

PUBLICIS GROUPE SA  
Form 20-F  
April 06, 2007

As filed with the Securities and Exchange Commission on April 6, 2007

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### Form 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-14736

## Publicis Groupe S.A.

*(Exact name of registrant as specified in its charter)*

N/A  
*(Translation of Registrant[s]  
name into English)*

133, AVENUE DES CHAMPS-ELYSEES  
75008 PARIS  
France  
*(Address of principal executive offices)*

THE REPUBLIC  
OF FRANCE  
*(Jurisdiction of incorporation  
or organization)*

### Securities registered or to be registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class:</u>   | <u>Name of Each Exchange on Which Registered:</u> |
|---|---|
| American Depositary Shares (as evidenced by American Depositary Receipts), each American Depositary Share representing one Ordinary Share | The New York Stock Exchange, Inc.                 |
| Ordinary shares, nominal value  0.40 per share*   | The New York Stock Exchange, Inc.                 |

\* Listed not for trading, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

### Securities registered or to be registered pursuant to Section 12(g) of the Act: None

### Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: Equity Warrants and ORANEs

Indicate the number of outstanding shares of each of the issuer[s] classes of capital or common stock as of the close of the period covered by the Annual Report:

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|        |  |                                    |
|--------|--|------------------------------------|
| share  | Ordinary shares, nominal value €0.40 per | 198,709,229(1)                     |
| class) | <i>(title of</i>                         | <i>(number of ordinary shares)</i> |

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(1) Including 15,105,351 ordinary shares held in treasury.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes  No

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  No

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer:

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

## **FORWARD-LOOKING STATEMENTS**

### **CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS**

Certain statements included in this Annual Report, as well as oral statements that may be made by Publicis or its officers, members of its Management Board or Supervisory Board or employees acting on behalf of Publicis related to the information contained herein, may constitute or be based upon "forward-looking statements" (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, specifically Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended). All statements, other than statements of historical facts, are forward-looking statements, including without limitation statements relating to our strategy, financial and operating targets, outlook, capital expenditures and future financial position.

The words "anticipate", "believe", "expect", "estimate", "intend", "plan", "may", "will", "should", "target", "project" or similar expressions, as well as the use of the future or conditional tense, identify certain of these forward-looking statements although the absence of such words does not necessarily mean that a statement is not forward-looking. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to differ materially from historical results or any future results implied or expected by such forward-looking statements. These statements are presented at the date of the present document and Publicis assumes no responsibility regarding updating them following new events or for any other reason other than to the extent required by applicable regulations.

Among the factors that may influence Publicis' actual results and cause them to differ materially from the implied or expected results as described in forward-looking statements are those risks identified in Item 3 "Key Information - Risk Factors" and our other filings and submissions with the U.S. Securities and Exchange Commission ("SEC"), including, without limitation :

- the advertising and communications industry is highly competitive;
- unfavorable economic conditions may adversely affect our operations;
- laws, regulations or voluntary codes applying in the sectors in which we operate may have an impact on our business;
- our contracts with clients may be terminated on short notice;
- a significant portion of our revenues comes from a small number of large clients;
- conflicts of interest between our clients who compete with each other in the same business sector may negatively impact our business development;
- we may be exposed to liabilities from allegations that certain of our clients' advertising claims may be false or misleading or that our clients' products may be defective;
- our business is highly dependent on the services of our management and our employees;
- our strategy of development through acquisitions and investments can be risky;
- goodwill on acquisitions and intangible assets, including brands and client relationships, accounted for on the balance sheets of acquired companies may be subject to adjustment;
- we may not achieve announced numerical targets;
- we are exposed to a number of risks from operating in developing countries;

- downgrades of our credit ratings could adversely affect us;
- some provisions of our *status* (by-laws) may make takeovers more difficult; and

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□ we are subject to corporate disclosure standards that are less demanding than those applicable to some U.S. companies.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Readers are encouraged to carefully read all information included in this document, and particularly Item 3 "Key Information □ Risk Factors."

All written and oral forward-looking statements attributable to Publicis, or persons acting on its behalf, are qualified in their entirety by these cautionary statements. Publicis disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless it is required by law.

In this Annual Report on Form 20-F, the term the □Company□ refers to Publicis Groupe S.A. and the terms □Publicis□, the □Group□, □Publicis Groupe□, □we□, □us□, and □our□ refer to the Company together with its consolidated subsidiaries.

As used herein, references to □EUR□ or □€□ are to euros and references to □dollars□, □USD□ or □\$□ are to U.S. dollars. Annual Report contains translations of certain euro amounts into dollar amounts at the rate of USD 1.32 per EUR 1.00, the noon buying rate in New York for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the □Noon Buying Rate□) on December 29, 2006, the last business day prior to the date of Publicis's most recent balance sheet included in this Annual Report. You should not assume, however, that euros could have been exchanged into dollars at any particular rate or at all. See Item 3. □Key Information □ Selected Financial Data□ for certain historical information regarding the Noon Buying Rate.

The Consolidated Financial Statements for the fiscal years ended December 31, 2004, 2005 and 2006 included elsewhere in this Annual Report are referred to herein as the □consolidated financial statements.□ References to fiscal years 2004, 2005 and 2006 in this Annual Report mean the fiscal years ending respectively on December 31, 2004, 2005 and 2006, unless the context otherwise requires.

### **EXPLANATORY NOTE**

Certain of the U.S. GAAP financial statement information as of December 31, 2004, 2003 and 2002 and for the year ended December 31, 2003 contained in Item 3.A □Selected Financial Data□ and Item 18 □Financial Statements□ was restated in our Annual Report for the year ended December 31, 2005, and the restated figures appear in this Annual Report. We have not amended, and do not intend to amend, our previously filed Annual Reports on Form 20-F for the years affected by the restatements that ended prior to December 31, 2005. For this reason, those prior Annual Reports and the consolidated financial statements, auditors' reports and related financial information for the affected years contained in such reports should no longer be relied upon.

### **PRESENTATION OF INFORMATION**

We prepare our consolidated financial statements in accordance with IFRS as adopted by the European Union. The term □IFRS□ as used in this Annual Report refers collectively to International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the IASB. We do not believe the differences between IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board had any impact on Publicis's consolidated financial statements included in Item 18 of this Annual Report.

IFRS differs in certain significant respects from U.S. generally accepted accounting principles (□U.S. GAAP□). For a description of the principal differences between IFRS and U.S. GAAP, and for a reconciliation of our shareholders' equity and net income to U.S. GAAP, see note 33 to our consolidated financial statements included in Item 18 of this Annual Report.

### **MARKET AND INDUSTRY DATA AND FORECASTS**

This Annual Report includes market and industry data and forecasts that we have obtained from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data and estimates. Although we have no reason to believe that the independent consultant reports, publicly available information, industry publications and published industry sources are not reliable, we

have not independently verified the data. Our internal data, estimates and forecasts

4

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are based upon information obtained from our customers, partners, trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. Although we believe that such information is reliable, we have not had such information verified by any independent sources.



**TABLE OF CONTENTS**

|           |  |     |
|-----------|--|-----|
| PART I    |  | 7   |
| Item 1.   | Identity of Directors, Senior Management and Advisers                        | 7   |
| Item 2.   | Offer Statistics and Expected Timetable                                      | 7   |
| Item 3.   | Key Information  | 7   |
| Item 4.   | Information on the Company   | 12  |
| Item 4A.  | Unresolved Staff Comments  | 26  |
| Item 5.   | Operating and Financial Review and Prospects                                 | 26  |
| Item 6.   | Directors, Senior Management and Employees                                   | 45  |
| Item 7.   | Major Shareholders and Related Party Transactions                            | 65  |
| Item 8.   | Financial Information  | 71  |
| Item 9.   | The Offer and Listing  | 71  |
| Item 10.  | Additional Information   | 72  |
| Item 11.  | Quantitative and Qualitative Disclosures About Market Risk                   | 88  |
| Item 12.  | Description of Securities Other Than Equity Securities                       | 93  |
| PART II   |  | 94  |
| Item 13.  | Defaults, Dividend Arrearages and Delinquencies                              | 94  |
| Item 14.  | Material Modifications to the Rights of Security Holders and Use of Proceeds | 94  |
| Item 15.  | Controls and Procedures  | 94  |
| Item 16A. | Audit Committee Financial Expert   | 96  |
| Item 16B. | Code of Ethics   | 96  |
| Item 16C. | Principal Accountant Fees and Services                                       | 96  |
| Item 16D. | Exemptions from the Listing Standards for Audit Committees                   | 97  |
| Item 16E. | Purchases of Equity Securities by the Issuer and Affiliated Purchasers       | 97  |
| PART III  |  | 99  |
| Item 17.  | Financial Statements   | 99  |
| Item 18.  | Financial Statements   | 99  |
| Item 19.  | Exhibits   | 100 |

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**SELECTED FINANCIAL DATA**

The tables below set forth selected consolidated financial data for Publicis Groupe. The selected financial data, as of and for the years ended December 31, 2005 and 2006, are derived from the consolidated financial statements of Publicis included in this Annual Report, prepared in accordance with IFRS, including the U.S. GAAP (Generally Accepted Accounting Principles) reconciliation thereof, which have been audited by Ernst & Young Audit and Mazars & Guerard, our independent auditors. The selected financial data as of and for the year ended December 31, 2004, prepared in accordance with IFRS, including the US GAAP reconciliation thereof, have been audited by Ernst & Young Audit, our independent auditors. The selected financial data prepared in accordance with U.S. GAAP as of and for each of the years ended December 31, 2002 and 2003 are derived from the consolidated financial statements of Publicis prepared under French GAAP and reconciled to US GAAP, not included in this Annual Report, which have been audited by Ernst & Young Audit and Mazars & Guerard, our independent auditors.

The consolidated financial statements of Publicis Groupe as of and for the years ended December 31, 2006, 2005 and 2004 have been prepared in compliance with IFRS as adopted by the European Union as of December 31, 2005 and with IFRS as issued by the International Accounting Standards Board (IASB) as of the same date. The opening balance sheet as of the transition date (January 1, 2004) and the comparative financial statements for the year ended December 31, 2004 have been prepared in accordance with the same principles.

Publicis Groupe reports its financial results in euros and in conformity with IFRS, with a reconciliation to U.S. GAAP. Publicis Groupe also publishes condensed U.S. GAAP information. IFRS differs in certain significant respects from U.S. GAAP. For a description of the principal differences between IFRS and U.S. GAAP as they relate to the Publicis Groupe's consolidated financial statements and a reconciliation to U.S. GAAP and net income and shareholders' equity see note 33 to the Publicis Groupe audited consolidated financial statements included in this Annual Report.

The selected historical consolidated financial data should be read in conjunction with Item 3 "Key Information" Risk Factors, Item 5 "Operating and Financial Review and Prospects" and Publicis' consolidated financial statements and related notes and other financial information included elsewhere in this Annual Report.

**As of and for the Year Ended December 31,**

|  | 2006 | 2005 | 2004 |
|--|------|------|------|
|--|------|------|------|

*(Millions of euros, except per share data)***IFRS Income statement data:**

|   |       |       |       |
|---|-------|-------|-------|
| Revenue   | 4,386 | 4,127 | 3,832 |
| Operating margin before depreciation and amortization | 820   | 765   | 699   |
| Operating margin                                      | 713   | 649   | 580   |
| Operating income                                      | 689   | 652   | 326   |
| Net income  | 469   | 414   | 304   |
| Net earnings attributable to Publicis Group           | 443   | 386   | 278   |
| Earnings per share: basic(1)                          | 2.11  | 1.83  | 1.32  |
| Earnings per share: diluted(2)                        | 1.97  | 1.76  | 1.29  |
| Dividends per share(3)                                | 0.50  | 0.36  | 0.30  |

**IFRS Balance sheet data (4):**

|   |        |        |       |
|---|--------|--------|-------|
| Tangible and intangible assets, net                       | 4,206  | 4,377  | 4,132 |
| Total assets  | 11,627 | 11,758 | 9,860 |
| Bank borrowings and overdrafts (Short-term and long-term) | 2,114  | 2,137  | 1,765 |
| Shareholders' equity                                      | 2,080  | 2,056  | 1,621 |

- (1) Based on the weighted average number of shares outstanding in each period used to compute basic earnings per share (including the Oranes (bonds redeemable in our shares)), equal to 210.5 million shares in 2004, 210.4 million shares in 2005, and 209.6 million shares in 2006.
- (2) Based on the weighted average number of shares outstanding in each period used to compute diluted earnings per share, equal to 234.0 million shares in 2004, 233.8 million shares in 2005, and 240.1 million shares in 2006.
- (3) Dividends per ADS in U.S. Dollars were \$0.35 in 2004, \$0.42 in 2005, and \$ 0.66 in 2006. (For your convenience, the dividends per share have been translated from the euro amounts actually paid into the corresponding U.S. dollar amounts at the Noon Buying Rate on December 29, 2006. This Noon Buying Rate may differ from the rate that may be used by the Depositary to convert euros to U.S. dollars for purposes of making payments to holders of ADSs.)
- (4) The figures as of December 31, 2004 and 2005 were restated in connection with changes in accounting methods used for commitments, which are described in note 1.6 of the notes to consolidated financial statements.

**As of and for the Year Ended December 31,**

|  | 2006 | 2005 | 2004 | 2003 | 2002(3) |
|--|------|------|------|------|---------|
|--|------|------|------|------|---------|

*(Millions of euros, except per share data)***U.S. GAAP Income statement data:**

|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| Revenues                   | 4,386 | 4,127 | 3,825 | 3,863 | 2,969 |
| Operating profit (loss)    | 685   | 644   | 402   | (585) | 353   |
| Net income (loss)          | 441   | 395   | 346   | (777) | (13)  |
| Earnings (loss) per share: |       |       |       |       |       |

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|                                 |        |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|--------|
| basic(1)                        | 2.40   | 2.16   | 1.90   | (4.25) | (0.09) |
| Earnings (loss) per share:      |        |        |        |        |        |
| diluted(2)                      | 1.89   | 1.63   | 1.51   | (4.25) | (0.09) |
| <b>U.S. GAAP Balance Sheet</b>  |        |        |        |        |        |
| <b>data:</b>                    |        |        |        |        |        |
| Tangible and intangible assets, |        |        |        |        |        |
| net                             | 6,433  | 6,748  | 6,408  | 7,036  | 8,307  |
| Total assets                    | 13,945 | 14,115 | 12,188 | 13,271 | 14,421 |
| Bank borrowings and             |        |        |        |        |        |
| overdrafts (short-term and      |        |        |        |        |        |
| long-term)                      | 3,087  | 3,153  | 2,911  | 3,975  | 3,540  |
| Shareholders' equity            | 3,075  | 3,074  | 2,402  | 2,302  | 3,755  |

(1) Based on the weighted average number of shares outstanding in each period used to compute basic earnings (loss) per share (excluding Oranes (bonds redeemable in our shares)), equal to 146.0 million shares in 2002, 182.8 million shares in 2003, 182.4 million in 2004, 182.8 million in 2005 and 183.6 million in 2006.

- (2) *Based on the weighted average number of shares outstanding in each period used to compute diluted earnings (loss) per share (excluding Oranes (bonds redeemable in our shares)), equal to 171.0 million shares in 2002, 239.5 million shares in 2003, 251.6 million in 2004, 249.3 million in 2005 and 240.3 million in 2006.*
- (3) *2002 amounts include the operations of Bcom3 Group, Inc. for the period between the acquisition date in September 2002 through December 31, 2002.*

### EXCHANGE RATE INFORMATION

Share capital in our company is represented by ordinary shares with a nominal value of €0.40 per share (hereinafter generally referred to as "our shares"). Our shares are denominated in euros. Because we generally intend to pay cash dividends denominated in euros, exchange rate fluctuations will affect the U.S. dollar amounts that shareholders will receive on conversion of dividends from euros to dollars. For information regarding the effect of currency fluctuations on our results of operations, see "Operating and Financial Review and Prospects". See also "Risk Factors" "Currency exchange rate fluctuations and interest rate and market risk may negatively affect our financial results" and "Risk Factors" "The trading price of our ADSs and dividends paid on our ADSs may be materially adversely affected by fluctuations in the exchange rate for converting euros into U.S. dollars".

The following table sets forth, for the periods indicated, information with respect to the high, low, average and period end Noon Buying Rates, expressed in U.S. Dollars per euro.

|                                    | <u>Period End(1)</u> | <u>Average<br/>Rate (2)</u> | <u>High</u> | <u>Low</u> |
|------------------------------------|----------------------|-----------------------------|-------------|------------|
| 2002                               | 1.05                 | 0.95                        | 1.05        | 0.86       |
| 2003                               | 1.26                 | 1.14                        | 1.26        | 1.04       |
| 2004                               | 1.35                 | 1.25                        | 1.36        | 1.18       |
| 2005                               | 1.18                 | 1.24                        | 1.35        | 1.17       |
| 2006                               | 1.32                 | 1.26                        | 1.33        | 1.19       |
| October 2006                       | 1.28                 | 1.26                        | 1.28        | 1.25       |
| November 2006                      | 1.33                 | 1.29                        | 1.33        | 1.27       |
| December 2006                      | 1.32                 | 1.32                        | 1.33        | 1.31       |
| 2007 (through April 4)(3)          | 1.34                 | 1.31                        | 1.34        | 1.29       |
| January 2007                       | 1.30                 | 1.30                        | 1.33        | 1.29       |
| February 2007                      | 1.32                 | 1.32                        | 1.32        | 1.29       |
| March 2007                         | 1.33                 | 1.31                        | 1.34        | 1.31       |
| April 2007 (through April 4, 2007) | 1.34                 | 1.34                        | 1.34        | 1.34       |

- (1) *The period end Noon Buying Rate is the Noon Buying Rate on the last business day of the relevant period.*
- (2) *The average of the Noon Buying Rates on the last business day of each month during the relevant period.*
- (3) *The Noon Buying Rate for April 4, 2007 was 1.34.*

## **RISK FACTORS**

*You should carefully consider the risk factors described below, together with the other information concerning Publicis Groupe and its consolidated financial statements included in this Annual Report, before investing in the shares or other securities of Publicis Groupe. Each of the risk factors described below may have a negative impact on the Group's earnings, financial condition and share price. Other risks and uncertainties of which Publicis is not aware or which are not currently deemed to be significant, could also have a negative impact on Publicis.*

### ***The advertising and communications industry is highly competitive.***

The advertising and communications industry is highly competitive and we expect it to remain so. Our competitors run the gamut from large multinational companies to smaller agencies that operate in local or regional markets. New participants also include systems integrators, database marketing and modeling companies, telemarketers and internet companies offering technological solutions to marketing and communications issues faced by clients. We must compete with these companies and agencies to maintain existing client relationships and to obtain new clients and assignments. Increased competition could have a negative impact on our revenue and results of operations.

### ***Unfavorable economic conditions may adversely affect our operations.***

The advertising and communications industry is subject to downturns in general economic conditions, changes in clients' underlying businesses and decreases in marketing budgets. Downturns in general economic conditions can have a more severe impact on the advertising and communications industry than on other industries, in part because clients may respond to economic downturns by reducing their advertising and communications budgets in order to meet their earnings goals. For this reason, our prospects, business, financial condition and results of operations may be materially adversely affected by a downturn in general economic conditions in one or more markets and a reduction in client budgets for advertising and communications.

### ***Laws, regulations or voluntary codes applying in the sectors in which we operate may have an impact on our business.***

The communications sector in which we operate is subject to legislation, regulation and voluntary codes of conduct. Governments, regulatory authorities and consumer groups regularly propose prohibitions or restrictions on the advertising of certain products and services or the regulation of certain business that we conducted, such as the *Loi Sapin* in France, which prohibits agencies from buying advertising space for resale to their clients, and, in most countries, regulations which tend to restrict the advertising of alcohol and tobacco. The adoption or changes in such regulations could have a negative impact on our business and earnings.

### ***Our contracts with clients may be terminated on short notice.***

Clients may terminate their client-agency contract either on relatively short notice, generally between three and six months, or on the anniversary date of the contract's signing. Some clients also put their advertising and communications contracts up for competitive bidding at regular intervals. In addition, there is a general tendency for advertisers to reduce the number of agencies with which they work in order to concentrate spending on a limited number of leading agencies, which increases competition and the risk of losing a client. Finally, the ongoing consolidation of clients around the world increases the risk of losing a client following a merger.

### ***A significant portion of our revenues comes from large clients.***

Our top five and ten clients represented approximately 25% and 35%, respectively, of our consolidated revenue in 2006. One or several of these large clients may decide to switch advertising and communications agencies or to reduce or even stop spending on advertising at any time for any reason. A substantial decline in the advertising and communications spending of our major clients or the loss of any of these accounts could have a negative impact on our business and earnings.

***Conflicts of interest between our clients who compete with each other in the same business sector may negatively impact our business development.***

The Group has several different agency networks, which tends to limit potential conflicts of interest. However, unless the client's consent is obtained, an agency may not offer its services to a competitor of that client or an advertiser perceived as such. This could negatively impact our growth and have a negative impact on our business and earnings.

***We may be exposed to liabilities from allegations that certain of our clients' advertising claims may be false or misleading or that our clients' products may be defective.***

We may be, or may be joined as, a defendant in litigation brought against our clients by third parties, our clients' competitors, governmental or regulatory authorities or consumers. These actions could involve claims alleging, among other things, that:

- advertising claims made with respect to our clients' products or services are false, deceptive or misleading;
- our clients' products are defective or injurious and may be harmful to the others; or
- marketing, communications or advertising materials created for our clients infringe on the proprietary rights of third parties since client-agency contracts generally provide that the agency agrees to indemnify the client against claims for infringement of intellectual or industrial property rights.

The damages, costs, expenses or attorneys' fees arising from any of these claims could have an adverse effect on our prospects, business, results of operations and financial condition to the extent that we are not adequately insured against such risks or indemnified by our clients. In any case, the reputation of our agencies may be negatively affected by such allegations.

***Our business is highly dependent on the services of our management and our employees.***

The advertising and communications industry is known for a high mobility among its professionals. If we lose the services of certain management members and other employees, our business and results could be harmed. Our success is highly dependent upon both the skills of our creators, sales representatives and media personnel, as well as on their relationships with our clients. If we were unable to continue to attract and retain additional key personnel, or if we were unable to retain and motivate our existing key personnel, our prospects, business, results of operations and financial condition could be adversely affected.

***Our strategy of development through acquisitions and investments can be risky.***

Our business strategy includes, among other things, enhancing the range of our existing advertising and communications services. We have made a number of acquisitions and other investments in furtherance of this strategy and may make additional acquisitions and investments in the future. The identification of acquisition candidates is difficult and we may not correctly assess the risks related to such acquisitions and investments. In addition, acquisitions could be effected on terms less satisfactory to us than expected and the newly acquired companies may not be successfully integrated into our existing operations or in a way that produces the synergies or other benefits we hope to achieve. This could adversely affect our earnings.

***Goodwill on acquisitions and intangible assets, including brands and client relationships, accounted for on the balance sheets of acquired companies may be subject to adjustment.***

We have a large amount of goodwill on our balance sheet reflecting our acquisitions. Due to the nature of our business, our most important assets are intangible assets. We conduct annual appraisals of goodwill on acquisitions to determine whether value has been impaired. The assumptions used to estimate future earnings and cash flows for the purpose of these valuations may prove to be incorrect and actual results may differ. If we were to recognize such value impairments, the resulting loss in book value could have a negative impact on our earnings and financial condition.

