas settlement requires the elimination of all outdoor advertising of tobacco products by June 1998 and the Minnesota settlement requires the elimination of all outdoor advertising of tobacco products by November 1998. At December 31, 1997, the Company operated approximately 4,249 outdoor advertising displays in seven markets in Florida and approximately \$1.8 million of its approximately \$19.2 million in net revenues in Florida during 1997 were attributable to tobacco advertising. At December 31, 1997, the Company operated approximately 2,532 outdoor advertising displays in three markets in Mississippi and approximately \$0.8 million of its approximately \$10.6 million in net revenues in Mississippi during 1997 were attributable to tobacco advertising. At December 31, 1997, the Company operated approximately 3,300 outdoor advertising displays in six markets in Texas and approximately \$0.8 million of its approximate \$11.0 million in net revenues in Texas during 1997. Although the Company does not operate any outdoor advertising displays for tobacco products in Minnesota, the size and scope of the Minnesota settlement, including the ban on tobacco outdoor advertising, may foreshadow similar settlements of tobacco-related claims and litigation which may also adversely affect outdoor advertising revenues.

New Accounting Pronouncements

The FASB has issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", which established a new accounting principle for reporting information about operating segments in annual financial statements and interim financial reports. It also established standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. The Company is currently evaluating the applicability of this standard. However, the Company does not expect a material impact on disclosures in the Company's financial statements.

The AICPA has issued SOP 98-5, "Reporting on the Costs of Start-Up Activities", which requires costs of start-up activities and organization costs to be expensed as incurred. The statement is effective for financial statements for fiscal years beginning after December 15, 1998. At June 30, 1998, the Company estimates that \$1.3 million of capitalized costs are included in intangible assets on the Company's balance sheet.

Impact of Year 2000

The Company has conducted an assessment of its software and related systems and believes they are year 2000 compliant.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its annual meeting of stockholders on Thursday, May 21, 1998. The following represents the results of the proposals submitted to a vote of

security holders:

Proposal to Elect Directors

The following persons were elected to the Company's Board of Directors for a term of office expiring at the Company's 1999 Annual Meeting of Stockholders:

	<u>Votes Cast For</u>	<u>Votes Withheld</u>
Kevin P. Reilly, Jr.	213,088,524	5,650
Keith A. Istre	213,088,524	5,650
Charles W. Lamar, III	213,088,524	5,650
Gerald H. Marchand	213,088,056	6,118
Jack S. Rome, Jr.	213,088,524	5,650
William R. Schmidt	213,088,524	5,650
T. Everett Stewart Jr.	213,088,524	5,650

There were no abstentions or broker non-votes.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 10.1 Bank Credit Agreement dated as of July 16, 1998 between Lamar Advertising Company, certain of its subsidiaries, the lenders who are parties thereto and The Chase Manhattan Bank, as administrative agent. Filed herewith.

Exhibit 27.1 Financial Data Schedule. Filed herewith.

Exhibit 99.1 Important Factors Regarding Forward Looking Statements Filed herewith.

(b) Reports on Form 8-K

Reports on Form 8-K were filed with the Commission during the second quarter of 1998 to report the following items as of the dates indicated:

On April 17, 1998 the Company filed an 8-K/A in order to update the information previously filed with the Commission at pages 21 to 27 to the Registration Statement on Form S-4 (File No. 333-39729) of the Company, which Registration Statement was declared effective by the Commission on November 12, 1997, the Company filed as Exhibit 99.1 an unaudited pro forma consolidated statement of earnings (loss) for the year ended December 31, 1997, giving effect to the acquisition of Penn Advertising, Inc. and National Advertising Company, as if each had occurred on January 1, 1997 using the purchase method of accounting.

On June 5, 1998, the Company filed an 8-K in order to furnish certain exhibits for incorporation by reference into (a) the Registration Statement on Form S-3 of the Company previously filed with the Commission (File No. 333-50559), which Registration Statement was declared effective by the Commission on April 28, 1998 and (b) the Registration Statement on Form S-3 of the Company previously filed with the Commission (File No. 333-52851), which Registration Statement was declared effective by the Commission on May 18, 1998, the Company filed (i) an Underwriting Agreement dated June 5, 1998 among the Company, certain selling stockholders of the Company and the several Underwriters as Exhibit 1.1 to each of such Registration Statements and the Selling Stockholder Registration Statement and (ii) an opinion of Palmer & Dodge LLP, counsel to the Company, regarding the validity of certain shares of the Company's Class A Common Stock, \$.001 par value per share, to be sold by the Company pursuant to the Underwriting Agreement as Exhibit 2 to the Company Registration Statement on Form S3 (File No. 333-50559).

On June 25, 1998, the Company filed an 8-K to indicate that the Company's discussions concerning the proposed acquisition of another outdoor advertising company which were described under the caption "Recent Developments-Other Acquisition Activity" in the Prospectus Supplement to the Prospectus dated April 28, 1998 and the Prospectus dated May 18, 1998 filed by

the Company pursuant to Rule 424(b)(5) under the Securities Act of 1933 on June 8, 1998 had been terminated, yet the Company was continuing to pursue acquisitions as part of its business strategy.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAMAR ADVERTISING COMPANY

DATED: August 10, 1998

BY: /s/Keith Istre
Keith A. Istre
Chief Financial and Accounting
Officer and Director