***We may not achieve announced numerical targets.***

We have publicly announced a number of financial and operating targets related to growth and operating margin rate, among other things. Our targets are used for internal purposes to assess performance, but should not be considered as projections or guidance as to



what we expect actual results to be. Our ability to achieve these targets is subject to a number of risks and other factors, including, among other things, the risks described in this Item 3 "Key Information □ Risk Factors,□ and in Item 5 "Operating and Financial Review and Prospects □ Overview and Outlook.□

***We are exposed to a number of risks from operating in developing countries.***

We conduct business in a number of developing countries around the world. The risks associated with conducting business in developing countries can include slower payment of invoices, nationalization, social, political and economic instability, increased currency exchange risk and currency repatriation restrictions. We may not be able to insure or hedge against these risks. In addition, commercial laws and regulations, which may apply in many of these countries, can be vague, arbitrary, contradictory, inconsistently administered and retroactively applied. It is, therefore, difficult to determine with certainty at all times the exact requirements of these laws and regulations. Non-compliance, true or alleged, with applicable laws in developing countries could have a negative impact on our prospects, business, results of operations and financial condition.

***Downgrades of our credit ratings could adversely affect us.***

Since 2005, we have had credit ratings, which are currently BBB+ from Standard & Poor's, and Baa2 from Moody's Investors Service. Any ratings downgrade may adversely affect our ability to access capital on the same terms as we have currently and would likely result in higher interest rates on any future indebtedness.

***Some provisions of our statuts (by-laws) may make takeovers more difficult.***

Our *statuts* (by-laws) provide double voting rights for shares owned by any shareholder in registered form for at least two years. Our shareholders have also authorized our Management Board to increase our capital in response to a third-party tender offer for our shares. These circumstances could have the effect of discouraging or preventing a change in control of our company without the consent of our current management.

***We are subject to corporate disclosure standards that are less demanding than those applicable to some U.S. companies.***

As a foreign private issuer, we are not required to comply with the notice and disclosure requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to the solicitation of proxies for shareholders' meetings. Although we are subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of non-U.S. issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Therefore, there may be less publicly available information about our company than is regularly published by or about other public companies in the U.S.

**Item 4. Information on the Company**

**HISTORY AND DEVELOPMENT OF THE COMPANY**

The legal name of our company is Publicis Groupe S.A. and its commercial name is Publicis. Our company is a *société anonyme*, with a Management Board and a Supervisory Board, a form of corporation. It was incorporated in France on October 4, 1938 for a term of 99 years, which will expire on October 3, 2037 unless it is extended. Our registered office is located at 133, avenue des Champs-Élysées, 75008 Paris, France, and the phone number of that office is +33 1 44 43 70 00.

**Historical Background**

Founded in 1926 by Marcel Bleustein-Blanchet, our company takes its name from the combination of "Public," for "Publicité" or advertising in French, with "six" for 1926. Our founder's object was to turn advertising into a true profession, creating value for society and applying strict codes of ethics and methodology, and in so doing making his business a pioneer for new technologies.

The new agency quickly made its mark, winning widespread recognition. At the beginning of the 1930s Marcel Bleustein-Blanchet was the first to recognize the power of radio broadcasting, a new form of media at the time, to establish brands and became the exclusive representative for sales of advertising time on the French government-owned public broadcasting system. In 1934, following



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a government ban on advertising on French government-owned public radio stations, he created *Radio Cité*, the country's first private radio station.

In 1935, he teamed up with the Chairman of Havas in a company named *Cinéma et Publicité*, the first French company specialized in the sale of advertising time in movie theaters, and three years later launched *Régie Presse*, an independent subsidiary dedicated to the sale of advertising space in newspapers and magazines.

Following closure during the Second World War, Marcel Bleustein-Blanchet reopened Publicis in 1946, continuing relationships with pre-war clients and going on to win major new accounts with clients such as Colgate Palmolive, Shell or Sopad-Nestlé. Realizing the importance of qualitative research, he made Publicis the first French marketing agency to conclude, in 1948, an agreement with survey specialist IFOP and followed this up with the creation of an in-house market research unit. In 1959, Publicis set up its *Industrial Information* department, a forerunner of modern corporate communications. At the end of 1957, Publicis moved into the former Hotel Astoria at the top end of the Champs Elysées and in 1958 its first Drugstore, set to become a Paris icon, opened on the first floor.

During the years from 1960 to 1975, Publicis posted rapid growth, benefiting in particular from the beginnings of French TV advertising in 1968, which began with a campaign for Boursin cheese, the first TV-based market launch in France, using the slogan *Du pain, du vin, du Boursin* (bread, wine and Boursin), soon familiar to everyone in France. A few months later, Publicis again demonstrated its capacity for effective innovation, advising Saint Gobain in its successful defense against a hostile takeover bid, the first in France's history, from BSN. Publicis was admitted to the Paris stock exchange in June 1970, 44 years after its foundation.

On September 27, 1972, our headquarters building was destroyed by fire and we had to rebuild it. We began pursuing a strategy of expansion in Europe through acquisitions the same year, with the acquisition of the Intermarco network in the Netherlands, followed by that of Farner in Switzerland in 1973 and the creation of the Intermarco-Farner network to back the expansion of major French advertisers in other parts of Europe. In 1977, Maurice Lévy was appointed Chief Executive Officer of Publicis Conseil, our main French business and in 1987, Marcel Bleustein-Blanchet decided to overhaul our governance structures with a Supervisory Board and Management Board replacing the Board of Directors. He became Chairman of the Supervisory Board and Maurice Lévy was named Chairman of the Management Board.

In 1978, Publicis made a move into the U.K. with the acquisition of McCormick, and by 1984 had 23 operations around the world. In 1988, it formed a worldwide alliance with Foote, Cone & Belding Communications (*FCB*) in the U.S., which merged with Publicis' European network. A growing international presence benefited from the association with FCB to raise our profile with U.S. advertisers. Growth accelerated in the 1990s, when highlights included the acquisition of FCA! in 1993, France's number-four communications network, followed by its merger with BMZ to form its second European network under the name FCA! BMZ. In 1995, Publicis' alliance with FCB was terminated.

On April 11, 1996, Publicis' founder died and his daughter, Elisabeth Badinter, replaced him as the head of the Supervisory Board. Maurice Lévy increased the drive to build an international network and offer clients the fullest possible presence in markets around the world. Publicis accelerated its acquisition program with global expansion that included Latin America and Canada, and subsequently the Asia Pacific region, India, the Middle East and Africa.

The U.S. was a prime focus from 1998 on, reflecting a strategic commitment to building our presence in the world's largest advertising market. Acquisitions included Hal Riney, then Evans Group, Frankel & Co (relationship marketing), Fallon McElligott (advertising and new media), DeWitt Media (media buying) Winner & Associates (public relations) and Nelson Communications (healthcare communications).

In 2000, Publicis acquired Saatchi & Saatchi, a business with a worldwide reputation for talent and creativity and a tumultuous history. This was a major milestone in its expansion in both Europe and the U.S. In September 2000, Publicis was listed on the New York Stock Exchange.

In 2001, Publicis Groupe created ZenithOptimedia, a major international contender in media buying and consultancy, by bringing together its Optimedia subsidiary with Zenith Media, which was previously equally owned by Saatchi & Saatchi and the Cordiant group.



In March 2002, Publicis announced its acquisition of the U.S. group Bcom3, which controlled Leo Burnett, D[Arcy Masius Benton & Bowles, Manning Selvage & Lee, Starcom Mediavest Group and Medicus, and held a 49% interest in Bartle Bogle Hegarty. In connection with these transactions, Publicis also established a strategic partnership with Dentsu, the leading communications group in the Japanese market and a founding shareholder of Bcom3. With this acquisition, Publicis Groupe took its place in the top tier of the advertising and communications industry, ranking fourth worldwide based on reported revenues with operations in 104 countries over five continents.

In the years from 2002 to 2006, Publicis successfully completed the integration of the BCom3 and Saatchi & Saatchi acquisitions, reorganized many of its entities, and at the same time made complementary acquisitions to build a coherent offering matching advertisers' needs and expectations. In particular, Publicis acquired agencies offering a variety of marketing services and operating in emerging markets. In late 2005, the group also obtained its first credit ratings (investment grade) from the two major international rating agencies, Standard & Poor's and Moody's.

In 2006, Publicis launched a friendly tender offer for Digitas, Inc., which was successfully completed in 2007. See "Principal Investments and Divestitures."

## **PRINCIPAL INVESTMENTS AND DIVESTITURES**

### **Principal investments in the past three years**

Historically, our principal investments have involved the acquisition of other advertising and communications firms as a result of our strategy of global expansion. In the years following our acquisition of Bcom3 in 2002, we concentrated on acquiring small and mid-sized agencies specialized in different areas of marketing services or operating in emerging markets. At the end of 2006, we initiated an important investment by launching a friendly cash tender offer for Digitas Inc., one of the most important interactive communication agencies in the United States (described further below).

In 2004, we chose a strategy of making smaller and selective acquisitions in order to prioritize debt reduction and the improvement of our financial ratios, to focus on the integration of the Bcom3 acquisition under the best possible conditions. Our main acquisitions were Thompson Murray, a U.S. shopper-marketing agency (marketing at the point of sale) that is now a key component of our Saatchi & Saatchi X marketing services network, and the purchase of a majority interest in United Campaigns, Publicis Worldwide's partner agency in Russia. We also acquired an event communications agency in the U.S. and made earnout payments, and acquired minority interests in various agencies, parts of which had been acquired in the past, such as Triangle Group, Grupo K / Arc, Media Estrategia, and ECA2.

These acquisitions involved investments of approximately \$124 million in total. We also invested an additional \$104 million in other property, plant, equipment and intangible assets (net of disposal).

In 2005, Publicis pursued its strategy of targeted expansion with the acquisition of a 50.1% majority interest in Freud Communications, a leading U.K. public relations agency; the acquisition of eventive, the top event marketing specialist in Germany and Austria; and the acquisition of PharmaConsult, a leader in healthcare communications in Spain. Acquisition outlays totaled \$42 million. Publicis also made earnout and buyout payments for minority interests in various subsidiaries in Europe, Asia and North America amounting to a total of \$29 million. Publicis also sold several equity interests held by its Médias & Régies Europe entity in 2005, for a total amount of \$98 million. These included 50% of the equity of each of JC Decaux Netherlands, VKM, SOPACT and Promométro, and 33% of Métrobus (France). As a result of the foregoing, the net amount of acquisitions and divestitures totaled over \$27 million in 2005. Total investments in tangible and intangible assets, net of divestments, were limited to \$75 million in 2005.

In 2006, we pursued several initiatives in the new technology sector, in particular with the launch of Denuo, a strategic initiative aimed at anticipating and using the interactive and mobile digital communication sector, which is currently undergoing rapid transformation. The Denuo model is based on three main elements: strategy consulting, invention of new solutions and investment in partnerships. Denuo acts in partnership with or as a supplement to networks in order to enhance the solutions proposed to clients. It also serves its own clients independently. In another domain of new technology, Publicis Groupe and Simon Property Group, a leader in the North American commercial real estate sector, launched OnSpot Digital Network. It is a digital cable channel in

high definition, which proposes programs on "the art of living," current events, topics specific to shopping centers and advertising for the general public, aimed at the clientele of the Simon Malls in several major American cities. OnSpot Digital Network broadcasts high definition

content on approximately 2,000 screens in 50 of the largest Simon Malls in 10 major American cities. Also, in a more traditional area of digital communication, we acquired two distinct divisions which were then integrated into the ZenithOptimedia network: Moxie Interactive, based in Atlanta and specialized in interactive media advising and purchasing, and Pôle Nord, based in France, which is among the very best communications agencies for keyword researches on the internet.

Over the course of 2006, we also finalized several projects in a number of major emerging markets or in certain fields of marketing services. We acquired a 60% majority interest in Solutions Integrated Marketing Services, the leading marketing services agency in India. We completed the acquisition of 80% of Betterway Marketing Solutions, one of the largest marketing services agencies in China. We acquired Emotion, one of the main event communication groups in Asia (present in eight countries and especially active in China and Japan). We also acquired Duval Guillaume, the leading independent advertising and marketing services agency in Belgium. We also acquired a majority controlling stake in Capital MS&L in the United Kingdom, a financial communications agency as well as a majority interest in Yorum, Bold and Zone, which is among the most creative and dynamic Turkish communication agencies.

Furthermore, on February 15, 2006, Publicis and Dentsu announced, in the framework of our strategic alliance, a business cooperation agreement covering France and Germany. Under this agreement Paname (France) and BMZ+more (Germany) will play a pivotal role in the relationship with Japanese advertisers in these two markets.

In healthcare communications, the Group acquired BOZ, consolidating its position in France.

On December 20, 2006, we launched a friendly cash tender offer to acquire Digitas Inc. for \$1.3 billion. The acquisition will make Publicis Groupe one of the world leaders in digital and interactive communications. The acquisition was completed in January 2007, with Publicis acquiring 93.7% of the shares of Digitas and subsequently merging Digitas with a Publicis subsidiary. See □□Principal current investments.□

The acquisition cost (excluding transferred cash) of the entities acquired in 2006 was □130 million, □49 million of which was paid in that year. □32 million was committed for earn-out payments and minority interest purchases.

The Group also acquired 3,020,496 of its own shares in 2006 (representing 1.5% of its share capital) for a total amount of □88 million.

### **Principal current investments**

In December 2006, Publicis Groupe launched a friendly cash tender offer to acquire Digitas Inc., a leader in the marketing services field and the digital and interactive communications sector.

At the close of the second offer stage on January 29, 2007, the Group acquired, through one of its American subsidiaries, approximately 93.7% of Digitas□ share capital. On January 31, 2007, after a short-form merger, Digitas became a wholly-owned subsidiary of MMS USA Holdings, which is itself wholly-owned by the Group.

Digitas, Inc., created in 1980 and listed on Nasdaq in March 2000, is headquartered in Boston and has 2,050 employees. The Digitas group is an American leader in marketing services and in digital and interactive communication, supported by its talented teams. The group includes three entities:

- *Digitas* is a communications agency that specializes in digital communication and direct marketing services (100% digital). It was created in 1980 and received wide recognition. It successfully created a creative offering combining traditional and interactive media, and received numerous awards at the Cannes festival. Digitas is based in Boston, New York, Chicago and Detroit;
- *Medical Broadcasting (MBC)* is a health communications agency specializing in marketing services in the health sector and benefiting from exceptional scientific and medical expertise, which was created in 1990. It offers its clients that include pharmaceutical and industrial health laboratories a large spectrum of integrated communication programs (100% digital). MBC also developed several online and

web-specific tools. MBC is based in Philadelphia;

- *Modem Media (MM)* is a pioneering agency in interactive communication, which was founded in 1987. It serves its numerous global clients helping them to optimize results from their marketing tools and to generate client loyalty. MM has been



involved in many innovative projects in its sector (100% digital) and believes it was the first to combine offline and online marketing. MM is active in Atlanta, Norwalk, San Francisco and London.

Clients of Digitas Inc. include American Express, AstraZeneca, AARP, Bristol-Myers Squibb, Cingular, Delta Air Lines, General Motors, Heineken, HP, Home Depot, IBM, InterContinental Hotels Group, Kraft Foods, Lloyds TSB, P&G, Pfizer, Sanofi-Aventis, Time Warner, Whirlpool, Wyeth, and Wells Fargo.

This acquisition is a perfect illustration of our strategy with respect to the most dynamic of the marketing services and communication markets -- the market for digital, interactive and mobile services. In joining our global capabilities with Digitas, Inc., we will become one of the world leaders in the domain of digital communication and marketing services. With this additional acquisition, we will be able to serve our clients better by guiding them into the digital future.

In addition, on March 7, 2007, we announced the acquisition of Pharmagistics, a communications agency in the health sector, based in Somerset, New Jersey, and specializing in direct marketing, sales subject to the PDMA (Prescription Drug Marketing Act), and logistical services between pharmaceutical and biotechnology companies and the practitioners. This strategic acquisition marks a new stage for Publicis Healthcare Communications Group (PHCG) and reinforces its position as world network leader in the communication and health sectors. However, the completion of the acquisition is subject to obtaining administrative authorization, which is currently in progress.

On April 2, 2007, we announced the acquisition, subject to regulatory approval, of 51% of Yong Yang, a network specializing in field force logistics and retail and promotional marketing, based in Chengdu, with 29 offices across China. This transaction expands our marketing services operations in the fast-growing Chinese market.

These three acquisitions were, or will be, financed with available cash. Except as described above, we have not undertaken any current material investments since December 31, 2006.

#### **Future capital expenditures and divestitures**

The Group intends to focus its future investments on selectively expanding either its service offerings or its geographic scope. The Group also intends to grow in sectors or countries where it already conducts business, taking advantage of any available opportunities for growth.

The main priorities in expanding business are specialized communications, in particular in direct marketing, public relations, event marketing, Customer Relationship Management, interactive communication and health communication. Such acquisitions on the primary global markets should allow the Group to generalize a holistic offer for its clients. In addition, in terms of geography, the Group will seek selective acquisitions in the rapidly developing regions such as China, India or other Asian countries, Latin America or Russia.

As of December 31, 2006, the Group also has commitments with respect to earnout payments of €140 million and minority interest acquisitions of €176 million, for a total of €316 million, €116 of which could be payable within less than one year.

#### **BUSINESS OVERVIEW**

Since its acquisition of Bcom3 in 2002, Publicis Groupe has ranked fourth in communications worldwide, behind Omnicom, WPP and Interpublic based on reported revenues. We currently have operations in more than 200 cities in 104 countries on five continents, and we had almost 40,000 employees as of December 31, 2006.

Publicis is not only the number four group worldwide, but also holds a leading position in each of the world's 15 largest advertising markets, except Japan, and is one of the top communications groups in Europe, North America, the Middle East, Latin America and Asia. In Japan, Publicis has access to the Japanese market through our strategic partnership with Dentsu, which we established in 2002.



## Business lines

While internal management, reporting and compensation systems are not organized by activity, Publicis Groupe does provide the financial markets with information concerning the relative weight of different lines of business solely for the purpose of allowing sector comparisons. The Group's principal lines of business consist of traditional advertising, specialized agencies and marketing services (SAMS), and media services, which represented 44%, 30% and 26% of 2006 revenues, respectively, and 46%, 28% and 26% of our 2005 revenues, respectively. These percentages will change significantly in 2007 after the integration of Digitas, Inc. According to preliminary indications, the distribution of our revenues after the integration of Digitas will be 42% from traditional advertising, 34% from SAMS and 24% from media, based on our 2006 revenues. Digital and interactive communication sector should represent approximately 15% of our revenues.

These lines of business include the following:

- *Traditional advertising services.* We provide traditional advertising services primarily through the Publicis, Saatchi & Saatchi and Leo Burnett networks. We also conduct our traditional advertising operations through smaller, local units that respond to specific needs of particular clients, such as Fallon, a Bartle Bogle Hegarty agency based in the U.K., in which we have a 49% interest, as well as Marcel and the Kaplan Thaler Group.
- *Specialized Agencies and Marketing Services (SAMS).* To complete or replace our traditional advertising services, we provide a variety of specialized communications services such as public relations, corporate and financial communication, healthcare communication (aimed at answering the specific needs of the pharmaceutical industry), direct marketing, sales promotion, CRM (Customer Relationship Management), interactive communications, events communications and design. A number of subsidiaries, including mainly Publicis Dialog, Arc Worldwide, Publicis Healthcare Communications Group (PHCG), Publicis Public Relations and Corporate Communications Group (PRCC), and Publicis Events Worldwide provide SAMS. These specialized communications services are generally provided in conjunction with traditional advertising services. Digitas, Inc., one of the leaders in interactive communication in the United States acquired in early 2007, will be an important SAMS provider.
- *Media services.* We offer media planning and consulting services, as well as media and advertising space purchasing services, through PGM Publicis Groupe Media, Starcom MediaVest Group, ZenithOptimedia and Denuo. (Denuo was recently formed to advise on new media). In addition, the Group owns, primarily in France, an advertising space sales business called Médias & Régies Europe for advertising in the press, cinema, billboards and on the radio.

## Strategy

With our acquisition of Saatchi & Saatchi in 2000, and our acquisition of Bcom3 and formation of a partnership with Dentsu in 2002, we chose to become a top tier global advertising and communications group, rather than a small and specialized company. Today, considering the size we have reached, our overall priority is to build and maintain a "holistic relationship" with our clients and to increase our geographical presence and the scope of services we provide on a country-by-country basis through both acquisitions and the creation of new teams.

Following our major external growth transactions from 2000 to 2002, we focused on consolidating the acquired entities and simplifying our financial structure beginning in 2003. This focus led us to successfully integrate acquired companies, to benefit from significant synergies and to strengthen and simplify our balance sheet. Our strategy of increasing liquidity and decreasing leverage allowed us to receive investment grade ratings from Moody's and Standard & Poor's in 2005. At the same time, we implemented a number of initiatives with the goal of reducing general and operating expenses, including the Horizon Program, which involves sharing resources between operating units, centralizing back office functions for our smaller operations in emerging market countries and introducing a policy of centralized travel-related purchases.

Following the implementation of these strategic initiatives, we benefit from a number of important advantages. These include the presence of our teams in 104 countries, a diverse client portfolio that includes industry leaders, and financial stability, which should allow us to implement significant strategic initiatives in a market that is in the process of profound transformation, reflecting:

- the penetration of digital technology into daily life;

- the growth of media offerings;
- the explosion of mobile telephony;
- the growth of internet business; and
- remarkable growth in demand in emerging markets.

Our goal in this new business environment is to realize a significant share of our revenues from rapidly growing segments by 2010. To achieve our goal, the main components of our strategy are the following:

- *Expand our SAMS operations* □ *Specialized Agencies and Marketing Services*. We intend to expand our existing SAMS operations on a global scale, in particular by making selective acquisitions and by providing direct marketing, sales promotion, CRM (Customer Relationship Management), corporate, financial, interactive and special events, communications and public relations services. We believe that providing these services will help us to build and maintain a □holisticrelationship□ with our clients and to take advantage of these trends.
- *Develop our offerings of digital, interactive and mobile communication services*. We are currently implementing a major strategic movement focused on developing digital services offerings in all of our divisions (advertising networks, media networks and specialized agencies). This policy is reflected in our January 2007 acquisition of Digitas, Inc., which represents an essential step in the development of our digital services offerings, which we intend to expand to other parts of the world. Our goal is to generate 25% of our revenues from digital, interactive and mobile communication by approximately 2010.
- *Accelerate our growth in targeted emerging markets*. We intend to develop our presence in emerging markets largely through acquisitions. We believe that these markets are experiencing faster growth and have potential that is superior to the world's average. Benefiting from our leading position in China, Russia, Turkey, Mexico and Brazil, we hope to accelerate our development in ten priority markets, which include these five countries and India. We intend to pursue acquisition opportunities, mainly in the marketing services, health communication and interactive communication sectors. Our goal is to generate 25% of our revenues from emerging markets by 2010.
- *Pursue growth supported by sound financial framework*. Our acquisitions must satisfy profitability and financial stability criteria. We intend to seek targets with significant potential for synergies or improvement in operating margin, which also present a good fit for our corporate culture and values. Our efforts over the past several years to improve our cash flow should allow us to finance our targeted external growth, while preserving the structural soundness of our balance sheet. See Item 5 □Operating and Financial Review and Prospects.□

## **SERVICES AND BUSINESS STRUCTURE**

We provide a full range of advertising and communications services, designing a customized package of services to meet each client's particular needs. These services generally fall into three major categories: traditional advertising, SAMS and media consulting and purchase services.

### **Traditional Advertising**

#### ***Services***

Traditional advertising services principally involve the creation of advertising for products, services and brands. They may also include strategic planning involving analysis of a product, service or brand compared to its competitors through market research, consumer behavior studies, sociological and psychological studies and creative insight. When a concept has been approved by a client, we supervise the production, whether internal or

by a third party, of materials necessary to implement it, including film, video, radio, advertising in newspapers, internet or interactive media, as well as cell phones and all electronic materials.

### **Business Structure**

Our primary networks are Publicis, Saatchi & Saatchi and Leo Burnett, each boasting a unique cultural background, methods and creative styles. Each network offers broad advertising services but also includes some SAMS operations.

- *Publicis*: This network, headquartered in Paris, operates in 80 countries around the world, including Europe and the United States, and includes the agencies Publicis & Hal Riney, Burrell Communications and Bromley Communications, as well as Publicis Dialog, which has operations in 44 countries, in order to provide a comprehensive services offering.
- *Saatchi & Saatchi*: This network headquartered in New York operates in 83 countries around the world and consists principally of Saatchi & Saatchi agencies, as well as Saatchi & Saatchi X, a worldwide marketing services network organization (shopper's marketing), which operates mostly in the U.S. It also includes The Facilities Group, a U.K.-based group that provides a range of technical and creative services in the areas of design, audiovisual production and print.
- *Leo Burnett*: Headquartered in Chicago, the Leo Burnett network operates full service advertising agencies in 84 countries around the world. It also possesses the international network Arc Worldwide for SAMS marketing services units which primarily focus on direct and interactive marketing and sales promotion.

The Group also includes multihub creative networks and regional advertising agencies (each with different structures and creative styles), in order to satisfy specific client requirements.

- *Fallon*: This network is headquartered in Minneapolis and has regional offices in London, Sao Paulo, Hong Kong, Tokyo and Singapore.
- *Bartle Bogle Hegarty (BBH)*: This U.K.-based network, in which we have a 49% interest, is located in London and has regional offices in Singapore, Tokyo, New York and Sao Paulo.
- *Others*: Other units in this category include the Kaplan Thaler Group in New York, Marcel in Paris, and Beacon Communications in Tokyo.

### **SAMS**

#### **Services**

The full range of specialized communications services we offer complements or replaces our traditional advertising activities within a given communications campaign, or provides a mean of communication for specific targets or products (in particular, healthcare communication and multicultural communication). Services provided by our SAMS operations include:

- *Direct marketing and Customer Relationship Management (CRM)*: CRM focuses on building clients' relationships with individual customers, with the goal of developing customer loyalty through the use of different communication channels and of direct marketing techniques (such as mail, internet, telephone), as opposed to traditional mass communication-style advertising, which resort to mass communication. Through our CRM operations, we assist clients in creating programs to reach individual customers and enhance brand loyalty. In addition, we provide the appropriate tools and database support to maximize the efficiency of those programs.
- *Sales promotion and point-of-sale marketing*: Our sales promotion operations seek to determine the most effective means for communicating with consumers at the location of sale, and to increase sales either

directly through point-of-sale promotions, or through coupon programs and similar means.

- *Healthcare communications:* We have a network of agencies that work mainly with clients in the healthcare industry to allow them to reach professional customers such as doctors and other medical professionals, in contrast to mass communications for drugs, which are often managed by [generalist] advertising agencies. We provide marketing services that cover the entire life cycle of a drug from consulting prior to the release on the market, to advertising, to medical conferences and symposia, to public relations, to sales personnel recruitment and training.



- *Multicultural and ethnic communications:* Some of our agencies, mainly based in the U.S. market, have developed expertise in creating advertising and communications services aimed at specific ethnic groups, particularly African-Americans and Hispanics in the U.S.
- *Corporate and financial communications:* We provide corporate and financial communications services designed to help clients build a company's image and deliver their message to investors, employees and public authorities and, in particular, to help clients achieve their goals in connection with mergers and acquisitions, initial public offerings, spin-offs, proxy contests and similar matters. We also provide services aimed at helping clients address the communications and public relations aspects of publicized crises and other major events.
- *Human resources communications:* Through our human resources operations, we create employee recruitment-related advertising, including classified advertising and campaigns in particular, in the press or on the internet, to improve a client's overall image to attract the talent of prospective applicants for companies seeking job applicants and recruiting firms. We also assist clients in developing internal communications programs, which aim to mobilize and develop loyalty with employees.
- *Public relations:* Our public relations services are designed to assist clients with the management of their ongoing relations with the press, specialized audiences and the general public on commercial or institutional topics, client identity or products or services and to develop an image that is consistent with the strategy. These services include: (i) strategic message and identity development to help clients position themselves in their markets and differentiate themselves from their competitors, (ii) product and company launch or re-launch services, which aim to create awareness of and position a product or company with customers, (iii) media relations services, which help clients enhance their brand recognition and image, (iv) composing messages, organization of contacts or events, and (v) creating documents or objects illustrating this strategy and these messages.
- *Design:* Our design services are intended to enhance the visual symbols that affect a client's image and to ensure that the design and packaging of products are consistent with the means used to market them.
- *Interactive communications:* Our interactive communications services consist primarily of corporate and commercial websites and intranet design, Internet-related direct marketing consulting and related services, optimization of keyword search capacities on search engines and Internet-based advertising, including banner advertisement design.
- *Events marketing:* We organize events for our clients, such as sales force conventions and business events (trade shows, meetings, exhibitions and opening ceremonies) in order to promote a corporate image consistent with the client's strategic objectives.
- *Production and pre-press:* Technologies used for the execution of advertising and communications programs including photography studios, printing and audio and video facilities, as well as digital signage and digital asset management services.

### **Business Structure**

We provide SAMS both through independent entities within the Group and through entities which are part of our traditional advertising networks. Such entities work either for their own clients or for clients of other Group entities. Our SAMS business units include the following:

- *Direct marketing / CRM / sales promotion / interactive communications:* Arc Worldwide, Publicis Dialog and Saatchi & Saatchi X., Digitas Inc.

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- *Healthcare communications*: Publicis Healthcare Communications Group.
- *Corporate and financial communications, public relations, human resources communications, design*: PRCC (Publicis Consultants, Manning Selvage & Lee and Freud Communications).
- *Multicultural and ethnic communications*: Bromley Communications, Burrell Communications, Vigilante and Lápiz.
- *Events communications*: Publicis Events Worldwide.

- *Production, prepress:* Capps, Mundocom, WAM, MarketForward.

## **Media Operations**

### **Services**

Our media operations services include the use of media planning analysis to ensure the use of the most effective forms of media and the purchasing of the best suited advertising space for our clients. We also run a separate media sales service for specific advertising media. Such services are described in more detail below.

- *Media planning:* Our media planning operations use computer software and data analysis related to consumer behavior and audience analysis of different media to build the most effective plan to conduct an advertising or communications strategy, tailored to the marketing objectives, the target audience and the budget of our clients.
- *Media buying:* Our media buying operations purchase media space for our clients (including television, print, radio, Internet, and cell-phones) necessary to implement clients' strategies, using our experience and buying power to obtain favorable rates and terms and conditions for our clients.
- *Media sales:* Our media sales operations provide advice regarding advertising space and products (outdoor media, print, radio and movie theaters) to advertising and media buying firms on behalf of media companies. In some instances, they sell space to advertising and media buying operations that are part of our group. They do so, however, on an arm's length basis, dealing with those businesses on the same terms as other customers.

### **Business Structure**

- *Media planning and buying:* Publicis Groupe Media (PGM) is comprised of ZenithOptimedia Group and Starcom MediaVest Group, two independent entities. ZenithOptimedia, based in London, conducts media services operations in 68 countries around the world. It has a strong presence in the U.K., the U.S., Germany, France and Spain. Starcom MediaVest Group, based in Chicago, conducts media services operations in 67 countries around the world, with a particularly strong presence in the U.S. In 2006, PGM launched Denuo, an agency specialized in consulting on and monitoring of new technologies (such as internet, video games, mobile phones, iPod).
- *Media sales:* We conduct media sales activities through Médias & Régies Europe and its subsidiaries, including Métrobus (poster and billboard advertising in France), Régie 1 (radio in France), Médiavision (movie theater advertising internationally, though mainly in France), and Médiavista (screens located in shopping centers in France and the U.S.). In 2006, M&RE launched in the United States a television channel and a network of plasma screens located exclusively in shopping centers in partnership with Simon Malls, OnSpot Digital.

### **Headquarters**

Publicis Groupe S.A. is our holding company whose main purpose is to provide advisory services to Group companies. The total cost of such services rendered by the Company and certain of its subsidiaries amounted to approximately \$50 million in 2006, which was allocated to the operating entities of the Group on the basis of their relative cost of services received. In addition, the holding company holds the medium- and long-term debt of the Group.

### **Geographical Markets**

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We conduct operations in 104 countries and more than 200 cities around the world. Our primary markets are the U.S., Europe and the Asia Pacific region. Below, we show the contribution of selected geographical markets to our revenue for the years ended December 31, 2004, 2005 and 2006 (in millions of euros):

| <i>Year</i> | <b>Europe</b> | <b>North America</b> | <b>Rest of the World</b> | <b>Total</b> |
|-------------|---------------|----------------------|--------------------------|--------------|
| 2006.....   | 1,747         | 1,842                | 797                      | 4,386        |
| 2005.....   | 1,647         | 1,763                | 717                      | 4,127        |
| 2004.....   | 1,584         | 1,633                | 615                      | 3,832        |

The information by geographical area is presented in note 27 to the consolidated financial statements in this Annual Report.

## **Clients**

We provide advertising and communications services to a large number of prestigious clients that include both national and global leaders in their industries, with approximately half of our revenues stemming from international clients, meaning clients whose accounts are managed in more than five countries. Our largest single client, Procter & Gamble, accounted for approximately 10% of our consolidated revenues in 2006, our five largest clients accounted for approximately 25%, and our ten largest clients accounted for approximately 35% of our consolidated revenues in 2006.

Payment terms are in accordance with general practice and, where applicable, regulations in the various countries where we operate.

Revenues from, and contracts with, different clients vary from year to year. Nevertheless, longstanding clients account for a particularly high proportion of Publicis Groupe's revenues. On average, our retention rate of the ten biggest clients is 45 years.

Our largest clients in 2006 were as follows:

### **Publicis**

Cadbury-Schweppes  
The Coca-Cola Company  
Hewlett-Packard  
L'Oréal  
Nestlé  
Pernod Ricard  
Procter & Gamble  
Renault  
Sanofi-Aventis  
Siemens  
Telefonica  
UBS  
Whirlpool  
Zurich Financial

### **Leo Burnett**

The Coca-Cola Company  
Diageo  
Disney  
Fiat  
General Motors  
Heinz  
Kellogg  
McDonald's  
Philip Morris  
Procter & Gamble  
Samsung  
Visa

Wrigley

22

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**Saatchi & Saatchi**

Ameriprise  
Avaya  
Bel  
Bristol-Myers Squibb/Mead Johnson  
Carlsberg  
Deutsche Telekom/T-Mobile  
Diageo/Guinness  
Emirates Airline  
General Mills  
JC Penney  
Novartis  
Procter & Gamble  
Sony Ericsson  
Toyota/Lexus  
Visa Europe  
Wal-Mart

**Starcom MediaVest Group**

The Coca-Cola Company  
Disney  
General Motors  
Kellogg  
Kraft  
Masterfoods  
Miller Beer  
Philip Morris  
Procter & Gamble  
Sara Lee

**ZenithOptimedia**

20th Century Fox  
British Airways  
Hewlett-Packard  
JP Morgan Chase  
Lloyds TSB  
L'Oréal  
LVMH  
Nestlé  
Puma  
Richemont Group  
Sanofi-Aventis  
Toyota/Lexus  
Verizon  
Whirlpool  
Zurich Financial

**Research Programs**

The various entities making up the Publicis Groupe have developed different methodologies of analysis and research, in particular concerning consumer behavior and sociological developments. They have also developed software and other tools to assist them in serving clients. Most of these tools concern the media-planning businesses of ZenithOptimedia and Starcom MediaVest and the identification of the most effective channels to reach their clients' target groups. Others are integrated into agencies' strategic



planning, playing a key role in the unique brand positioning of each advertising agency and agency network, while still others are used for computerized processing of clients' marketing data, an activity conducted through our MarketForward entity. Several of these tools required significant investment in development or cooperation with outside suppliers.

The main tools used in advertising are Context Analysis and The Holistic Difference in the case of the Publicis network; Brand Stock in the case of Leo Burnett; and The Strategic Toolkit, the Story Brief, Inside Lovemarks (in association with QiQ) and Saatchi & Saatchi Ideas Superstore in the case of Saatchi & Saatchi and the Publicis Ideas IQ Protocol (developed by Saatchi & Saatchi and Publicis Groupe). In media consultancy, ZenithOptimedia uses Zoom and Touchpoints tool sets, and Starcom MediaVest uses, among others, Tardiis, Innovest, Media Pathways, BattleField, Market Contact Audit (under license from Integration), Passion Groups, Contact Destinations, Intent Tracker/Modeler, Captivation Blueprint, IPXact and Map. Finally, MarketForward offers clients Siren and BrandGuard systems.

### ***Patents and licenses***

The Company does not believe that it is materially dependent on patents, licenses and/or manufacturing processes.

### **Competition**

Since 2002, following the acquisition of Bcom3, Publicis Groupe has been the fourth largest global advertising and communications group based on reported revenues, behind its three larger competitors: Omnicom Group, Inc., WPP Group plc and the Interpublic Group. We also compete with a number of independent local advertising agencies in markets around the world and SAMS businesses that focus on specialized areas of communications services.

Advertising and communications markets are generally highly competitive, and we continuously compete with national and international agencies for business. We expect that competition will continue to increase as a result of multinational clients' increasing consolidation of their advertising accounts with an increasingly limited number of agencies.

### **Governmental Regulation**

Our business is subject to government regulation in France, the U.S. and elsewhere. As the owner of advertising agencies operating in the U.S. which create and place print, television, radio and Internet advertisements, we are subject to the U.S. Federal Trade Commission Act. This statute regulates advertising in all media and requires advertisers and advertising agencies to have substantiation for advertising claims before disseminating advertisements. In the event that any advertising we create is found to be false, deceptive or misleading, the U.S. Federal Trade Commission Act could potentially subject us to liability.

In France, media buying activities are subject to the *Loi Sapin*, a law intended to require transparency in media buying transactions. Pursuant to the *Loi Sapin*, an advertising agency may not purchase advertising space from media companies and then resell the space on different terms to clients. Instead, the agency must act exclusively as the agent of its clients when purchasing advertising space. The *Loi Sapin* applies to advertising activities in France when both the media company and the client or the advertising agency are French or located in France.

In many countries, the advertisement and marketing of certain products is subject to strict government regulations and self-regulatory standards, including tobacco, alcohol, pharmaceutical products and food products. New regulations or standards imposed on such products could have an adverse impact on our operations.

### **Seasonality**

Clients' advertising and communications expenditures fluctuate, often in response to actual or expected changes in consumer spending. Because consumer spending in many of our markets is typically lower in the beginning of the year, following the holiday season, and in July and August, the most popular vacation months in

Europe and North America, than at other times of the year, advertising and communications expenditures are typically lower during these times as well. Accordingly, our results of operations are often stronger in the second and fourth quarters of the year than they are in the first and third quarters.

## **Insurance and Risk Coverage**

Our policy regarding insurance is structured so as to insure all subsidiaries and all companies in which we hold interests or control 50% or more, directly or indirectly, or for which we assume the management or administrative control or the responsibility for insurance coverage without holding 50% or more of the voting rights.

Insurance coverage is achieved through the complementary natures of centralized and local insurance programs. The insurance programs cover the totality of insurable risks, and no risk is assumed internally.

### ***Centralized Programs***

These are programs of an international nature, such as third-party professional liability, personal liability of management, and those related to corporate relations. A worldwide [umbrella] coverage also exists, coming into effect in the case of differences in conditions or limits of local programs, particularly for property damage insurance and operating loss insurance, as well as automobile and employer's third-party liability insurance.

### ***Local Programs***

These are insurance contracts for general and employer's third-party liability, property damage and operating loss, automobile contracts, and other general risks. These contracts are concluded locally so as to be in conformity with local practices and regulations and to respond to applicable risks.

The coverage generally includes the following:

- Property damage and loss from operations: up to [160 million;
- Civil liability: from \$20 to \$80 million, depending on risks.

Terrorism risks are covered in the United States, France, and the United Kingdom, in accordance with the legal constraints in each country.

These contracts are established through brokers from large international insurance companies, such as, among others, AIG, Chubb, Zurich and Generali.

The premiums paid worldwide amounted to approximately [15 million in 2006.

## **Organizational Structure**

Information concerning our principal consolidated subsidiaries as of December 31, 2006 is provided in note 32 in the notes to our consolidated financial statements. None of our subsidiaries accounts for more than 10% of our consolidated income.

### **Property, Plants and Equipment**

We conduct operations in over 200 cities around the world. Except as stated below, we lease, rather than own, the office properties we use. As of December 31, 2006, we owned real property assets with a net book value of [191 million.

Our principal real property asset is the building we own and use as our headquarters at 133 avenue des Champs-Élysées in Paris. We use approximately 12,000 square meters of office space in the building for advertising and communications activities and approximately 1,500 square meters of commercial property are occupied by the Publicis Drugstore and two public cinemas.

We own four floors of the building occupied by Leo Burnett at 15 rue du Dôme in Boulogne, a suburb of Paris.

We also have a capital lease contract, which expires in 2007, on two other floors in this building. In addition, we have a capital lease contract for the Leo Burnett office building located at 35 West Wacker Drive in Chicago, Illinois, United States (assets valued at

€81 million (gross value) at December 31, 2006, depreciable over 30 years). Net value of assets under these two capital leases recorded in our consolidated financial statements is €72 million as of December 31, 2006.

After our acquisition of Saatchi & Saatchi, we owned a six-floor building located at 30 rue Vital Bouhot in Neuilly-sur-Seine, a suburb of Paris, comprising approximately 5,660 square meters of office space which was for the most part occupied by us. This building was sold on December 29, 2006 for € 33 million. This transaction resulted in a capital gain of €27 million.

We have significant information systems equipment dedicated to the creation and production of advertising, management of media buying and administrative functions.

#### **Item 4A. Unresolved Staff Comments**

Not applicable.

#### **Item 5. Operating and Financial Review and Prospects**

*The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report. The following discussion contains forward-looking statements that involve risks and uncertainties, including, but not limited to, those described under Item 3 [Key Information] Risk Factors.*

### **OVERVIEW AND OUTLOOK**

#### **Overview**

Our earnings in 2006 were solid and confirm the soundness of the strategy that we have been pursuing in recent years. In 2006, we recorded an increase in revenue of 6.3% (5.6% of which was from organic growth), an operating margin rate which improved by 60 basis points at 16.3%, and growth in net income of 15%. This strong performance reflects in particular:

- A strong volume of new business (net of accounts lost) in advertising and SAMS, as well as the media sector;
- Significant growth in all geographic regions, particularly in the emerging markets targeted by the Group's strategy. See Item 4 "Information on the Company" Strategy;
- Acquisition in SAMS and emerging markets; and
- An improvement in profitability due to decreased operating costs resulting from improvements in the Group's structure and decreased levels of depreciation.

Financially, average net debt (a term defined under [Capital Resources and Indebtedness] below) reached its lowest level since the acquisition of Bcom3 in 2002, and was €636 million in 2006. The Group generated €544 million of free cash flow before working capital requirements (as defined in [Liquidity]) in 2006.

In January 2006, Publicis made a public offer to purchase all outstanding equity warrants, which were issued in connection with the Bcom3 acquisition in 2002 (27,709,748 were outstanding at the time of the offer). The offer, which closed on February 14, 2006, was very successful. 22,107,049 warrants, representing 79.78% of all warrants, were purchased at €9 per warrant, amounting to a total of €200 million, and were subsequently cancelled. At the closing date for the 2006 accounts, the number of warrants outstanding was 5,602,699.

Also in January, the holders of the OCEANE 2018 (convertible bonds) exercised their put option contained in the terms of the bonds, which eliminated 6.5% of the supplementary bonds or 1.1 million potential shares. This concluded the balance sheet simplification process initiated in September 2004, which allowed us to eliminate 35 million potential shares.



## New Business

In terms of new business, the Group's performance in 2006 was strong. The principal new business in 2006 included the following:

- in traditional advertising and SAMS: Renault (contract extended to cover Latin America and the Baltic states); Sanofi Aventis/Vaccins Pasteur (worldwide); Orange (Europe); Marriott (Asia); Kraft (marketing services Europe); JC Penney (USA); Wal-Mart (in-store marketing, USA); Sony Ericsson (worldwide); Crowne Plaza Hotel & Resorts (USA);
- in media: Washington Mutual (USA), Oracle (worldwide); Avaya (worldwide); Del Monte (Europe); Beam Global Spirits & Wine (worldwide).

The main accounts lost included, in advertising: Cadillac (USA), Heineken (USA), SFR (France), and in media: Sprint (USA) and Nokia (Asia). We also experienced certain decreases in business, including the PSG division of Hewlett Packard with respect to advertising in North America, Latin America and Europe.

The competition for new business returned to normal levels in 2006, which was a significantly less propitious year than 2004 and 2005, in which an exceptional number of new awards were open for bids. So far, 2007 appears to be once again a promising year for new business. In January alone, the Group already won a large number of new accounts, such as Wal-Mart and Fox Entertainment in the media sector, Wendy's in publicity and media sectors, and a significant part of Coca Cola budgeted spending in China.

## Outlook

2007 has started well in the communications business in most geographical regions, including Europe, where growth is consolidating. Publicis Groupe should benefit from these trends, as well as from its clients' expansion and the volume of new business booked in 2006 and especially in early 2007. Organic growth should benefit from business levels in Europe and North America comparable to 2006, as well as improved performance in emerging markets. The Group's operating margin rate, excluding Digitas, should increase over the course of the year, while efforts to reduce average net debt will continue. Cash generated by operations will be used to accelerate the pace of our targeted acquisitions, particularly in the SAMS sector and in emerging markets, or to raise dividends. The integration of Digitas will involve some administrative reorganization, although we hope that the cost will be offset by expected positive results.

While pursuing targeted external growth, our goal is to maintain the structure of the balance sheet by targeting the following financial ratios:

- average net debt to operating margin before depreciation and amortization at less than 1.5; and
- net debt at the end of the year to shareholders' equity at less than 0.5, and operating margin before depreciation and amortization of at least seven times interest expense.

## Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS for the years ended December 31, 2004, 2005 and 2006. The reported financial condition and results of operations are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of our consolidated financial statements. We base our estimates on our experience and on various other assumptions deemed reasonable, the result of which form the basis for making judgments about the carrying values of our assets and liabilities. Actual results may differ significantly from these estimates.

The nature of the critical accounting policies, judgments and other uncertainties that affect the application of these policies, as well as the effect of changes in the conditions and assumptions on results, should be considered together with the detailed reading of the consolidated financial statements and the discussion in this Item 5. The actual results of the Group are likely to differ from its estimates and future assumptions. The estimates and

assumptions about future events and other uncertainties related to end-of-period estimates that we believe have the greatest risk of impacting the carrying amounts of assets and liabilities in a future financial year are described below.

27

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### ***Allowance for Doubtful Accounts***

The risk of uncollectibility of accounts receivable is primarily estimated on a case-by-case basis and is based on prior experience with the client and the past due status and other factors such as litigation and the condition of the debtor. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

### ***Business Combination, Goodwill and Other Long Term Intangible Assets***

Under IFRS all of our business combinations are accounted for as purchases. The cost of an acquired company is assigned to the contingent liabilities and the liabilities assumed and the assets purchased on the basis of their fair values at the date of acquisition. The determination of the fair value of assets and contingent and assumed liabilities requires us to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired, minus the fair value of contingent and assumed liabilities, is allocated to goodwill.

Under IFRS we evaluate our goodwill for impairment at least annually and more frequently if specific events indicate that impairment in value may have occurred. The level we identify for impairment testing and the criteria we use to determine which groups should be aggregated require judgment. The choice of the levels at which to test could affect whether an impairment is recorded and the extent of impairment loss.

Changes in our business activities or structure may result in changes to the level at which testing in future periods will be performed. To determine whether goodwill is impaired, we use valuation techniques that involve estimating cash flows for future periods and discounting these cash flows to determine value in use. The use of different assumptions for our cash flow estimates could affect the amount of any impairment losses recognized. We also use significant judgment to determine the discount rate.

Intangible assets include principally customer relationships and trade names. Intangible assets with indefinite lives not subject to amortization (mainly trade names) are tested for impairment in the same manner as goodwill as described above. Intangible assets with definitive lives subject to amortization (mainly customer relationship) are amortized on a straight line basis with estimated useful lives generally ranging from 13 to 40 years and are tested for impairment whenever events or circumstances indicate that a carrying amount of an intangible asset may not be recoverable.

Under U.S. GAAP there is a two-step impairment test for goodwill and intangible assets with indefinite lives. In the first step, we are required to make estimates regarding the fair values of reporting units (assets and liabilities, including recorded and unrecorded intangible assets) in determining whether goodwill impairment might exist. To the extent the first step indicates a possible impairment of goodwill, the second test is performed and consists of comparing the fair values with the carrying amount of the reporting unit's goodwill in determining the amount of the impairment charge. We use valuation techniques to determine some of the fair values, which involve the same judgments as mentioned above regarding cash flows and discount rates.

### ***Deferred Taxes***

We currently have deferred tax assets resulting from net operating loss carry forwards and deductible temporary differences, which we recognize to the extent that it is more probable than not that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net income.

### ***Stock-Based Compensation***

A fair value approach is used in determining the award value of stock-based employee compensation in accordance with IFRS 2. We currently utilize the Black-Scholes option valuation model to determine the fair value of option awards. This valuation model utilizes several assumptions and estimates such as expected life, rate of risk free interest, historical volatility and dividend yield. If different assumptions and estimates were utilized to determine the fair value, our actual results of operations related to stock options would likely differ from the

estimates used and it is possible that differences and changes could be material. Additional information about these assumptions and estimates appears in note 28 to our consolidated financial statements.

For U.S. GAAP purposes, prior to January 1, 2006, stock options are valued using the intrinsic value method as prescribed by APB Opinion No. 25. Effective January 1, 2006, the Company adopted SFAS 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS 123R. Under SFAS 123R, compensation expense associated with stock-based compensation awards granted prior to the adoption of SFAS 123R is recognized over the remaining vesting period (post-adoption) as if SFAS 123R had always been applied based on the fair value measurements previously used to calculate pro forma stock-based compensation expense under SFAS 123. For stock-based awards granted on or after January 1, 2006, the Company will amortize stock-based compensation expense, measured at fair value of the instrument granted, on a straight-line basis over the requisite service period.

### **Pension**

Inherent to the valuation of our pension liabilities and the determination of our pension cost are key assumptions, which include employee turnover, mortality and retirement ages, discount rates, expected long term returns on plan assets, and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions, giving rise to a different pension liability, which would directly affect shareholders' equity, in accordance with IAS 19. Additional information on the assumptions used in calculating our pension costs is presented in note 21 of the notes to our consolidated financial statements.

### **Organic Growth**

When comparing our performance between years, we estimate the impact that foreign currency exchange rate changes, acquisitions and dispositions, and organic growth have on reported revenue. Organic growth represents the increase in revenue excluding the effects of currency exchange rates due to acquisitions and dispositions and the effects of foreign exchange rate changes, and is computed as follows:

• We apply current year foreign exchange rates to prior year local currency revenue figures, excluding the effects of changes due to acquisitions and dispositions in the following manner:

- for entities acquired in the current fiscal year, we include current year revenue figures in the prior year's comparative revenue figures, in order to exclude the effect of acquisitions; and
- for entities sold in the current fiscal year, we exclude prior year revenue in order to show a comparable scope of consolidation in both fiscal years.

When the organic growth rate is the ratio of current year revenue to adjusted prior year revenue. See the following table for more detail.

Our management believes that discussing organic growth provides a better understanding of our revenue performance and trends than reported revenue because it allows for more meaningful comparisons of current period revenue to that of prior periods. In addition, revenues excluding the effects of currency exchange rates is a key performance indicator generally used in the industry.

Organic growth is unaudited and is not a measurement of performance under U.S. GAAP or IFRS and may not be comparable to similarly titled measures of other companies.

|   | <b>Total</b>               |
|---|----------------------------|
|   | <i>(Millions of euros)</i> |
| <b>2004</b>   | <b>3,832</b>               |
| Components of revenue changes (excluding organic growth):                   |                            |
| Impact of exchange rate changes   | 27                         |
| Other changes in scope of consolidation                                     | 5                          |
| <b>2004 Revenue at comparable exchange rates and scope of consolidation</b> | <b>3,864</b>               |
| Organic growth  | 263                        |
| <b>2005</b>   | <b>4,127</b>               |

Components of revenue changes (excluding organic growth):

29

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|   |              |
|---|--------------|
| Impact of exchange rate changes   | (7)          |
| Other changes in scope of consolidation                                     | 32           |
| <b>2005 Revenue at comparable exchange rates and scope of consolidation</b> | <b>4,152</b> |
| Organic growth  | 234          |
| <b>2006</b>   | <b>4,386</b> |

Organic growth was 5.6% in 2006. It is calculated by dividing  $\square 234$  million by  $\square 4,152$  million (2005 revenues at comparable exchange rates and scope of consolidation). Organic growth was 6.8% in 2005 ( $\square 263$  million divided by  $\square 3,864$ , which is 2004 revenue at comparable exchange rates and scope of consolidation).

## CONSOLIDATED OPERATIONS $\square$ 2006 COMPARED TO 2005

### Statement of Income

#### Revenues

Consolidated revenues of Publicis for the year ended December 31, 2006 were  $\square 4,386$  million, an increase of 6.3% from  $\square 4,127$  million for the year ended December 31, 2005. The principal reason for this increase was organic growth (5.6%), with changes in the scope of consolidation (notably in revenues generated by specialized agencies and agencies in emerging countries) also accounting for an increase of  $\square 32$  million. The impact of converting revenues of companies outside the euro zone into euros was slightly negative (a decrease of  $\square 7$  million over this period). The average dollar exchange rate against the euro decreased by 1% from 2005 to 2006, but this trend reversed itself in the third quarter.

Organic growth was 6.3% in the first quarter, 7.3% in the second quarter, 2.6% in the third quarter and 6.3% in the fourth quarter. Weak growth in the third quarter reflects mainly the impact of business losses incurred at the end of 2005 and the beginning of 2006 in North America, and a policy of commercial selectivity in Asia. Decreased revenue growth in the third quarter was temporary, as the growth rates returned to higher levels in the fourth quarter.

#### Revenues by business line

The distribution of the Group's revenue by business line reflects the Group's strategy of concentrating on its businesses with strong growth potential, and in particular SAMS. The share of SAMS in the Group's overall revenues increased in 2006, in particular due to the acquisition of specialized agencies. The following table shows the percentage of the Group's revenues in 2005 and 2006 realized in each of the three main business lines:

|                         | Year ended December 31, |      |
|-------------------------|-------------------------|------|
|                         | 2006                    | 2005 |
| Traditional Advertising | 44%                     | 46%  |
| SAMS                    | 30%                     | 28%  |
| Media                   | 26%                     | 26%  |

#### Revenues by region

Revenues in 2006 increased across all regions, and especially in emerging countries (Africa, the Middle East, Latin America, Asia Pacific and Eastern Europe), which represented 21.0% of revenues in 2006, compared to 20.1% in 2005. The following table shows the allocation of the Group's revenue by region in 2005 and 2006:

|  | Year ended December 31, |      |
|--|-------------------------|------|
|  | 2006                    | 2005 |

|               |                            |       | <b>Change</b> |                |
|---------------|----------------------------|-------|---------------|----------------|
|               | <i>(Millions of euros)</i> |       | <i>Total</i>  | <i>Organic</i> |
| North America | 1,842                      | 1,763 | 4.5%          | 5.1%           |
| Europe        | 1,747                      | 1,647 | 6.1%          | 5.0%           |
| Asia Pacific  | 471                        | 435   | 8.3%          | 5.3%           |
| Latin America | 214                        | 191   | 12.0%         | 9.3%           |

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|                            |              |              |             |             |
|----------------------------|--------------|--------------|-------------|-------------|
| Africa and the Middle East | 112          | 91           | 23.1%       | 20.0%       |
| <b>Total</b>               | <b>4,386</b> | <b>4,127</b> | <b>6.3%</b> | <b>5.6%</b> |

All regions benefited from increased spending on advertising in 2005, while North America and, to a lesser degree, Europe benefited from sizable growth in the media business and healthcare communications. Although more moderate than in 2005, growth in North America remained sound in 2006, despite the impact of budget losses in late 2005 and early 2006. Business in Europe remained strong throughout 2006. Growth in other parts of the world was lower than expected, principally because of slower growth in China, Korea and Brazil in 2006.

*Europe*

Organic growth in Europe as a whole was 5.0% in 2006, as the Group recorded European revenues of €1,747 million. Most networks contributed to the growth, with the exception of Leo Burnett, which was impacted by losses or decreases in accounts, an insufficient level of new business bookings and changes in management teams that affected several markets in continental Europe. The strongest performances were from Starcom MediaVest, ZenithOptimedia and PHCG, which was stimulated by increased spending by and growth of some existing clients. Growth was most robust in Great Britain, Germany, Switzerland and Northern and Eastern Europe, particularly in Russia, while France and Italy showed average growth. Spain was the most difficult market in 2006, as revenues in Spain decreased compared to 2005.

*North America*

Organic growth was 5.1% in 2006, with North American revenues of €1,842 million recorded by the Group. The increase was primarily due to increased media buying and consultancy business (Publicis Groupe Media), healthcare communication of Saatchi & Saatchi and of the Kaplan Thaler Group, which benefited from large new accounts booked in 2005, and increased spending by some existing clients. Leo Burnett's performance improved but still failed to add significant new business bookings. Fallon suffered a decline in revenues following the loss of significant customers, including BMW, Dyson and Lee Jeans, as well as changes in management teams. Publicis North America also suffered a decline in revenues due to the loss of some clients (HP, Zales) and because of spending cuts by other clients.

*Rest of the World*

Organic growth in other parts of the world was 8.2% in 2006, including 5.3% in the Asia-Pacific region, 9.3% in Latin America and 20.0% in Africa and the Middle East. Revenues in the rest of the world totaled €797 million in 2006, with positive contributions from the Group's three main media buying and consultancy networks driven by new business booked locally and a strong demand, in particular from international clients. Highest growth rates were recorded in India, Mexico, Venezuela and Argentina. Growth in Asia in 2006 was relatively disappointing due to decreased business in Korea and also due to the Group's decision to be more selective in its commercial policies in China.

**Operating Margin**

Group operating margin before amortization and depreciation was €820 million in the year ended December 31, 2006, compared to €765 million in the year ended December 31, 2005, representing an increase of 7.2% . Personnel expenses amounted to €2,630 million, or 60% of revenues, in the year ended December 31, 2006, which represented a 50 basis points increase compared to 2005. This increase is mainly due to a necessary recruitment of personnel to service new accounts, the improvement of level of expertise on some teams and the cost of restructuring. The Group's workforce increased by 3.4% over 12 months, totaling 39,939 employees at year-end. On the other hand, other operating expenses as a percentage of revenue fell by 70 basis points (from 22.0% of revenues in 2005 to 21.3% in 2006) increasing modestly in absolute terms from €908 million in 2005 to €936 million in 2006. Total operating expenses (personnel expenses and other expenses) as a percentage of revenues was 20 basis points lower in 2006 compared to 2005.

Depreciation and amortization declined in comparison to the previous year, amounting to €107 million in the year ended December 31, 2006, and declined as a proportion of revenue from 2.8% in 2005 to 2.4% in 2006. This decrease is due to better management of investments over previous years.

Operating margin increased by 9.9% from  $\square 649$  million in 2005 to  $\square 713$  million in 2006. During the same period, the operating margin rate (defined as operating margin divided by total revenues) rose by 60 basis points from 15.7% to 16.3% . This improvement



is due to the decrease in depreciation and the reduction in other operational expenses which was partially offset by the increase in personnel expenses. The Group's expenses also increased in 2006 due to changes necessary to comply with the Sarbanes-Oxley Act, which amounted to €28 million in 2006 (approximately half of which was non-recurring).

### **Operating Margin by Region**

In 2006, the Group's operating margin increased across all regions:

- Operating margin in Europe increased by more than 60 basis points in 2006, from €250 million in 2005 (15.2% of revenues) to €277 million in 2006 (15.9% of revenues). Increased operating margin resulted from programs to reduce direct operating costs (in particular, the Horizon Program, described in Item 4 "Information on the Company" Business Overview) as well as a reduction in depreciation and amortization as percentage of revenues.
- An increase in operating margin was recorded in North America in 2006, resulting from the same factors that drove the increase in Europe. Operating margin was €307 million in 2005 (17.4% of revenues) and €332 million in 2006 (18.0% of revenues).
- Operating margin improved significantly in other parts of the world, increasing from €92 million in 2005 (12.8% of revenues) to €104 million in 2006 (13.0% of revenues). This slower increase as compared with other regions is due to the necessary investment in improving operating resources (such as recruiting and office space).

### **Operating Income**

Operating income was €689 million in 2006, compared with €652 million in the previous year (which represented an increase of 5.7%). The 2006 figure reflected amortization of acquisition-related intangibles in the amount of €22 million, an impairment charge of €31 million relating to the Johnston & Associates agency in the United States and the events agency in Austria and other income of €29 million (mostly representing capital gains from the sale of the Saatchi & Saatchi building in the Paris region). In 2005, operating income included €87 million in capital gains from the sale of various assets of Médias & Régies Europe.

### **Other Income Statement Items**

#### *Net interest expense and other financial expense*

The Group's net financial result, consisting of the net interest expense and other financial expense, was €50 million in 2006, compared with €92 million in 2005. This significant reduction in net financial expense is primarily due to an increase in financial income resulting from increases in interest rates in the U.S. and to an increase in cash and cash equivalents. The cost of the OCEANE 2018 was also reduced following the exercise of the put option in January 2006.

#### *Income Tax*

The tax rate was 30.2% in 2006 (compared to 32.0% in 2005). This rate, which places the Group one year ahead of its objectives for 2007, reflects the continuation of efforts by the Group to optimize its tax positions and simplify legal structures. The tax charge for the year was €192 million in 2006, compared to €157 million in 2005. This increase of 22.3% is due to the significant growth in consolidated results before tax, and to certain non-taxable capital gains, which were higher in 2005 than in 2006.

#### *Net Income*

The Group's share of income from companies accounted for by the equity method reached the exceptional level of €22 million in 2006, compared with €11 million in 2005, which was a result largely attributable to contributions by iSe, which registered (during the first quarter) the results of the marketing for the hospitality programs for the 2006 Football World Cup. In early January 2007, the Group announced, together with Dentsu, the dissolution of their subsidiary iSe. Minority interests totaled €26 million, a slight decrease compared with

2005. Net income attributable to Pulicis Groupe was  $\square$ 443 million in 2006, representing an increase of 14.8% from  $\square$ 386 million in 2005.

*Earnings per share*

Earnings per share were  $\square 2.11$  in 2006, or  $\square 1.97$  on a fully diluted basis, which reflected increases from the previous year of 28.6% and 24.1%, respectively. Earnings per share were  $\square 1.83$  and diluted earnings per share  $\square 1.76$  in 2005.

**CONSOLIDATED OPERATIONS  $\square$  2005 COMPARED TO 2004****Statement of Income****Revenues**

Consolidated revenues for the year ended December 31, 2005 were  $\square 4,127$  million, an increase of 7.7% from  $\square 3,832$  million for the year ended December 31, 2004. The principal reason for this increase was organic growth (6.8%), with revenue growth attributable to acquisitions net of disposals amounting to approximately  $\square 5$  million. The impact of converting revenues of companies outside the euro zone into euros was slightly positive for the first time since the first half of 2002 (a gain of  $\square 27$  million over this period). The dollar average exchange rate against the euro remained stable from 2004 to 2005.

Organic growth was 3.9% in the first quarter, 8.0% in the second quarter, 6.2% in the third quarter and 8.6% in the fourth quarter.

**Revenue by region**

Revenues showed increases in organic growth in all parts of the world where the Group operates, including a 3.8% increase in Europe, an 8.0% increase in North America, and an 11.2% increase in the rest of the world. Accounts booked in 2004 and early 2005 fueled organic growth in a number of countries, while growth in North America benefited from vigorous increases in media business and healthcare communications in 2005. The following table shows the allocation of the Group's revenue by region in 2004 and 2005:

|                            | <b>At December 31,</b>     |              |               |                |
|----------------------------|----------------------------|--------------|---------------|----------------|
|                            | <b>2005</b>                | <b>2004</b>  | <b>Change</b> |                |
|                            | <i>(Millions of euros)</i> |              | <i>Total</i>  | <i>Organic</i> |
| North America              | 1,763                      | 1,633        | 8.0%          | 8.0%           |
| Europe                     | 1,647                      | 1,584        | 4.0%          | 3.8%           |
| Asia Pacific               | 435                        | 379          | 14.8%         | 10.3%          |
| Latin America              | 191                        | 159          | 20.1%         | 9.7%           |
| Africa and the Middle East | 91                         | 77           | 18.2%         | 17.7%          |
| <b>Total</b>               | <b>4,127</b>               | <b>3,832</b> | <b>7.7%</b>   | <b>6.8%</b>    |

*Europe*

Organic growth in Europe as a whole reached 3.8% in 2005, resulting in revenues of  $\square 1,647$  million in 2005. Most networks made positive contributions, other than Leo Burnett, which was impacted by deep cuts in Fiat's spending on a number of markets and management changes that affected business in a number of countries in continental Europe. Strongest performances were from Saatchi & Saatchi, Starcom MediaVest, ZenithOptimedia and, to a lesser extent, Publicis, which benefited from new accounts and increased spending by some existing clients. Growth was quickest in Eastern Europe, particularly in Russia, and Southern Europe, but countries in the north, including France, Germany and the U.K. also showed healthy rises compared to previous years. The only decline in 2005 was in the Netherlands.

*North America*

Organic growth reached a robust 8.0% in 2005, with revenue increasing to €1,763 million in 2005. The increase was primarily due to increased media buying and consultancy (ZenithOptimedia and Starcom MediaVest) and healthcare communications, which benefited from large new accounts booked in 2004 and early 2005. These included Nestlé, Sanofi-Aventis, JP Morgan Chase, Mattel and General Motors (in the fourth quarter of 2005) in media and Sanofi-Aventis, Takeda, AstraZeneca and Schering Plough in healthcare. Advertising agencies also had an excellent year, with particularly good showings from Saatchi & Saatchi, benefiting from accounts with Toyota, Ameriprise and Novartis, Publicis and Kaplan Thaler Group, which won the Revlon account. Leo Burnett, where a new

management team took over at the beginning of 2005, won a number of new accounts, including Samsung, Western Union, Turner Classic Movies, American Girl, Diageo and ConAgra, but these were still not on a scale to offset the residual effects of accounts lost in 2004, which included Lexmark, Gateway and Toys "R" Us, as well as fluctuations in spending by existing clients. Fallon suffered a steep decline in revenues following the loss of the Subway account in 2004 and, more recently, BMW, Dyson and Lee Jeans, as well as major shifts in management teams. In Canada, Publicis booked the Rogers Communications account, but this was partly offset by cuts in spending by other clients

#### *Rest of the World*

Organic growth in the remainder of the world reached 11.2% overall, including 10.3% in the Asia-Pacific region, 9.7% in Latin America and 17.7% in Africa and the Middle East taken together. Revenues totaled €717 million in 2005, with positive growth contributions from the Group's three main networks driven by new business booked locally and strong demand, in particular from international clients. Advertising agency networks and media buying and consultancy networks both did well. Highest growth rates were recorded in China, India, Mexico and Argentina.

#### **Operating Margin**

Group operating margin before amortization and depreciation was €765 million in the year ended December 31, 2005, compared to €699 million in the year ended December 31, 2004, showing a rise of 9.4%. Personnel expenses amounted to €2,454 million, or 59.5% of revenues, in the year ended December 31, 2005. This figure (both in relative and absolute terms), which includes the cost of stock options as required under IFRS, was slightly higher than 2004, when the percentage of revenues was 59.3%, due primarily to the recruitment of personnel to service new accounts as well as a raise in the level of expertise on some teams. On the other hand, other operating charges as a percentage of revenue fell 50 basis points (from 22.5% of revenues in 2004 to 22% of revenue in 2005), rising from €862 million in 2004 to €908 million in 2005, due in large part to cost-cutting measures undertaken by the Group during previous periods. Shared resource centers were in operation in eleven countries at the end of 2005, which countries together represented 78% of consolidated revenues, and several agencies in Latin America and Asia have pooled resources to eliminate redundancies, particularly with respect to office space. Total operating expense (personnel expenses and other expenses) as a percentage of revenues was down 30 basis points in 2005.

Depreciation and amortization was little changed from the previous year, standing at €116 million in the year ended December 31, 2005, but declined as a proportion of revenues, easing from 3.1% to 2.8%, a figure reflecting the limited capital intensity of the sector.

Operating margin rose 11.9% from €580 million in 2004 to €649 million in 2005. During the same period, operating margin rate (defined as operating margin divided by total revenues) rose 60 basis points from 15.1% to 15.7%. This improvement in the operating margin rate reflects satisfactory conversion to profit of additional revenues in the year, improved margins on some businesses such as Healthcare Communications (Publicis Healthcare Communications Group) and progress towards optimization of operations and organization.

In 2005, the Group's operating margin increased across all regions. The operating margin rate on business in Europe increased 50 basis points primarily due to reduced operational costs and optimization of organization. The operating margin rate in North America rose 30 basis points, benefiting in particular from more efficient use of office space. In the rest of the world, the operating margin rate improved 170 basis points as a result of effective leveraging of additional revenues and optimization of administration.

#### **Operating Income**

After amortization of acquisition-related intangibles, which was slightly lower in the 2005 financial year, the statement of income for the 2005 financial year shows a €33 million charge for impairment and €59 million in non-current income, of which the bulk came from €80 million capital gains (which included the sale of JC Decaux, VKM, SOPACT, and certain interests in Métrobus) and a capital loss of €22 million recognized in connection with the early redemption of 62% of the OCEANE 2018 convertible bond issue.

Operating income thus came to €652 million in the 2005 financial year, nearly doubling from €326 million in 2004. In 2004, operating income included an impairment charge of €215 million, comprising €123 million for brands, mainly concerning Fallon, Frankel and Nelson, and €92 million for goodwill on various acquisitions made

at the end of the 1990s, and other non-current charges amounting to  $\square$ 10 million.

34

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**Other Income Statement Items***Net Interest and Other Financial Expense*

Net financial expenses, consisting of net interest expense and other financial expense, totaled (€92) million in 2005, showing a €22 million decline from (€114) million in 2004, primarily as a result of a decline in charges for net financial debt over the year.

*Income Tax*

The tax rate was 32% in the 2005 financial year (compared to 36.5% in 2004). This reflects the continuation of the efforts to optimize tax positions and simplify legal structures that began in the wake of the Bcom3 acquisition. The tax charge for the year was €157 million in the 2005 financial year compared with €112 million in 2004 (excluding a positive net deferred tax impact from the OBSA and CLN transactions, and excluding net deferred tax assets recorded upon transition to IFRS).

*Net Income*

Contributions of companies accounted for by the equity method doubled in 2005 from the previous year to reach €11 million, a result largely attributable to improved contributions from iSe and BBH, while minority interests remained practically unchanged at €28 million. Consolidated net income, excluding minority interests, thus came to €386 million in 2005, showing a rise of 38.8% from €278 million in 2004. In 2004, the consolidated net income included €198 million of positive impact related to the OBSA and CLN transactions, as well as to the transition to IFRS.

**Earnings per share**

Net earnings per share came to €1.83, or €1.76 on a fully-diluted basis, which reflected increases from the previous year of 38.6% and 36.4%, respectively.

**LIQUIDITY****Cash flow**

Net cash flow from operating activities was €593 million in 2006, compared to €620 million in 2005. Working capital requirements hardly changed in 2006 as compared to the previous year, experiencing only a slight increase of €3 million. Following two years of significant improvement, the stabilization of working capital requirements at a satisfying level is the result of the Group's continuing efforts since 2003 in the framework of its Focus on Cash program. We created the Focus on Cash program in 2003 in order to reduce our working capital requirements.

In addition, we incurred expenditures of €18 million for restructuring in 2006, down from €30 million in 2005. Income taxes rose from €167 million in 2005 to €229 million in 2006, largely as a result of higher income. Interest paid amounted to €85 million in 2006 compared to €93 million in 2005. This decrease was mainly due to a prepayment premium in 2005 in respect of the OCEANE 2018, the effect of which was partially offset by increased interest rates. Interest income saw a notable increase, rising to €74 million in 2006 from €44 million in 2005, due to an increase in interest rates and average available cash, as well as the optimization of our financial management.

Net cash flow from investments includes purchases and sales of tangible and intangible assets, net acquisitions of financial assets and acquisitions and sales of subsidiaries. We used a net amount of cash in investment activities of €99 million in 2006, compared to €41 million in 2005. However, net investments in tangible assets were only €52 million in 2006, compared to €68 million 2005, partly due to the sale of the Saatchi & Saatchi building in Neuilly, France, for €33 million.

Acquisitions of subsidiaries, net of sales, resulted in a net cash outflow of €47 million in 2006, compared to a net cash inflow of €27 million in 2005, due to the 2005 sale of interests in JC Decaux Netherlands, VKM, Sopact, Promom tro and 33% of M trobus, which were entities held by M dias & R gies Europe. In 2006, we acquired Solutions in India, Duval Guillaume in Belgium, P le Nord in France, Yorum in Turkey (Yorum, Bold and Zone), Moxie Interactive in the United States, Emotion in Asia and Geller Nessim in Israel. We also increased our interest

and repayment of debt incurred in connection with acquisitions of interests (earn-out



payments) and debt incurred in connection with commitments to acquire minority interests (buy-out payments) in a number of agencies. The income from the sale of subsidiaries came from Bensimon Byrne in Canada and Sopact in France.

Net cash flow from financing activities includes dividends paid, changes in debt position, share repurchase transactions and warrants issued. Financing activities resulted in the net use of €350 million of cash in 2006, compared to a cash inflow of €220 million in 2005. This is largely the result of the repurchase of warrants for €200 million, the partial repayment of the OCEANE 2018 following a partial exercise of the put option in January 2006 for €51 million, including interest, and share repurchases (net of sales under the stock option plan) for €64 million.

The share repurchase program concerned 3 million shares in 2006, or 1.5% of our capital. This program aims to create a reserve for a new long-term stock option plan (LTIP) 2006 - 2008, which was launched in August 2006. Dividends paid in 2006 amounted to €89 million compared to €74 million in 2005. In total, our cash position net of bank overdrafts remained stable, at €1,890 million at December 31, 2006, compared with €1,885 million at December 31, 2005.

### Free cash flow

Our free cash flow (excluding changes in working capital requirement) increased 14%, rising from €478 million in 2005 to €544 million in 2006. Free cash flow (excluding changes in working capital requirement) is equal to cash flow from operating activities, minus net investments in fixed assets and excluding the effect of changes in working capital requirement. Free cash flow (excluding changes in working capital requirement) is a non-GAAP indicator that we use to measure our liquidity from operating activities after accounting for investments in fixed assets, but before acquisitions or sales of equity participations, and before financing activities (including financing the working capital requirement). We believe this indicator is useful to show our cash flow (or requirements) before acquisitions, divestitures and financing. Investors should not place undue reliance on free cash flow (excluding changes in working capital), particularly given that some companies define free cash flow differently. The Group's free cash flow (excluding changes in working capital requirement) in 2005 and 2006 is presented below:

|   | <b>At December 31,</b>     |             |
|---|----------------------------|-------------|
|   | <b>2006</b>                | <b>2005</b> |
|   | <i>(Millions of euros)</i> |             |
| Cash flow from operating activities                                 | 593                        | 620         |
| Investments in fixed assets (net)                                   | (52)                       | (68)        |
| <b>Free cash flow</b>   | <b>541</b>                 | <b>552</b>  |
| Effect of changes in the working capital requirement                | 3                          | (74)        |
| <b>Free cash flow before changes in working capital requirement</b> | <b>544</b>                 | <b>478</b>  |

### CAPITAL RESOURCES AND INDEBTEDNESS

Consolidated shareholder's equity rose from €2,056 million at December 31, 2005 to €2,080 million at December 31, 2006, and minority interests amounted to €27 million in 2006, compared to €20 million in 2005.

Net financial debt rose from €207 million at December 31, 2005 to €221 million at December 31, 2006. We use net financial debt, a non-GAAP indicator, to evaluate our overall debt burden net of cash resources and equivalents, which is important to our overall financial strength and borrowing capacity. We set internal financial ratio targets by reference to net debt at year end and its average level for each year (as described below). Investors should not place undue reliance on this indicator, particularly because some companies define net financial debt differently than we do. Net financial debt at December 31, 2005 and December 31, 2006 is presented in the following table:



|   | <b>At December 31,</b>     |             |
|---|----------------------------|-------------|
|   | <b>2006</b>                | <b>2005</b> |
|   | <i>(Millions of euros)</i> |             |
| Financial debt (long- and short-term)   | 2,114                      | 2,137       |
| Fair value of derivatives covering exposure on net investments (1)              | 25                         | 59          |
| Fair value of derivatives covering exposure on intragroup loans/ borrowings (1) | 2                          | (9)         |
| Cash and cash equivalents   | (1,920)                    | (1,980)     |
| <b>Net financial indebtedness</b>   | <b>221</b>                 | <b>207</b>  |

(1) See note 17 and note 23 to the consolidated financial statements.

Debt remained stable compared to its position at the end of 2005, despite payments of €200 million for the warrant repurchase in February 2006 and €64 million for share repurchases (net of amounts received in connection with option grants as part of the current plan). Such stability was due to the availability of operating cash flow, which was sufficient to compensate for the significant cash outflows. Average net debt also showed positive results, dropping from €925 million in 2005 to €636 million in 2006, which represents a significant decrease of €289 million. The ratio of net debt to shareholder's equity remained at 0.10, the same as at December 31, 2005.

Gross consolidated debt was at €2,114 million at December 31, 2006, compared to €2,137 million at December 31, 2005. Over 90% of gross consolidated debt at the end of 2006 was due in more than one year, and over 52% was due in over five years. See note 22 of the consolidated accounts for a detailed payment schedule of the Group's debt.

The financial debt is comprised of fixed-rate loans (55% of gross consolidated debt, excluding debt relating to buyout obligations in respect of equity participations, and minority purchase commitments at December 31, 2006) for which the average rate for 2006 was 5.66% (this rate includes additional interest linked to the split of the Oceane and Orane obligations between debt and equity capital). The average rate of the floating interest rate debt (45% of debt at December 31, 2006) was 5.58% in 2006.

The majority of gross financial debt is in euros and in US dollars. Taking into consideration the swap on the Eurobond, the debt breakdown by currency at December 31, 2006 is as follows: €1,024 million in euros, €913 million in US dollars, and €177 million in other currencies.

In December 2005, we put into place financial ratio targets meant to guide the Group's financial policy, including decisions relating to external growth and dividends. These ratios were respected by a large margin at the close of the year, as the table below shows:

|  | <b>Financial ratio<br/>targets</b> | <b>At December<br/>31, 2006</b> | <b>At December<br/>31, 2005</b> |
|--|------------------------------------|---------------------------------|---------------------------------|
| Net average debt/ operating margin before depreciation                               | < 1.50                             | 0.78                            | 1.21                            |
| Net debt / consolidated shareholder's equity   | < 0.5                              | 0.1                             | 0.1                             |
| Interest coverage (operating margin before depreciation/ cost of net financial debt) | > 7                                | 22.8                            | 9.81                            |

In addition to our cash and cash equivalents, which were €1,920 million at December 31, 2006, we have access to lines of credit in the total amount of €1,546 million as of the same date. The credit lines include a multi-currency syndicated facility in the amount of €1,035 million, which expires in December 2009.

Cash management was optimized through creating domestic cash-pooling structures in the countries of our main operations. We made yet another improvement in 2006 when we created international cash pooling with the goal of centralizing all cash for the Group as a whole.

Cash resources are for the most part held by subsidiaries in countries where funds can be freely transferred and centralized.

Since December 2005, we have been rated by the two leading international agencies – Standard & Poor's and Moody's. Following the announcement of the acquisition of Digitas on December 20, 2006, on the date of the signing of the agreement, the ratings were: BBB+ from Standard & Poor's, with a negative outlook; and Baa2 from Moody's, with a stable outlook.

We believe that we have the resources sufficient for our operating requirements and investment plan for the next 12 months. The first stage is the Digitas acquisition, paid at the end of January 2007 using available cash, for \$1.3 billion.

### **COMMITMENTS FOR CAPITAL EXPENDITURES AND INVESTMENTS**

As of December 31, 2006, we had no material commitments for capital expenditures, other than those relating to earn-out provisions and commitments to purchase minority interests. Commitments to purchase minority interests, as well as earn-out clauses, are identified on a centralized basis and are valued on the basis of contractual clauses and the most recent available data as well as on projections for the relevant figures over the period. Under the earn-out provisions and the commitments to purchase minority interests, we may be required to pay former owners of acquired companies and minority shareholders maximum amounts of \$140 million and \$176 million, respectively. We intend to finance these expenditures through operations and, if necessary, additional bank loans.

### **RESEARCH AND DEVELOPMENT**

See Item 4 "Information on the Company" Services and Business Structure "Research Programs."

### **OFF-BALANCE SHEET ARRANGEMENTS**

Our off balance sheet commitments include primarily operating lease obligations. The following table presents our off-balance sheet commitments given and received as of December 31, 2006. Commitments presented are gross amounts that have not been discounted to present value.

**Operating lease commitments**

|                                | <b>Total</b> | <b>Falling due</b>            |                              |                                 |
|--------------------------------|--------------|-------------------------------|------------------------------|---------------------------------|
|                                |              | <b>Less than<br/>One Year</b> | <b>One to Five<br/>years</b> | <b>More than<br/>Five years</b> |
| <i>(Millions of euros)</i>     |              |                               |                              |                                 |
| <b>Commitments given</b>       |              |                               |                              |                                 |
| Operating lease commitments(1) | 1,325        | 198                           | 678                          | 449                             |
| <b>Commitments received</b>    |              |                               |                              |                                 |
| Sub-lease commitments(1)       | 73           | 18                            | 45                           | 10                              |

(1) Lease rent expense (net of sub-lease income) was €193 million in 2006 as against €179 million in 2005 and €186 million in 2004.

**Other commitments**

|   | <b>Total</b> | <b>Falling due</b>            |                              |                                     |
|---|--------------|-------------------------------|------------------------------|-------------------------------------|
|   |              | <b>Less than<br/>One Year</b> | <b>One to<br/>Five years</b> | <b>More<br/>than Five<br/>years</b> |
| <i>(Millions of euros)</i>                                  |              |                               |                              |                                     |
| <b>Commitments given</b>                                    |              |                               |                              |                                     |
| Commitments to sell investments                             | 8            | 8                             | -                            | -                                   |
| Guarantees (1)  | 180          | 53                            | 44                           | 83                                  |
| Other commitments (2)                                       | 46           | 24                            | 22                           | -                                   |
| <b>Total</b>  | <b>234</b>   | <b>85</b>                     | <b>66</b>                    | <b>83</b>                           |
| <b>Commitments received</b>                                 |              |                               |                              |                                     |
| Unutilized credit facilities (3)                            | 1,546        | 511                           | 1,035                        | -                                   |
| Credit facility dedicated to the acquisition of Digitas (4) | 759          | 759                           | -                            | -                                   |
| Other commitments   | 2            | 1                             | 1                            | -                                   |
| <b>Total</b>  | <b>2,307</b> | <b>1,271</b>                  | <b>1,036</b>                 | <b>-</b>                            |

- (1) At December 31, 2006, guarantees include a guarantee of payment of real estate taxes and operating expenses relating to the Leo Burnett building in Chicago, for a total amount of €132 million over the period until 2019. They also include approximately €32 million of guarantee on media space purchase transactions.
- (2) These include, in an amount of €37 million, minimum royalties guaranteed in the context of operation of media space resources.
- (3) See [Exposure to liquidity Risk] in note 22 to our consolidated financial statements.
- (4) This credit facility amounted to \$1 billion at December 31, 2006. The Group finally officially decided not to use this credit facility at the end of January 2007, as available cash and credit facilities were sufficient to finance the acquisition.

**Commitments related to bonds and to Oranes****Bond convertible into IPG shares € 2% January 2007**

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The terms of this bond provide, since June 30, 2003, the option for bearers to request the exchange of their bonds for a number of shares of Interpublic Group representing a premium of 30% over the reference price (being a conversion price of \$36.74), on the basis of 244.3 shares per bond.

However, following the exercise of the "put option" in February 2004, only 750 convertible bonds remain in circulation at December 31, 2006; thus Publicis Groupe S.A. is committed, in case of a request for exchange, to delivering a maximum of 183,223 Interpublic Group shares in redemption of the bond.

***Oceane 2018 □ 2.75% actuarial January 2018***

With respect to the Oceane 2018, bondholders may request that bonds be converted, at the rate of one share for each bond (with a nominal value of □39.15), at any time as from January 18, 2002 until the seventh business day before the maturity date (January 2018). Taking account of the early redemptions made in February 2005 and in January 2006, Publicis Groupe S.A. has a commitment to deliver, if requests for conversion are made, 5,484,334 shares which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

In addition, the bondholders have the possibility of requesting early redemption in cash of all or part of the bonds they own, on January 18, 2010 and 2014. The early redemption price is calculated in such a way as to provide a gross annual actuarial yield on the bond of 2.75% at the date of redemption.

***Oceane 2008 □ 0.75% actuarial July 2008***

With respect to the Oceane 2008, the bondholders may request that bonds be converted, at the rate of one share for each bond (with a nominal value of □29), at any time as from August 26, 2003 until the seventh business day before the maturity date (July 2008). Publicis Groupe S.A. therefore has a commitment to deliver 23,172,413 shares which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

***Oranes - Bonds redeemable in new or existing shares □ September 2022***

The Oranes have a maturity of 20 years and a nominal value of □549. After the redemption of the first two tranches of the bond in September 2005 and 2006, each Orane gives a right to receive 16 new or existing Publicis Groupe S.A. shares, at the rate of one share per year until the twentieth anniversary of issuance of the bond. Publicis Groupe S.A. therefore has the obligation to deliver 1,562,129 shares each year from year 2007 to 2022, or a total of 24,994,064 shares, which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

***Obligations related to equity warrants***

The exercise of the equity warrants, which can occur at any time between September 24, 2013 and September 24, 2022, would lead to an increase in Publicis Groupe S.A.'s capital stock. After cancellation of the equity warrants redeemed in 2005 and 2006, Publicis Groupe S.A. is committed to issuing (in the case where all equity warrants were to be exercised) 5,602,699 shares with a par value of □0.40 and a premium of □30.10.



**CONTRACTUAL OBLIGATIONS**

The following table summarizes our estimates of amounts due pursuant to contractual obligations to which we were subject as of December 31, 2006.

| <b><u>Contractual Obligations</u></b>                                    | <b>Total</b> | <b>Payments Due by Period</b> |                  |                  |                          |
|--|--------------|-------------------------------|------------------|------------------|--------------------------|
|  |              | <b>Less than 1 Year</b>       | <b>1-3 Years</b> | <b>3-5 Years</b> | <b>More than 5 Years</b> |
|  |              | <i>(Millions of euros)</i>    |                  |                  |                          |
| Long-Term Debt Obligations(1)  | 1,715        | 87                            | 628              | 6                | 994                      |
| Capital (Finance) Lease Obligations                                      | 83           | -                             | -                | -                | 83                       |
| Operating Lease Obligations  | 1,325        | 198                           | 378              | 300              | 449                      |
| Purchase Obligations Reflected on the Balance Sheet under IFRS(2)        | 176          | 57                            | 35               | 59               | 25                       |
| Other Long-Term Liabilities Reflected on the Balance Sheet under IFRS(3) | 140          | 59                            | 40               | 31               | 10                       |
| <b>Total</b>   | <b>3,439</b> | <b>401</b>                    | <b>1,081</b>     | <b>396</b>       | <b>1,561</b>             |

- (1) *Long-term debt obligations relate to OCEANEs and ORANEs, our obligations under our 2007 and 2012 notes, bank loans, bank overdrafts and accrued interest (see note 22 to our consolidated financial statements).*
- (2) *Purchase obligations relate to standard put options to repurchase minority interests, the value of which has been estimated on the basis of contractual clauses as of the latest available date (see [ ] Commitments for Capital Expenditures[ ]).*
- (3) *Other long term liabilities reflected on the balance sheet under IFRS relate to earn-out provisions (see [ ] Commitments for Capital Expenditures[ ]).*

**SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN  
IFRS AND U.S. GAAP**

Our consolidated financial statements for 2006, 2005 and 2004 were prepared in accordance with IFRS applicable at December 31, 2006 as approved by the European Union, which differ in certain significant respects from U.S. GAAP.

As a result, under U.S. GAAP, our net income amounted to €441 million in 2006, €395 million in 2005 and €346 million in 2004, and, compared to €443 million in 2006, €386 million in 2005 and €228 million in 2004 under IFRS. Under U.S. GAAP, shareholders' equity amounted to €3,075 million at December 31, 2006, €3,074 million at December 31, 2005 and to €2,402 at December 31, 2004, compared to, €2,080 million at December 31, 2006, €2,056 million at December 31, 2005 and €1,621 million at December 31, 2004 under IFRS.

The effects on the Group's consolidated net income and consolidated shareholders' equity of the application of U.S. GAAP are (compared to IFRS) more fully described in note 33 to our consolidated financial statements. The significant differences between U.S. GAAP and the accounting policies applied by the Group under IFRS are summarized below:

**□ OCEANE 2008, OCEANE 2018 & ORANE**

Under IFRS, convertible bonds (OCEANE 2008 and OCEANE 2018) and bonds redeemable in shares (ORANEs) are hybrid financial instruments. These financial instruments are comprised of a conversion option (an equity component) recognized in shareholders' equity and a debt component. The debt component is recognized at fair value at the date of issue. The fair value of the equity component is determined at the date of issuance of the bonds as the difference between the fair value of the bonds and the fair value of the debt component. Under U.S. GAAP, the entire market value, at the date of issue, of the OCEANE 2008 bonds, the OCEANE 2018 bonds, and the ORANEs are recognized as debt.

**□ Stock-based compensation**

Under IFRS, the fair value of stock options at the date of grant is determined in accordance with IFRS 2 □Share-based Payment□ and recognized as personnel expenses over the vesting period. The fair value of options is determined using a Black Scholes valuation model. The Group opted for the exception to retrospective application of IFRS 2, allowed by IFRS 1 □First Time Adoption of IFRS□, and only restated plans implemented subsequent to November 7, 2002, for which options are not vested as of January 1, 2005. Under U.S. GAAP, the Group adopted SFAS 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS 123R. Under SFAS 123R, compensation expense associated with stock-based compensation awards granted prior to the adoption of SFAS 123R is recognized over the remaining vesting period (post-adoption) as if SFAS 123R had always been applied based on the fair value measurements previously used to calculate pro forma stock-based compensation expense under SFAS 123. For stock-based awards granted on or after January 1, 2006, the Company will amortize stock-based compensation expense, measured at fair value of the instrument granted, on a straight-line basis over the requisite service period.

**□ Tangible assets**

Under IFRS 1, companies were permitted to recognize adjustments to all or some of their existing assets to record them at their estimated fair values as of January 1, 2004. The Group elected to re-value certain of its assets pursuant to IFRS 1 □First Time Adoption of IFRS.□ Under U.S. GAAP, the historical cost of the Company's assets was not adjusted upon adoption of IFRS.

### **Pension and post-retirement benefits**

In accordance with the option provided by IFRS 1 [First Time Adoption of IFRS], existing actuarial gains and losses at January 1, 2004 were recognized directly as a reduction of equity. Actuarial gains and losses generated from January 1, 2004 have been amortized using the corridor method over the expected average residual working lives of the beneficiaries up to the end of 2005. Since January 1, 2006, the Group has opted for the recognition of all actuarial gains and losses in equity (as part of the SORIE) as allowed under revised IAS 19.

In addition, under U.S. GAAP, prior to December 31, 2006, and in accordance with SFAS 87, a minimum pension liability was required to be recognized, with an offset to an intangible asset or to equity under certain circumstances. With the adoption of SFAS 158, as at December 31, 2006, the Group has recognized all unamortized actuarial gains and losses as well as past service costs as a component of Other Comprehensive Income. SFAS 158 also requires the recognition of the funded status of defined benefit post-retirement plans in the statement of financial position. The funded status is measured as the difference between plan assets at fair value and the benefit obligation.

### **Goodwill impairment and amortization**

Upon the adoption of IFRS as of January 1, 2004, the gross value of goodwill at the transition date is deemed to be equal to the net value of such goodwill under French GAAP. Under French GAAP, goodwill was amortized on a straight-line basis over a period varying from 10 to 40 years. Subsequent to adoption, goodwill is not amortized but is rather subject to impairment tests performed at least annually, in accordance with IAS 36 [Impairment of Assets]. Under U.S. GAAP, since January 1, 2002, goodwill is no longer amortized in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, [Goodwill and Other Intangible Assets] (SFAS 142), but rather is also reviewed at least annually for impairment.

### **Business Combinations**

The Group elected to use the exemption allowed by IFRS 1 to not apply IFRS 3 [Business Combinations] to business combinations that took place before the transition date (January 1, 2004). Therefore, the treatment of the following business combinations under French generally accepted accounting principles ([French GAAP]) has been retained in IFRS, which generates the following principal differences with U.S. GAAP:

- *Saatchi & Saatchi*: under French GAAP, the business combination with Saatchi & Saatchi was accounted for in accordance with the alternative method under Article 215 of Rule 99-02 of the *Comité de Réglementation Comptable* ([CRC]). Under U.S. GAAP, the transaction was accounted for using purchase accounting principles, with Publicis Groupe, S.A. being the acquirer on September 8, 2000. Under U.S. GAAP, the assets and liabilities were recognized at fair value at the date of acquisition (2000).
- *Bcom3*: under French GAAP the value of the ordinary shares exchanged for Bcom3 stock and ORANEs issued is based on Publicis' ordinary share price as of the date of acquisition (on September 24, 2000), or [17.60 per share. Under U.S. GAAP, the value of the ordinary shares is based on the five-day average of Publicis' ordinary share price of [36.40 per share (two days before the public announcement of the acquisition on March 7, 2002, the day of announcement, and two days after).
- *ZenithOptimedia Group*: under French GAAP, 50% of Zenith Media shares, acquired in 2000 in conjunction with the acquisition of Saatchi & Saatchi, were initially accounted for in accordance with the alternative method. They were subsequently recognized at their fair value upon acquisition of an additional 25% share of ZenithOptimedia Group and the formation of the ZenithOptimedia Group in 2001. Under U.S. GAAP, the adjustments related to the acquisition of the initial 50% of ZenithOptimedia Group are reversed, since the Saatchi & Saatchi acquisition was recorded using purchase accounting rules.

- *FCA:* under French GAAP, the goodwill arising from the acquisition of the FCA Group in 1993, paid for by issuing new ordinary shares was written off through shareholders' equity. Under U.S. GAAP, such an accounting treatment is not permitted and thus the goodwill resulting from the acquisition was capitalized as an asset in the balance sheet.
- *Compensation arrangements:* under French GAAP, certain compensation arrangements with former Frankel employees were accounted for as an element of purchase price in purchase accounting. Under U.S. GAAP, to the extent that the

compensation is contingent upon continuing employment with the group, it is recognized as compensation expense in the periods in which it is earned.

- *Restructuring costs:* under French GAAP, restructuring plans implemented in connection with acquisitions must be finalized and quantified within the fiscal year end following an acquisition in order for the related costs to be included in the liabilities assumed. In accordance with U.S. GAAP, restructuring costs related to acquired businesses are expensed in the income statement, unless the amounts are finalized and quantified within one year of acquisition. Additionally, costs related to vacant properties of the acquiring entity are included in the liabilities assumed to the extent they relate to excess capacity, whereas under U.S. GAAP, these costs are excluded from the liabilities assumed.

#### **IMPACT OF IFRS STANDARDS AND IFRIC INTERPRETATIONS WHICH ARE PUBLISHED BUT NOT YET IN FORCE**

The Group has analyzed the IFRS standards and amendments and the IFRIC interpretations published and approved by the European Union at December 31, 2006 which are applicable on January 1, 2007 at the latest, as well as such texts that have not yet been approved by the European Union at December 31, 2006. The Group expects that adoption of these texts will not have a material impact on its financial statements in the periods in which they first become applicable.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statement in accordance with FAS 109. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Group is currently assessing what impact, if any, this new interpretation will have when adopted.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"). Due to diversity in practice among registrants, SAB 108 expresses SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006. The group has adopted this standard for the current period ended and its adoption had no effect on our consolidated financial statements for the year ended December 31, 2006 or for any prior period presented.

In September 2006, the FASB issued FAS 157, "Fair Value Measurement" ("FAS 157"). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Group has not yet estimated the impact, if any, of the new interpretation.

In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FAS 115" ("FAS 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Group has not yet estimated the impact, if any, of the new interpretation.

In March 2006, EITF 06-03: "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation)" was issued. EITF 06-03 provides guidance on how to



account for any tax assessed by a governmental authority that is imposed concurrent with a revenue producing transaction between a seller and a customer. EITF 06-03 is effective for the first interim reporting period beginning after December 15, 2006. EITF 06-03 is not expected to have a material impact on the group's financial position, results of operations or cash flows.

**Item 6. Directors, Senior Management and Employees**

**DIRECTORS AND SENIOR MANAGEMENT**

We have a two-tier management structure pursuant to which a Management Board (*directoire*) manages our day-to-day affairs under the general supervision of a Supervisory Board (*conseil de surveillance*), the members of which are elected by shareholders. The members of our Management Board are also our senior managers.

**Management Board**

Under French law, the Management Board has broad powers to act on behalf of our company to further our corporate purposes, subject to those powers expressly granted by law to the Supervisory Board and to our shareholders. The Management Board must obtain the authorization of the Supervisory Board to enter into certain transactions. However, these restrictions cannot be used to rescind a transaction with a third party who has entered into the transaction in good faith.

Pursuant to our *statuts* (by-laws), the Management Board is appointed by the Supervisory Board and must have at least two but no more than five members. Our Supervisory Board may fill any vacancies on the Management Board within two months. The Supervisory Board also appoints one of the members of the Management Board as chairperson. Under French law, the chairperson of the Management Board is appointed, and may be removed as chairperson, at any time by the Supervisory Board with or without cause. Any member of our Management Board may be removed by the shareholders or by the Supervisory Board. The Management Board meets as often as the interests of our company require and at least once per month. Under French law, members of the Management Board must be natural persons, but need not be shareholders of our company. There is no limitation, other than applicable age limits, on the number of terms that a member of the Management Board may serve.

The following table sets forth, for each member of our Management Board, the member's current function in our company and principal business activities outside of our company, the date the member's current term of office is scheduled to expire and the date the member joined the Management Board. In addition, the table provides a summary of the business experience of the members of the Management Board.

**Maurice Lévy**

**Chairman of the Management Board**

|                                 |                   |
|---------------------------------|-------------------|
| Initially Appointed             | November 27, 1987 |
| Most recent term extension      | January 1, 2004   |
| Expiration Date of Current Term | December 31, 2007 |

**Maurice Lévy** joined our company in 1971 and was given responsibility for our data processing and information technology systems. He was successively appointed general secretary (1973), managing director (1977) and chair and chief executive officer (1981) of Publicis Conseil. He became vice chair of our company in 1986 and chair of our Management Board in 1988.

|  |  |
|--|--|
| Principal Function in Publicis in 2006         | Chairman of the Management Board, Chairman and chief executive officer of Publicis Conseil SA (France); Chairman, chief executive officer and director of Publicis US Holdings, Inc. (USA); Member of the supervisory board of Médias & Régies Europeennes (France)<br>Director of: Publicis Canada Inc. (Canada), Fallon Group, Inc. (USA), MMS USA Holdings, Inc. (USA). |
| Principal Business Activities Outside Publicis | President of the Palais de Tokyo, contemporary art center (French association founded in 1901) and Member of the supervisory board of Deutsche Bank  |



**Bertrand Siguier****Member of the Management Board**

|                                 |                   |
|---------------------------------|-------------------|
| Initially Appointed             | June 17, 1999     |
| Most recent term extension      | January 1, 2004   |
| Expiration Date of Current Term | December 31, 2007 |

**Bertrand Siguier** was a financial analyst at the Neuflyze Schlumberger Mallet Bank from 1967 to 1969. He joined our account management department in 1969. Throughout his tenure with us, Mr. Siguier has been involved with managing some of our most important client accounts. He served as deputy manager and international coordinator of Publicis Intermarco Farner from 1974 until 1979, when he became deputy managing director of our agency in London. He joined the board of directors of Publicis Conseil in 1982, serving there until his appointment as vice president of Publicis Communications in 1988. He has been a member of our Management Board since 1999.

## Principal Function in Publicis

## Member of the Management Board

President of Multi Market Services France Holdings SAS (France)  
 Director of: Publicis Constellation SA (France), Publicis Technology SA (France), Publicis Canada Inc. (Canada), Multi Market Services Limited (U.K.), Publicis & Riney (USA), Publicis Hellas Advertising (Greece), Publicis Graphics Group Holding SA (Luxembourg), Publicis Communication Limited (New Zealand), Publicis Mojo Limited (New Zealand), Publicis Graphics Group Holding SA (Luxembourg), Publicis Wet Desert Sdn Bhd (Malaysia), and Publicis Communication (Pty) Ltd (South Africa)  
 Publicis Srl (Italy)  
 Vice Chairman of Bold İletişim Tasarımları Pazarlama ve Danışmanlık Hizmetleri Sanayi ve Ticaret AS (Turkey), Allmedia Medya Planlama Satınalma Danışmanlık Pazarlama AS (Turkey), and of Yorum Tanıtım Basım ve Yayın Hizmetleri AS (Turkey)  
 Deputy chairman of iSe International Sports and Entertainment AG (Switzerland)  
 Permanent representative of Publicis Groupe on the board of Publicis Finance Services SA (France)  
 Permanent representative of Multi Market Services France Holdings on the board of Léo Burnett SAS (France), Quomodo SAS (France) and of Marcel SNC (France)

## Principal Business Activities Outside Publicis

Board member of Gantois SA (France), HM Editions (France) Gaumont

**Kevin Roberts****Member of the Management Board**

|                                 |                    |
|---------------------------------|--------------------|
| Initially Appointed             | September 14, 2000 |
| Most recent term extension      | January 1, 2004    |
| Expiration Date of Current Term | December 31, 2007  |

**Kevin Roberts** joined Cordiant Plc as a director in 1997. In 1999, he became chief executive officer of Saatchi & Saatchi. Mr. Roberts had previously been a group marketing manager for Procter & Gamble, which he left in 1982 to become regional president of Pepsi-Cola Middle East. In 1987, he was appointed regional president of Pepsi-Cola Canada. He became chief operating officer and director of Lion Nathan Limited in 1999. He is currently Director and President of Saatchi & Saatchi Worldwide, Inc. in the United States.

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Principal Function in Publicis Member of the Management Board of Publicis Groupe SA  
Chairman et CEO of Saatchi & Saatchi Worldwide Inc. (USA)  
Director of Saatchi & Saatchi Compton Worldwide Inc. (USA), Saatchi & Saatchi North  
America, Inc. (USA), Rowland Communications Worldwide, Inc. (USA), Thomson  
Murray, Inc. (USA)

Principal Business Activities Outside Publicis Member of the board of Red Rose Limited (New Zealand), Red Rose Charitable S Limited (New Zealand), NZ Edge.com Holding Limited (New Zealand), and USA Rugby (USA).

## Jack Klues

### Member of the Management Board

Initially Appointed December 7, 2004 (with effect January 1, 2005)  
Expiration Date of Term December 31, 2007

**Jack Klues** was chief executive officer of Starcom MediaVest Group until his appointment, in 2005, as Chairman of Publicis Groupe Média. He is also a founding member of Publicis Groupe Media, a Management Board formed in 2004 to oversee and guide our media networks of SMG and ZenithOptimedia. He began his career in 1977 in the Leo Burnett Media department. He rose through the ranks of the media department and was named to the Leo Burnett Company board of directors prior to launching Starcom Worldwide in 1998. He became chairman of the new global company, and then became chief executive officer of SMG when the media companies became sister companies upon the acquisition of Bcom3.

Principal Function in Publicis in 2006 Member of the Management Board of Publicis Groupe SA  
President of Publicis Groupe Média  
Director of Starcom Worldwide SA (France) and of Starcom Worldwide SA de CV (Mexico)  
Director of Starlink Services, Inc. and of Relay, Inc.

## Claudine Bienaimé

### Member of the Management Board

Initially Appointed January 1, 2004  
Expiration Date of Current Term December 31, 2007

**Claudine Bienaimé** has been working for our company since 1966 in a variety of management positions, including general secretary of Publicis Conseil and chairperson of Publicis Centre Media. Since 2001 she has been general secretary of our company.

Principal Function in Publicis Member of the Management Board and general secretary  
Director of: Publicis Conseil SA (France), Médiasystem SA (France) \*, Solange Stric MS&L France SA (France), Groupe Zenithoptimedia SA (France), Publicis Groupe Investissements BV (Netherlands), Publicis Holdings BV (Netherlands), and Publicis Groupe Holdings BV (Netherlands);  
Permanent representative of: Publicis Conseil on the board of: Publicis Finance Ser SA (France), Publicis Et Nous SA (France), Carré Noir SA (France) \*, Re: Sources France SAS (France), Loeb & Associés SA (France), World Advertising Movies SA (France),  
Permanent representative of Publicis Groupe on the board of Publicis Technology S (France);  
Member of the Management Committee of Multi Market Services France Holdings

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(France);

\*Term expired during 2006

Principal Business Activities Outside Publicis Chief executive officer of Société Immobilière du Boisdormant SA (France); Acting general director of Rosclodan SA (France) and Sopofam (France);

Manager of SCI Presbourg Etoile (France); Director of: Gévelot SA (France), P.C.M. Pompes SA (France), Gévelot Extrusion SA (France), and Gurtner SA (France) President of the Audit Committee of Gévelot SA (France)

**Supervisory Board**

The Supervisory Board has the responsibility of exercising whatever ongoing supervisory authority over the management and operations of our company it deems appropriate. Throughout the year it carries out such inspections as it considers appropriate and is given access to any documents it considers necessary. The Supervisory Board also reviews the annual accounts prepared by the Management Board and presents a report on those accounts to the shareholders at the annual shareholders' meeting. It authorizes the Management Board to take actions related to strategic decisions, including those related to transactions that could substantially affect the scope of our activities and significant agreements. In addition, under French law, the Supervisory Board holds certain specific powers, including the power to appoint the members of the Management Board. Our *statuts* (by-laws) provide that each member is elected by the shareholders at an ordinary general shareholders' meeting. Members of the Supervisory Board can be removed from office by a majority shareholder vote at any time. They meet as often as the interests of our company require. Pursuant to our *statuts*, each member of the Supervisory Board must own at least 200 of our shares. Under French law and the *statuts*, the maximum number of Supervisory Board members is 18.

Our Supervisory Board is currently comprised of fifteen members who are listed below.

Internal regulations have established the criteria for independence defined by the Supervisory Board on March 9, 2004. Considering the dissociation in Publicis Groupe of management and the share ownership structure, the Supervisory Board deemed it pertinent to consider the following criteria for independence:

- Not being a salaried employee of the Group or a director of a subsidiary or a close relation of a director;
- Not having significant material business relations with the Group as a client or a supplier;
- Not having any family ties or business relations with any of our auditors.

Applying the independence tests included in the NYSE Listed Company manual and Rule 10A-3 under the Exchange Act, all of the members of the Supervisory Board are independent except: Elisabeth Badinter and her son, Simon Badinter, who is the chairman of the management board of Médias & Régies Europe and an employee of Publicis Groupe; and Henri-Calixte Suaudeau, who was an employee of Publicis Groupe within the last three years. All of the members of the Audit Committee are independent members of the Supervisory Board.

The following table sets forth, for each member of our Supervisory Board, the member's current function in our company and principal business activities outside of our company, the date the member's current term of office is scheduled to expire and the date the member joined the Supervisory Board. The table also sets forth the business experience of each member of the Supervisory Board.

**Elisabeth Badinter**

**Chairperson**

|                                 |   |
|---------------------------------|---|
| Initially Appointed             | November 27, 1987 (appointed as chairperson of the Supervisory Board in April 1996) |
| Most recent extension of term   | June 7, 2006  |
| Expiration Date of Current Term | June 30, 2012   |

**Elisabeth Badinter** is the daughter of Marcel Bleustein-Blanchet. Ms. Badinter is a philosopher and was a lecturer at the Ecole Polytechnique, and is the author of numerous books. She has been a member of our Supervisory Board since 1987 and its chair since 1996.

|   |   |
|---|---|
| Principal Functions and Business Activities in 2006 | Chairperson of the Supervisory Board and Chairperson of the supervisory board of Médias & Régies Europe S.A. (France) |
|---|---|

Member of the Nomination and Compensation Committee of  
Publicis Groupe S.A. (France)  
Author

**Sophie Dulac**

**Vice-chairperson**

|                                 |  |
|---------------------------------|--|
| Initially Appointed             | June 25, 1998 (appointed as vice-chairperson in June 17, 1999) |
| Most recent extension of term   | June 8, 2004   |
| Expiration Date of Current Term | June 30, 2010  |
| Principal Function in Publicis  | Director, vice-chairperson                                     |

**Sophie Dulac** is the niece of Elisabeth Badinter and granddaughter of Marcel Bleustein-Blanchet, the founder of Publicis Groupe. Ms. Dulac is the founder and manager of a recruitment counseling company and since 2001 has served as the chairperson of the board of Les Ecrans de Paris, a company that runs movie theaters. In addition, she directs Sophie Dulac Productions (a film production company) and Sophie Dulac Distribution (a film distribution company).

|  |  |
|--|--|
| Principal Function in Publicis in 2006         | Member of the Supervisory Board, vice-chairperson of Publicis Groupe S.A.  |
| Principal Business Activities Outside Publicis | Manager of Sophie Dulac Productions SARL (France), and Sophie Dulac Distributions SARL (France);<br>Chairperson of the board of Les Ecrans de Paris SA (France);<br>Chairman of Association Paris Tout Court (France). |

**Michel Halpérin**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | March 2, 2006 |
| Expiration Date of Current Term | June 30, 2008 |

**Michel Halpérin** was President of the Grand Conseil of Geneva (Switzerland). An attorney, he was a member of the Conseil de l'Ordre, then Bâtonnier of the Ordre des Avocats of Geneva. Mr. Halpérin has served, in turn, as a representative of the Liberal party on the Grand Conseil of the Canton of Geneva; as head of the Liberal group in the Grand Conseil; and as Vice-President of the Grand Conseil. He served on the fiscal, economic, urban planning parliamentary commissions as well as chairing the judicial, legislative and human rights parliamentary commissions. A director of several companies, Mr. Halpérin is Vice-President of BNP Paribas (Switzerland); he heads a variety of non-profit associations and has contributed to a wide range of projects.

|  |   |
|--|---|
| Principal Business Activities Outside Publicis | Vice-chairperson of <i>Grand Conseil</i> (2003-2004) of Geneva (Switzerland);<br>Chairman of <i>Grand Conseil</i> (2005-2006) of the Canton of Geneva (Switzerland);<br>Chairman of Human Rights Watch, Geneva International Committee;<br>Amis Suisses de l'Université Ben Gourion du Néguev;<br>Vice-chairperson of board of BNP PARIBAS SA (Switzerland);<br>Member of the Board of Fondation Genève Place Financière.<br>Member of the Board of Marc Rich Holding & Co GMBH (Switzerland) |
|--|---|

**Michel David-Weill**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 21, 1990 |
| Most recent term extension      | June 18, 2002 |
| Expiration Date of Current Term | June 30, 2008 |



**Michel David-Weill** has held a variety of senior positions in the Lazard group, which he joined in 1961. Among other things, he was the chairman of Lazard LLC, chairman and chief executive officer of Lazard Frères Banque and chairman and managing partner of Maison Lazard SAS until May 2005. In addition, he is currently serving as Chairman of the Supervisory Board of Eurazeo SA. He is also currently director of the Danone Group and chairman of its Compensation and Appointments committee.

|  |   |
|--|---|
| Principal Function in Publicis in 2006                 | Member of the Supervisory Board<br>Member of the Audit Committee of Publicis Groupe S.A. (France).  |
| Principal Business Activities Outside Publicis in 2006 | President of Malesherbes SAS (France);<br>Director of the board of:<br>Groupe Danone SA (France),<br>Chairperson of the supervisory board of Eurazeo SA (France);<br>Managing partner of:<br>Partena SCS (France)<br>Manager of:<br>Parteman SNC (France) and BCNA*;<br>Chairman of the Nomination and Compensation Committee of Groupe Danone SA (France). |

\*Term expired during 2006

**Henri-Calixte Suaudeau**

**Member of the Supervisory Board**

|                                 |                   |
|---------------------------------|-------------------|
| Initially Appointed             | November 27, 1987 |
| Most recent term extension      | June 7, 2006      |
| Expiration Date of Current Term | June 30, 2012     |

**Henri-Calixte Suaudeau** joined our company in 1989 and is Director of Publicis Conseil after having served in several management positions including president of our Drugstore subsidiary until 1999. He led our real estate department from 1997 to 2004. Prior to 1989, he was an estate administrator and real estate valuation consultant for the French court system.

|  |  |
|--|--|
| Principal Function in Publicis in 2006                 | Director of Publicis Conseil SA (France); Member of the Nomination and Compensation Committee of Publicis Groupe S.A. (France) |
| Principal Business Activities Outside Publicis in 2006 | None   |

**Monique Bercault**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 25, 1998 |
| Most recent term extension      | June 8, 2004  |
| Expiration Date of Current Term | June 30, 2010 |

**Monique Bercault** is a technical advisor for the Chairman of the Médias & Régies Europe Management Board. She has held a variety of positions with our company since joining us and was named head of human resources of Médias & Régies Europe.

Principal Function in Publicis in 2006

Member of the Supervisory Board

Technical advisor to the chairman of the management board  
Médias & Régies Europe

Principal Business Activities Outside Publicis in 2006

None

**Hélène Ploix**

**Member of the Supervisory Board**

51

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|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 25, 1998 |
| Most recent term extension      | June 8, 2004  |
| Expiration Date of Current Term | June 30, 2010 |

**Hélène Ploix** has been president of Pechel Industries Partenaires, manager of Pechel Industries SAS, of which she has served as President since 1997 and manager of FCPR Pechel Industries II. She has served as president of the Banque Industrielle et Mobilière Privée, deputy general manager of the Caisse des Dépôts et Consignations, president of the Caisse Autonome de Refinancement, adviser to the French Prime Minister, director of the International Monetary Fund and the World Bank, and president of CDC Participations.

|  |   |
|--|---|
| Principal Function in Publicis in 2006                 | Member of the Supervisory Board<br>Member of the Audit Committee of Publicis Groupe S.A. (France)   |
| Principal Business Activities Outside Publicis in 2006 | Chairman of:<br>Pechel Industries Partenaires SAS, Pechel Industries SAS (France), and Pechel Services SAS (France);<br>Member of the board of:<br>Lafarge (France), BNP Paribas (France), Boots Alliance Plc (UK), and Ferring (Switzerland);<br>Permanent representative of:<br>Pechel Industries on the boards of Aquarelle.com Group SA (France), Quinette Gallay SA (France), CVBG-Dourthe Kressman SA (France), Xiring * SA (France), and CAE International SA (France);<br>Permanent representative of Pechel Industries Partenaires: SVP Management et Participations SA (France);<br>Manager of Hélène Ploix EURL and Hélène Marie Joseph EURL (France); |

\*Term expired during 2006

**Gérard Worms**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 25, 1998 |
| Most recent term extension      | June 8, 2004  |
| Expiration Date of Current Term | June 30, 2010 |

**Gérard Worms** began his career as a technical adviser in the French civil service. After having held various positions at Société Générale de Belgique, the Rhône Poulenc group and at the Hachette group. From 1990 to 1995, he served as chairman and chief executive officer of the Compagnie de Suez and Chair of the Indosuez Bank. He was chairman of the Conseil des Commanditaires of Rothschild and Cie Banque (Paris).

|  |   |
|--|---|
| Principal Function in Publicis in 2006                 | Member of the Supervisory Board<br>Chair of the Audit Committee of Publicis Groupe S.A. (France)                        |
| Principal Business Activities Outside Publicis in 2006 | Vice Chairman Rothschild Europe (France);<br>Chairman of S.G.I.M. SA (France) *;<br>Member of the supervisory board of: |

Métropole Télévision SA (France), Médias et Régies Europe SA (France), and Paris-Orléans SA (France);

Director of: Editions Atlas SA (France), Cofide SA (Italy); and SIACI SA (France).

Auditor of: Ondéo Degrémont SA (France).

\*Term expired during 2006

**Amaury de Seze**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 25, 1998 |
| Most recent term extension      | June 8, 2004  |
| Expiration Date of Current Term | June 30, 2010 |

**Amaury de Seze** is the President of PAI Partners. He has held senior operating and management positions in a number of major companies. He was appointed general manager of Volvo France in 1981 and served as its chairman from 1986 to 1993. From 1990 to 1993, he was also president of Volvo's European operations, senior vice president of AB Volvo and a member of the executive committee of the Volvo group (AB Volvo). He has served on the boards of the French Postal Service, Schneider, Sema Group, Bruxelles Lambert group, Poliet, Clemessy, Compagnie de Fives Lille and Eiffage, among others.

Principal Function in Publicis in 2006                      Member of the Supervisory Board

Principal Business Activities in 2006                      Chair of the supervisory board of PAI partners UK Ltd (UK); Member of the supervisory board of Gras Savoye SCA (France); Vice-President of supervisory board of Carrefour SA (France) Director of: Eiffage SA (France), Erbé SA (Belgium), Gepeco SA (France), Groupe Bruxelles Lambert SA (Belgium), Groupe Industriel Marcel Dassault SA (France), PAI Europe III General Partner NC (Guernsey), PAI Europe IV General Partner NC (Guernsey), PAI Europe IV UK General Partner Ltd (UK), PAI partners Srl (Italy), SAECO Spa (Italy), Power Corporation du Canada Holding Ltd. (Canada), Pargesa SA (Switzerland), Vivarte SA (France), Novalis SAS (France) and Novasaur SAS (France);

**Simon Badinter****Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 17, 1999 |
| Most recent term extension      | June 1, 2005  |
| Expiration Date of Current Term | June 30, 2011 |

**Simon Badinter** is the son of Elisabeth Badinter. Mr. Badinter joined Médias & Régies Europe in 1991. He is the chairman of the management board of Médias & Régies Europe.

Principal Function in Publicis in 2006                      Chairman of the management board, Médias & Régies Europe SA (France); Permanent representative of Médias et Régies Europe (France), R.P.T.P-Métrobus Publicité SA (France), Médiavision & Jean Mineur SA (France); Chairman of the management board of Gestion Omni Media Inc. (Canada) and Chairman of the management board and Chief Executive Officer of Omni Media Cleveland Inc. (USA) and Chairman and Chief Executive Officer of Médias & Régies America Inc. (USA).

Principal Business Activities Outside Publicis                      None



**Michel Cicurel**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 17, 1999 |
| Most recent term extension      | June 8, 2004  |
| Expiration Date of Current Term | June 30, 2010 |

**Michel Cicurel** is currently chair of Compagnie Financière Edmond de Rothschild Banque and Compagnie-Financière Saint-Honoré. He was previously a senior official in the French Treasury Department, after which he held senior management positions at the Compagnie Bancaire, Cortal Bank, Dumenil-Leble Bank, the Danone Group and Cerus.

Principal Function in Publicis in 2006

Member of the Supervisory Board  
Chair of the Nomination and Compensation Committee of Publicis Groupe S.A. (France)

Principal Business Activities Outside Publicis

Chairman of the Management Board of: La Compagnie Financière Edmond de Rothschild Banque SA and Compagnie-Financière Saint-Honoré SA (France);  
Chairman of the board of: ERS SA (France), Edmond de Rothschild SGR Spa (Italy), and Edmond de Rothschild SIM Spa (Italy); Chairman of the supervisory board of: Edmond de Rothschild Multi Management SAS (France);  
Member of the board of:  
Banque Privée Edmond de Rothschild (Switzerland), Edmond de Rothschild Limited (U.K.), La Compagnie Financière Holding Edmond et Benjamin de Rothschild SA (Switzerland), La Compagnie Benjamin de Rothschild (Switzerland), Bouygues Telecom SA (France), Cdb Web Tech (Italy), Rexecode (Association) (France), and Société Générale SA (France).  
Permanent representative of:  
Compagnie Financière Edmond de Rothschild Banque (France) on the boards of Edmond de Rothschild Corporate Finance SA (France), Edmond de Rothschild Asset Management SA (France), Edmond de Rothschild Financial Services (France), Equity Vision SA France and Assurances et Conseils Saint-Honoré (France).  
Member of the board of limited Partners of Rothschild & Compagnie Banque SCS (France).  
Permanent representative of Compagnie-Financière Saint-Honoré on the board of Cogifrance SA (France) Auditor, Paris-Orléans SA (France)

**Felix George Rohatyn**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 14, 2001 |
| Expiration Date of Current Term | June 30, 2007 |

**Felix George Rohatyn** is Chief Executive Officer of Rohatyn Associates LLC. He had previously served as the U.S. Ambassador to France from 1997 until 2000 and had been a managing director of Lazard Frères and Company. He joined Lazard Frères in 1948 and became a partner there in 1961. From 1968 to 1972, he has also served as a member of the Board of Governors of the New York Stock Exchange. From 1975 to 1993, he was chairman of the Municipal Assistance Corporation of the City of New York.

Principal Function in Publicis in 2006

Member of the Supervisory Board



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Principal Business Activities Outside Publicis Chairman of Rohatyn Associates LLC (USA) and of Lehman Brothers' International Advisory Committees; Director of: LVMH Moët Hennessy Louis Vuitton S.A. (France), Rothschilds Continuation Holdings AG (Switzerland) \* and French-American Foundation (USA);  
Member of supervisory board of Lagardère Group S.A. (Switzerland);  
Trustee and vice-chairperson of Carnegie Hall (USA) and Trustee of Center for Strategic and International Studies (CSIS) (USA) and on the Board of Middlebury College (USA)  
Member of the Council on Foreign Relations (USA)

\*Term expired during 2006

**Léone Meyer**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Appointed                       | June 7, 2006  |
| Expiration Date of Current Term | June 30, 2012 |

**Léone Meyer** is currently President of Phison Capital, finance and investment company. From 1998 to 2005, she was appointed Chairman and Member of the Supervisory Board of Galeries Lafayette SA, Chairman of Sogefin, Member of the Supervisory Board of BHV and Member of the Boards of Cofinoga, Lafayette Services-Laser and Monoprix. She was Member of the Supervisory Board of Casino from 2000 to 2003.

|  |                                 |
|--|---------------------------------|
| Principal Function in Publicis in 2006         | Member of the Supervisory Board |
| Principal Business Activities Outside Publicis | Chair of Phison Capital         |

**Yutaka Narita**

**Member of the Supervisory Board**

|                                 |               |
|---------------------------------|---------------|
| Initially Appointed             | June 18, 2002 |
| Expiration Date of Current Term | June 30, 2008 |

**Yutaka Narita** has been principal advisor of Dentsu since 2004. Since joining Dentsu in 1953, he has held a variety of positions, in particular, director of the newspaper/magazine division starting in 1971 and later, director of one of Dentsu's account services divisions. He became a member of the Dentsu board of directors in 1981, served as managing director from 1983-1989 and was subsequently promoted to senior managing director. In 1993 he became the ninth president of Dentsu, and, as of June 27, 2002, he became chairman and chief executive officer of Dentsu.

|  |   |
|--|---|
| Principal Function in Publicis in 2006         | Member of the Supervisory Board   |
| Principal Business Activities Outside Publicis | Principal advisor of Dentsu Inc.;   |
|  | Chairman of the Japan Advertising Agencies Association;                                       |
|  | Chairman of the Japan Audit Bureau of Circulation and of Dentsu Communication Institute Inc.; |
|  | Executive director of FM Japan Ltd.*;   |
|  | Member of the Foundation Board of the Institute for Management Development;                   |
|  | Member of: the French Chamber of Commerce and Industry in                                     |

Japan, and the Strategic Council on Attractiveness of France;  
Professor Emeritus, Beijing University.

\*Term expired during 2006

**Tateo Mataki**

**Member of the Supervisory Board**

Initially Appointed

September 9, 2004

Expiration Date of Current Term

June 30, 2008

**Tateo Mataki** has been president and chief executive officer of Dentsu Inc. since 2004. Mr. Mataki joined Dentsu in 1962, where he held several positions until he joined the Dentsu board of directors in 1993, first as managing director for the Newspaper and Magazines Divisions, then as senior managing director in charge of Account Services. Named executive vice president in 1999, he became the tenth president of Dentsu in 2002.

Principal Function in Publicis

Member of the Supervisory Board

Principal Business Activities Outside Publicis

Chairman and Chief Executive Officer of Dentsu Inc.;  
Vice president of Japan Marketing Association, International Advertising; Association Japan Chapter; Organizing Committee for the IAAF World Championship in Athletics 2007;  
Member of Controlling Committee of Japan Advertising Agencies Association \*  
President of Japan Advertising Agencies Association;  
Member of: the Nippon Academy Award Association and The Tokyo Chamber of Commerce and Industry;  
Director of:  
Tokyo Broadcasting System Television, Inc, Broadcasting System of Niigata Inc, Shinetsu Broadcasting Corporation Ltd;  
Senior Corporate Advisor to Iwate Broadcasting Co., Ltd.  
External director of Television Nishinippon Corporation

\*Term expired during 2006

**ADDITIONAL INFORMATION**

The Supervisory Board currently has 15 members. See [ ] Directors, Senior Management and Employees. The rules of company government and the independence criteria adopted by the Company for the members of the Supervisory Board are discussed in [ ] Directors, Senior Management and Employees.

Internal guidelines are based on the independence criteria defined by the Supervisory Board on March 9, 2004. In view of the separation of the management and supervisory tasks within the Company and the capital structure, the Supervisory Board accordingly adopted the following characteristics as independence criteria:

- not be an employee or a member of the Supervisory Board or the Management Board or a close relative of such member;
- not have a significant business relationship with the Company as either a client or a supplier;
- not have any family ties or business relationship with any of the Company's auditors.

Except as noted above or in Item 7 [ ] Major Shareholders and Related Party Transactions, there are no family relationships between any of the members of our Supervisory Board or Management Board or any potential conflicts of interest between the members of our Supervisory Board or Management Board. We have no agreements with any of the members of our Supervisory Board or Management Board providing for benefits to be paid upon termination of employment, nor do any of our subsidiaries have any such agreements, except as described in [ ] Directors, Senior Management and Employees, [ ] Item 7 [ ] Major Shareholders and Related Party

Transactions and Item 10 Additional Information Material Contracts Agreements with Directors. Except as described in Item 7 Major Shareholders and Related Party Transactions, none of the members of the Supervisory Board or the Management Board was selected pursuant to arrangements or understandings with major shareholders, customers, suppliers or others.

**COMPENSATION**

The following table sets forth the total compensation and benefits that were paid to the members of our Supervisory Board or Management Board, either by the Company itself, or by any of its controlled subsidiaries as defined by article 233-16 of the French *Code de commerce*, during the fiscal year ended December 31, 2006. For certain members of the Supervisory Board or the Management Board, this compensation includes both a fixed salary and a variable bonus. The fixed salary included in the total compensation is set forth in the following table (amounts are in euros and do not reflect deductions relating to taxes or social charges).

|                                     | 2006                     |                  |                            |                      | 2005                  |                          |                  |
|-------------------------------------|--------------------------|------------------|----------------------------|----------------------|-----------------------|--------------------------|------------------|
|                                     | Total Gross Compensation | Fixed Salary     | Variable Compensation (10) | Attendance Fees (10) | Benefits in Kind (11) | Total Gross Compensation | Fixed Salary     |
| <b>Management Board</b>             |                          |                  |                            |                      |                       |                          |                  |
| Maurice Lévy <sup>(7)</sup>         | 3,300,000                | 900,000          | 2,400,000                  |                      |                       | 3,060,430                | 800,080          |
| Claudine Bienaimé <sup>(6)</sup>    | 463,200                  | 180,000          | 283,200                    |                      |                       | 300,000                  | 120,000          |
| Jack Klues <sup>(1)</sup>           | 1,831,252                | 797,210          | 1,020,429                  |                      | 13,613                | 1,608,439                | 643,688          |
| Kevin Roberts <sup>(1)(8)</sup>     | 3,647,994                | 797,210          | 2,833,284                  |                      | 17,500                | 2,561,550                | 804,610          |
| Bertrand Siguier                    | 661,953                  | 400,000          | 261,953                    |                      |                       | 577,440                  | 327,440          |
| <b>Supervisory Board</b>            |                          |                  |                            |                      |                       |                          |                  |
| Elisabeth Badinter                  | 227,939                  | 182,939          |                            | 45,000               |                       | 222,939                  | 182,939          |
| Sophie Dulac                        | 20,000                   |                  |                            | 20,000               |                       | 15,000                   |                  |
| Robert Badinter <sup>(2)</sup>      | 20,000                   |                  |                            | 20,000               |                       | 15,000                   |                  |
| Michel David-Weill                  | 35,000                   |                  |                            | 35,000               |                       | 10,000                   |                  |
| Henri-Calixte Suaudeau              | 45,000                   |                  |                            | 45,000               |                       | 40,000                   |                  |
| Monique Bercault                    | 25,000                   |                  |                            | 25,000               |                       | 20,000                   |                  |
| Hélène Ploix                        | 55,000                   |                  |                            | 55,000               |                       | 45,000                   |                  |
| Gérard Worms                        | 55,000                   |                  |                            | 55,000               |                       | 45,000                   |                  |
| Amaury de Seze                      | 15,000                   |                  |                            | 15,000               |                       | 10,000                   |                  |
| Simon Badinter <sup>(1)(9)</sup>    | 344,956                  | 153,064          | 163,464                    | 20,000               | 8,428                 | 322,520                  | 154,485          |
| Michel Cicurel                      | 45,000                   |                  |                            | 45,000               |                       | 30,000                   |                  |
| Robert L. Seelert <sup>(1)(3)</sup> | 299,724                  | 239,163          |                            | 20,000               | 40,561                | 290,543                  | 241,383          |
| Felix G. Rohatyn                    | 10,000                   |                  |                            | 10,000               |                       | 15,000                   |                  |
| Yutaka Narita                       | 20,000                   |                  |                            | 20,000               |                       | 20,000                   |                  |
| Tateo Mataka                        | 15,000                   |                  |                            | 15,000               |                       | 5,000                    |                  |
| Fumio Oshima                        | -                        | -                | -                          | -                    | -                     | 10,000                   |                  |
| Michel Halpérin <sup>(4)</sup>      | -                        | -                | -                          | -                    | -                     | -                        | -                |
| Léone Meyer <sup>(5)</sup>          | -                        | -                | -                          | -                    | -                     | -                        | -                |
| <b>TOTAL</b>                        | <b>11,137,018</b>        | <b>3,649,586</b> | <b>6,962,330</b>           | <b>445,000</b>       | <b>80,102</b>         | <b>9 223 861</b>         | <b>3,274,625</b> |

(1) Compensation defined and paid in dollars. The conversion into euros was made at an average rate of 1 \$ = 0.79721 in 2006 and 1 \$ = 0.80461 in 2005.

(2) Mr. Badinter's term of office expired on March 2, 2006.

(3) Mr. Seelert's term of office expired on June 7, 2006.

- (4) *Mr. Halpérin was appointed to the Supervisory Board on March 2, 2006.*
- (5) *Ms. Meyer was appointed to the Supervisory Board on June 7, 2006.*
- (6) *Variable compensation in 2006 includes a loyalty bonus (€3,200), paid based on Group's practices in France at the 40<sup>th</sup> anniversary of service within the Group.*
- (7) *Base compensation in 2006 includes €100,000 owed on December 31, 2006 that was paid in 2007.*
- (8) *Variable compensation includes an annual pension payment under the contract.*
- (9) *Criteria for variable parts: changes in results of operations of Média & Régies Europe.*
- (10) *Amounts paid in 2006 for the year 2005 (subject to notes (6) and (8)).*
- (11) *Benefits in kind do not include the use of a company car when it does not constitute material amounts.*

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The conditions of employment of the members of the Management Board are set by the Supervisory Board based on recommendations from the Compensation Committee. Yearly compensation for members of the Management Board includes a fixed component (salary and benefits), and a variable bonus, defined in relation to the base salary. The amount of the variable component (the bonus) is based on the year's performance and on the extent to which quantitative goals relating to the Company's results of operations and qualitative goals were reached. The Compensation Committee determines to what extent such goals were achieved. The main criteria for determining the bonus paid to members of the Management Board for fiscal years 2005 and 2006 were:

- Mr. Maurice Lévy: organic growth of revenue and our rate of net results, compared to the three leading worldwide communication groups; the consolidation of new management structures and the continuation of the Group's roll-out;
- Mr. Kevin Roberts: the growth of Saatchi & Saatchi's operating income relative to the budget and goals. In addition to the 2005 and 2006 yearly bonuses, we paid a yearly pension allocation pursuant to undertakings following the acquisition de Saatchi & Saatchi, which was mentioned in the current contract described Item 10 "Additional Information" Material Contracts/Agreements with Directors;
- Mr. Jack Klues: the growth of Publicis Groupe Media's operating income relative to the budget and goals;
- Mr. Bertrand Siguier: the achievement of qualitative goals in the sectors for which he is responsible (in particular the Dentsu partnership, sports marketing, development of the Group's business in Africa);
- Ms. Claudine Bienaimé: the achievement of qualitative goals in her function as General Secretary of the Groupe.

In accordance with the global maximum package of the fees of the members of our Supervisory Board determined by the shareholders' general assembly, each of the members of the Supervisory Board received €5,000 in 2006 for each meeting attended in 2005. An amount of €5,000 was paid to each member of the Audit Committee and of the Appointment and Compensation Committee for each meeting attended in 2005.

*Compensation due for 2006*

On February 27, 2007, after having heard the recommendations of the Compensation Committee, the Supervisory Board set the following amounts for variable compensation to be paid in 2007 to the members of the Management Board for the 2006 fiscal year: Maurice Lévy, €2,700,000; Kevin Roberts, \$1,800,000; Jack Klues, \$1,500,000; Bertrand Siguier, €350,000; and Claudine Bienaimé, €300,000.

The gross compensation for 2006 of the members of the Management Board, compared to compensation for 2005, is presented in the following table:

*Compensation (in euros) for fiscal years 2005 and 2006 (gross amounts before taxes)*

|                         | <b>Total for<br/>2006, of<br/>which:</b> | <b>Fixed Salary</b> | <b>Variable<br/>Compensation</b> | <b>Benefits<br/>in kind<br/>(4)</b> | <b>Total for<br/>2005, of<br/>which:</b> | <b>Fixed Salary</b> | <b>Variable<br/>Compensation</b> | <b>Benefi<br/>in kin<br/>(4)</b> |
|-------------------------|--|---------------------|----------------------------------|-------------------------------------|--|---------------------|----------------------------------|----------------------------------|
| <b>Management Board</b> |  |                     |                                  |                                     |  |                     |                                  |                                  |
| Maurice Lévy            | 3,600,000                                | 900,000             | 2,700,000                        |                                     | 3,200,080                                | 800,080             | 2,400,000                        |                                  |
| Claudine Bienaimé (2)   | 483,200                                  | 180,000             | 303,200                          |                                     | 400,000                                  | 120,000             | 280,000                          |                                  |
| Jack Klues (1)          | 2,006,638                                | 797,210             | 1,195,815                        | 13,613                              | 1,676,210                                | 643,688             | 1,020,429                        | 12,09                            |
| Kevin Roberts (1) (3)   | 3,169,668                                | 797,210             | 2,354,958                        | 17,500                              | 3,661,704                                | 804,610             | 2,833,284                        | 23,81                            |
| Bertrand Siguier        | 750,000                                  | 400,000             | 350,000                          |                                     | 589,393                                  | 327,440             | 261,953                          |                                  |

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- (1) *Compensation defined and paid in dollars. The conversion into euros was made at an average rate of \$1 = 0.79721 in 2006 and \$1 = 0.80461 in 2005.*
- (2) *Variable compensation in 2006 includes a loyalty bonus ( 3,200) paid based on Group s practices in France on the 40<sup>th</sup> anniversary of employment with the Group.*
- (3) *Variable compensation includes an annual pension payment under the contract.*
- (4) *Benefits in kind do not include the use of a company car when it does not constitute material amounts.*



**BOARD PRACTICES**

Our Supervisory Board has established an Appointments and Compensation Committee and an Audit Committee. In 2006, the Appointments and Compensation Committee was composed of Michel Cicurel, chair of the committee, Elisabeth Badinter and Henri-Calixte Suaudeau. The committee reviewed and made recommendations to the Supervisory Board concerning the appointment of members of the Supervisory Board of our company and the remuneration of the members of the Management Board.

At the end of 2006, our Supervisory Board adopted an amendment to its internal rules effecting the split of the Appointments and Compensation Committee into two separate Committees, thus creating an Appointments Committee and a Compensation Committee. Since February 27, 2007, the Appointments Committee is composed of Elisabeth Badinter, the chair of this committee, Michel Cicurel, Léone Meyer and Henri-Calixte Suaudeau. The committee reviews and makes recommendations to the Supervisory and Management boards concerning the appointment of the members of the Supervisory and Management boards.

Since February 27, 2007, the Compensation Committee is composed of Michel Cicurel, chair of this committee, Elisabeth Badinter and Amaury de Seze. Michel Cicurel chairs the committee since July 2005 (when it was still the Appointments and Compensation Committee). Gérard Pédraglio was designated as a permanent expert on the committee. The committee reviews and makes recommendations to the Supervisory Board concerning the remuneration of the members of the Management Board.

The Audit Committee is composed of Gérard Worms, the president of the committee, Hélène Ploix and Michel David-Weill. Jean-Paul Morin was designated as the permanent Audit Committee expert. The committee oversees the organization and execution of our audits with a view to ensuring the consistency and accuracy of the financial statements and reviews our financial procedures and the implementation of recommendations of our external auditors. The Audit Committee is also responsible for reviewing the budget for external audits to be approved by the Management Board.

**EMPLOYEES**

As of December 31, 2006, we employed approximately 39,939 people worldwide. Our employees are distributed geographically and by main category of activity as follows:

|                                       | <u>2006</u>   | <u>2005</u>   | <u>2004</u>   |
|---------------------------------------|---------------|---------------|---------------|
| Europe                                | 15,258        | 14,412        | 14,151        |
| North America                         | 11,990        | 12,158        | 11,308        |
| Rest of World                         | 12,691        | 12,040        | 10,925        |
| <b>Total</b>                          | <b>39,939</b> | <b>38,610</b> | <b>36,384</b> |
|                                       | <u>2006</u>   | <u>2005</u>   | <u>2004</u>   |
| Commercial                            | 22%           | 23%           | 22%           |
| Creative                              | 17%           | 18%           | 17%           |
| Production and specialized activities | 15%           | 15%           | 15%           |
| Media and research                    | 22%           | 22%           | 22%           |
| Administration and Management         | 17%           | 16%           | 17%           |
| Other                                 | 7%            | 6%            | 7%            |
| <b>Total</b>                          | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   |

Our employees' membership in trade unions varies from country to country, and we are party to numerous collective bargaining agreements. As is generally required by law, we renegotiate our labor agreements in Europe annually in each country in which we operate. There is no material level of trade union membership in our U.S. operations. We believe that our relationship with our employees is good.

**SHARE OWNERSHIP**

As of December 31, 2006, none of our Supervisory Board or Management Board members owns 1% or more of our shares except as described under Item 7 Major Shareholders and Related Party Transactions  Major Shareholders, and except for Léone Meyer who beneficially owned 8,841,829 or approximately 4.45% of our shares, and for Maurice Lévy, who beneficially owned 4,607,354 of

our shares (including 3,000,000 shares owned through *sociétés civiles* owned by Mr. Lévy and his family), or approximately 2.32% of our total outstanding shares.

Our Management Board and Supervisory Board members as a group (excluding Elisabeth Badinter and her children) owned, directly or indirectly, 16,161,619 of our shares, representing approximately 8.13% of our shares as of December 31, 2006 (including 2.32% controlled by Mr. Maurice Lévy). See Item 7 [Major Shareholders and Related Party Transactions] Major Shareholders for further information concerning ownership of our shares by Ms. Badinter. The members of our Supervisory Board or the Management Board as a group also owned options to subscribe or to purchase 2,803,918 of our shares (1,005,460 of which are exercisable) as of December 31, 2006. The exercise of 950,000 of these options will be subject to meeting objectives over the course of a 3-year plan. These options have exercise prices ranging from [4.91 to [33.18 per share and will expire between 2006 and 2015. See note 28 of the notes to the consolidated financial statements.

The following table contains information regarding the numbers of shares, voting rights and stock options held by Publicis Groupe's Management Board and Supervisory Board members as of December 31, 2006. Two types of stock options are held: those with the right to buy [new] shares if the Company issues additional shares, and those with the right to buy [existing] shares.

|                          | Shares of<br>Publicis<br>Groupe<br>Owned | Voting<br>Rights of<br>Publicis<br>Groupe<br>Owned(1) | Options Held That<br>are Exercisable for Existing<br>Shares |                 |   |                              |
|--------------------------|--|---|---|-----------------|---|------------------------------|
|                          |  |   | Options Held<br>for New<br>Shares                           | Total<br>Number | Number<br>That are<br>Conditional<br>Options(2) | Weighted<br>Average<br>Price |
| <b>Management Board</b>  |  |   |   |                 |   |                              |
| Maurice Lévy(3)          | 4,607,354                                | 9,073,082   | 195,500   | 1,396,275       | 300,000   | 25.89                        |
| Claudine Bienaimé(4)     | 62,815                                   | 125,630   | 15,500  | 150,449         | 90,000  | 26.12                        |
| Jack Klues(5)            | 0  | 0   |   | 338,164         | 170,000   | 27.05                        |
| Kevin Roberts(6)         | 0  | 0   |   | 497,840         | 300,000   | 27.50                        |
| Bertrand Siguier(7)      | 85,000                                   | 170,000   | 6,000   | 204,190         | 90,000  | 27.10                        |
| <b>Supervisory Board</b> |  |   |   |                 |   |                              |
| Elisabeth Badinter       | 20,072,339                               | 40,144,678  |   |                 |   |                              |
| Sophie Dulac             | 2,469,460                                | 4,938,920   |   |                 |   |                              |
| Michel David-Weill       | 1,000                                    | 1,120   |   |                 |   |                              |
| Henri-Calixte Suaudeau   | 80,381                                   | 160,762   |   |                 |   |                              |
| Monique Bercault         | 840                                      | 1,680   |   |                 |   |                              |
| Léone Meyer              | 8,841,829                                | 8,841,829   |   |                 |   |                              |
| Hélène Ploix             | 8,950                                    | 17,900  |   |                 |   |                              |
| Gérard Worms             | 340                                      | 680   |   |                 |   |                              |
| Michel Halpérin          | 1,500                                    | 1,500   |   |                 |   |                              |
| Amaury de Seze           | 200                                      | 400   |   |                 |   |                              |
| Simon Badinter           | 350                                      | 700   |   |                 |   |                              |
| Michel Cicurel           | 200                                      | 200   |   |                 |   |                              |
| Felix G. Rohatyn         | 1,000                                    | 2,000   |   |                 |   |                              |
| Yutaka Narita            | 200                                      | 400   |   |                 |   |                              |
| Tateo Mataka             | 200                                      | 200   |   |                 |   |                              |

- (1) *Reflects impact of double voting rights, as applicable.*
- (2) *The exercise of these options is subject to meeting certain objectives over the course of a 3-year plan [LTIP II] (2006-2008).*
- (3) *Options held in tranches 9, 11, 15, 16, 19, 21 and 22.*
- (4) *Options held in tranches 7, 8, 9, 11, 13, 17 and 22.*
- (5) *Options held in tranche 17 and 22.*

- (6) Options held in tranche 19 and 22.  
 (7) Options held in tranche 9, 11, 13, 16, 19 and 22.

We have a number of stock option plans available to our Management Board and Supervisory Board members, managers and other employees. In addition, Saatchi & Saatchi and Nelson Communications had in place stock option plans for their directors and employees before we acquired them. When the acquisition of each of those firms was completed, options under the relevant plans were converted into options to purchase or subscribe for our shares. See note 28 of the notes to our financial statements for a summary of each of the plans we currently maintain.

The following table shows the stock options that were granted to and/or exercised by the members of the Management Board during the period January 1, 2006 to December 31, 2006:

|  | <b>Stock Options<br/>Granted/<br/>Purchased</b> | <b>Title of Stock<br/>Option (*)</b> | <b>Average<br/>Price<br/>(in euros)</b> | <b>Expiration<br/>Date</b> | <b>Plan</b>              |
|--|---|--------------------------------------|---|----------------------------|--------------------------|
| <b>Stock options granted from January 1st to<br/>December 31, 2006</b>   |   |                                      |   |                            |                          |
| Maurice Lévy   | 100,000   | A                                    | 29.27                                   | 08/20/2016                 | 21 <sup>st</sup> tranche |
|  | 300,000*  | A                                    | 29.27                                   | 08/20/2016                 | 22 <sup>nd</sup> tranche |
| Kevin Roberts  | 300,000*  | A                                    | 29.27                                   | 08/20/2016                 | 22 <sup>nd</sup> tranche |
| Bertrand Siguier   | 90,000*   | A                                    | 29.27                                   | 08/20/2016                 | 22 <sup>nd</sup> tranche |
| Jack Klues   | 170,000*  | A                                    | 29.27                                   | 08/20/2016                 | 22 <sup>nd</sup> tranche |
| Claudine Bienaimé  | 90,000*   | A                                    | 29.27                                   | 08/20/2016                 | 22 <sup>nd</sup> tranche |
| <b>Stock options exercised from January 1st to<br/>December 31, 2006</b> |   |                                      |   |                            |                          |
| Maurice Lévy   | □   |                                      |   |                            |                          |
| Kevin Roberts  | □   |                                      |   |                            |                          |
| Bertrand Siguier   | □   |                                      |   |                            |                          |
| Jack Klues   | □   |                                      |   |                            |                          |
| Claudine Bienaimé  | □   |                                      |   |                            |                          |

(\*) the exercise of these options is conditional on achieving the goals under the three-year plan 2006-2008 entitled *□LTIP II□*

### Employee Shareholdings

The options for subscription or purchase of our shares, offered to and exercised by the 10 most highly compensated employees who are not members of the Supervisory Board or Management Board, are the following:

|  | <b>Number of<br/>options<br/>granted /<br/>subscribed or<br/>purchased</b> | <b>Average weighted<br/>price (□)</b> | <b>Plan</b>                  |
|--|--|---------------------------------------|------------------------------|
| Options granted between January 1 and December 31, 2006, | 738,000  | 29.27                                 | 22 <sup>nd</sup> tranche (1) |

by the issuer and by any company included in the scope of option allocation to their respective ten employees, whose number of options thus extended is the highest (on the global basis)

|  |         |       |  |
|--|---------|-------|--|
| Options held from the issuer and the aforementioned companies, exercised between January 1 and December 31, 2006 by their respective ten employees who bought or subscribed the greatest number of options (on the global basis) | 264,274 | 23.82 | 8/9/17/19th tranches and former Nelson plans |
|--|---------|-------|--|

*(1) The exercise of these options is subject to meeting the goals based on a three-year plan.*

The total number of options to be exercised on December 31, 2006 by the ten above-mentioned employees who collected the greatest number of options in 2006 amounts to 1,291,081 at an average price of €27.45 each. Of these, 738,000 options are conditional.

The total number of options for subscription or purchase of our shares distributed or exercised during the 2006 fiscal year as well as those remaining to be exercised on December 31, 2006 are shown in note 28 of the notes to our consolidated financial statements.

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The tables below shows the options allocated over the last 10 years:

|   | <u>1997*</u>      | <u>1998*</u>      | <u>1998*</u>       | <u>2000</u>  | <u>Formerly<br/>Nelson<br/>Plans(1)</u> | <u>Formerly<br/>Saatchi<br/>Plans (2)</u> |
|---|-------------------|-------------------|--------------------|--|---|---|
| Date of the Extraordinary General Meeting authorizing the allocations                                   | 12/16/1994        | 12/16/1994        | 12/16/1994         | 08/29/2000   |   |   |
| Date of the Management Board's meeting deciding the allocation  | 03/20/97          | 03/11/98          | 11/04/98           | 09/07/00   |   |   |
| Total number of allocated share subscription options (S) and share purchase options (A)                 | 9,615<br>S        | 6,600<br>S        | 33,150<br>S        | 100,000<br>A   | (1)<br>699,367<br>A                     | 4,253,507                                 |
| Of which number allocated to the members of the Supervisory Board or the Management Board:              | 2,019             | -                 | 21,850             | 100,000  | -                                       |   |
| Of which number allocated to the ten first beneficiary employees:                                       | 7,116             | 6,600             | 5,300              | -  | -                                       |   |
| Start date for exercise of the options  | 03/20/01          | 03/11/02          | 11/04/03           | 1/3 <sup>rd</sup> □ 09/07/01<br>1/3 <sup>rd</sup> - 09/07/02<br>1/3 <sup>rd</sup> - 09/07/03 | (1)                                     | (3)<br>09/08/00                           |
| Expiration Date   | 03/19/07          | 03/10/08          | 11/03/08           | 09/06/10   | 2008/2009                               | 04/20/06                                  |
| Subscription or purchase price in FF/□  | 369 FF<br>56.30 □ | 568 FF<br>86.60 □ | 672 FF<br>102.44 □ | 43.55 □  | (1)                                     |   |
| Subscription or purchase price in □ as at 12/31/06  | 5.63              | 8.66              | 10.24              | 43.55  | (1)                                     |   |
| Adjusted total number of allocated share purchase options and share subscription options as at 12/31/06 | 96,150            | 66,000            | 331,500            | 100,000  | (1)                                     |   |
| Total number of shares subscribed or purchased as   | 78,640            | 39,000            | 65,500             | -  | 381,339                                 | 4,218,415                                 |



at 12/31/06

|   |   |   |   |   |         |        |
|---|---|---|---|---|---------|--------|
| Total number of cancelled share subscription options or share purchase options as at 12/31/06 | - | - | - | - | 318,028 | 35,090 |
|---|---|---|---|---|---------|--------|

|  |                       |        |         |         |   |   |
|--|-----------------------|--------|---------|---------|---|---|
| Total number of share purchase options and share subscription options remaining as at 12/31/06 | 17,510 <sup>(4)</sup> | 27,000 | 266,000 | 100,000 | 0 | 0 |
|--|-----------------------|--------|---------|---------|---|---|

\* *The Plans for 1997 to 1998 have been taken from plans for Publicis Communication, which became Publicis Groupe SA as a result of the merger of Publicis Communication with Publicis Groupe SA on December 11, 1998. The number of options resulting from the initial conversion was multiplied by ten following the division by ten of the nominal value of the Publicis Groupe SA shares in 2000.*

(1) *Plans (mainly 1998 and 1999) regarding subscription of Nelson Communication shares. These options were transformed into options to purchase Publicis Groupe SA shares (at a unit price of \$24.40 for the 1998 to 1999 plans) at the time of the acquisition of Nelson Communication in November 2000. At the end of December 2000, the number of options remaining to be exercised was 699,367.*

(2) *The exercise of options granted under the Saatchi & Saatchi option plans in existence at the time of the public exchange offer by Publicis Groupe SA for the shares of Saatchi & Saatchi in 2000 resulted in the conversion of the Saatchi & Saatchi shares received by the optionholders*

*into Publicis Groupe shares in accordance with the ratio used for the exchange of shares at the time of the acquisition, that is, 18,252 shares of Publicis Groupe SA for 100 shares of Saatchi & Saatchi.*

- (3) *Date of the Publicis Groupe SA General Assembly, where the acquisition of Saatchi and Saatchi was decided.*
- (4) *Following a technical correction of the balance of options to be exercised on December 31, 2000.*

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|  | 2001       | 2001         | 2002     | 2002     | 2002     | 2003       | 2003             | 2004       | 2004          |
|--|------------|--------------|----------|----------|----------|------------|------------------|------------|---------------|
| Date of the Extraordinary General Shareholders' Meeting authorizing the allocations                    | 08/29/00   | 08/29/00     | 08/29/00 | 08/29/00 | 08/29/00 | 08/29/00   | 08/29/00         | 08/29/00   | 08/29/00      |
| Date of the Management Board's meeting deciding the allocation   | 04/23/01   | 11/26/01     | 01/18/02 | 06/10/02 | 07/08/02 | 08/28/03   | 08/28/03         | 09/28/04   | 09/28/04      |
| Total number of allocated share subscription options (S) or share purchase options (A)                 | 380,000    | 2,943,135(1) | 104,600  | 5,000    | 220,000  | 517,067    | 9,498,000 (1)    | 11,000     | 1,959,080     |
|  | A          | A            | A        | A        | A        | A          | A                | A          | A             |
| Of which number allocated to members of the Supervisory or Management Boards:                          | 220,000    | 278,057(1)   | 15,000   | -        | 220,000  | 415,000    | -                | -          | 575,000       |
| Of which number allocated to the ten first beneficiary employees:                                      | 712,705(1) |              | 75,100   |          | -        | 970,000(1) |                  | 442,580(2) |               |
| Start date for exercise of the options   | 04/23/05   | 11/26/05     | 01/18/06 | 06/10/06 | 07/08/06 | 08/28/07   | 50% 2006(2)      | 09/28/08   | 50% 2008      |
|  |            |              |          |          |          |            | 50% 4/25/2007(2) |            | 50% 4/25/2008 |
| Expiration Date  | 04/22/11   | 11/25/11     | 01/17/12 | 06/09/12 | 7/07/12  | 08/27/13   | 08/27/13         | 09/27/14   | 09/27/14      |
| Subscription or purchase price in FF/€   | 33.18 €    | 29.79 €      | 29.79 €  | 32.43 €  | 29.79 €  | 24.82 €    | 24.82 €          | 24.82 €    | 24.82 €       |
| Subscription or purchase price in € as at 12/31/06   | 33.18      | 29.79        | 29.79    | 32.43    | 29.79    | 24.82      | 24.82            | 24.82      | 24.82         |
| Adjusted total number of allocated share purchase options or share subscription options as at 12/31/06 | 380,000    | 2,943,135(1) | 104,600  | 5,000    | 220,000  | 517,067    | 9,498,000(1)     | 11,000     | 1,959,080     |
| Total number of cancelled shares subscribed or purchased as at 12/31/06                                | -          | -            | -        | -        | -        | -          | 688,879          | -          | 138,540       |
| Total number of cancelled share subscription options or share purchase option as at 12/31/06           | 13,000     | 2,943,135(1) | 11,200   | -        | -        | 21,000     | 3,129,294        | -          | 303,540       |
| Total number of share purchase options and share subscription options remaining as at 12/31/06         | 367,000    | -            | 93,400   | 5,000    | 220,000  | 496,067    | 5,679,827        | 11,000     | 1,517,080     |

(1)

*Options subject to performance conditions related to the achievement of objectives over a three-year period. Objectives of the plan of 11/26/01 were not achieved and all options under the plan were cancelled. Whether the goals under the 2003-2005 plan were met was determined in May 2006. Whether the 2006-2008 goals have been met will be determined in 2009.*

- (2) *The option exercise period began in 2006, after the determination of the extent to which the conditions of grant were met, which in turn determined the number of options that could be exercised. Half of the total number of exercisable options could be exercised starting on this date, and the other half a year later. Options that were determined non-exercisable have been cancelled.*
- (3) *The period of exercise will begin in 2009, when it can be determined the extent to which the conditions have been met and consequently the number of exercisable options. Half of the total number of exercisable options can be exercised on this date, and the other half a year later.*

### **Item 7. Major Shareholders and Related Party Transactions**

#### **MAJOR SHAREHOLDERS**

As of December 31, 2006, to the best of our knowledge, no person held, directly or indirectly, individually or jointly, an interest greater than or equal to 5% or more of our shares (a "Major Shareholder"), except as described below. Our *statuts* (by-laws) set forth that all our shareholders have the same proportional voting rights with respect to the shares they hold, except that shares owned by the same shareholder in registered form for at least two years carry double voting rights. We have not issued any preferred shares or any securities without voting rights.

**History and distribution of our share capital and voting rights for 2006, 2005 and 2004**

|   | <b>at December 31, 2006</b> |               |                      |               |
|---|-----------------------------|---------------|----------------------|---------------|
|   | <b>Shares held</b>          | <b>%(4)</b>   | <b>Voting rights</b> | <b>%(5)</b>   |
| A/ Shareholders holding more than 5% of the capital |                             |               |                      |               |
| Elisabeth Badinter(1)                               | 20,072,339                  | 10.10         | 40,144,678           | 16.75         |
| Dentsu Inc(2)                                       | 18,248,963                  | 9.18          | 36,155,894           | 15.09         |
| SEP Dentsu-Badinter(3)                              | 10,783,945                  | 5.43          | 17,217,890           | 7.19          |
| B/ Treasury shares                                  | 15,105,351                  | 7.60          | -                    | -             |
| C/ Public (registered and bearer shares)            | 134,498,631                 | 67.69         | 146,084,577          | 60.97         |
| <b>Total</b>  | <b>198,709,229</b>          | <b>100.00</b> | <b>239,603,039</b>   | <b>100.00</b> |
|   |                             |               |                      |               |
|   | <b>at December 31, 2005</b> |               |                      |               |
|   | <b>Shares held</b>          | <b>%(4)</b>   | <b>Voting rights</b> | <b>%(5)</b>   |
| A/ Shareholders holding more than 5% of the capital |                             |               |                      |               |
| Elisabeth Badinter(1)                               | 20,072,339                  | 10.18         | 40,144,678           | 17.17         |
| Dentsu Inc(2)                                       | 17,710,413                  | 8.99          | 35,101,288           | 15.01         |
| SEP Dentsu-Badinter(3)                              | 10,980,463                  | 5.57          | 10,980,464           | 4.70          |
| B/ Treasury shares                                  | 13,039,764                  | 6.62          | -                    | -             |
| C/ Public (registered and bearer shares)            | 135,306,031                 | 68.64         | 147,614,406          | 63.12         |
| <b>Total</b>  | <b>197,109,010</b>          | <b>100.00</b> | <b>233,840,836</b>   | <b>100.00</b> |
|   |                             |               |                      |               |
|   | <b>at December 31, 2004</b> |               |                      |               |
|   | <b>Shares held</b>          | <b>%(4)</b>   | <b>Voting rights</b> | <b>%(5)</b>   |
| A/ Shareholders holding more than 5% of the capital |                             |               |                      |               |
| Elisabeth Badinter(1)                               | 20,096,339                  | 10.28         | 40,192,678           | 17.14         |
| Dentsu Inc(2)                                       | 17,887,497                  | 9.15          | 35,278,372           | 15.04         |
| SEP Dentsu-Badinter(3)                              | 10,803,379                  | 5.53          | 10,803,380           | 4.61          |
| B/ Treasury shares                                  | 13,382,843                  | 6.85          | 0                    | -             |
| C/ Public (registered and bearer shares)            | 133,301,003                 | 68.19         | 148,262,342          | 63.21         |
| <b>Total</b>  | <b>195,471,061</b>          | <b>100.00</b> | <b>234,536,772</b>   | <b>100.00</b> |

- (1) Ms. Elisabeth Badinter fully owns 3.42 % of the shares (representing 5.68% of the voting rights), and has the right to receive income with respect to 6.68% of the shares, with her children holding the ownership right to the underlying shares (representing 11.08% of the voting rights).
- (2) Does not include shares held by the SEP with respect to which Dentsu may be deemed to be the beneficial owner due to the shareholders' agreement between Elisabeth Badinter and Dentsu, described in Item 10 [Additional Information] Material Contracts [Elisabeth Badinter/Dentsu Shareholders' Agreement]. For such shares, Dentsu would be deemed to beneficially own 29,032,907 shares, representing 14.61% of the shares and 22.28% of the voting rights (reflecting the double voting rights). Pursuant to the agreement, Dentsu's voting rights are capped at 15% of our total voting power.
- (3) This silent partnership was created in September 2004 by Dentsu and Ms. Badinter to implement the 15% limitation on Dentsu's voting rights. See Item 10 [Additional Information] Material Contracts [Elisabeth



- (4) *The percentages are calculated based on our total shares, including treasury shares.*
- (5) *The percentages are calculated based on our total shares, disregarding treasury shares with no voting rights and counting the double voting rights of other shares.*

According to the most recent available survey of identifiable bearer shares as well as information on the registered shares managed by CACEIS Corporate Trust, we had over 72,000 shareholders as of December 31, 2006.

**Distribution of capital by type of shareholder as at December 31, 2006**

\* including employees of the Group and former Bcom3 shareholders

**Source: Euroclear / CACEIS/ Thomson Financial- January 2007**



**Distribution of institutional shareholdings\* by geography as at December 31, 2006**

\* This distribution chart does not include [strategic] shareholders (Elisabeth Badinter, Dentsu, Inc, SEP E. Badinter/Dentsu), employees of the Group and individual shareholders

**Source: Euroclear /Thomson Financial - January 2007**

**Ownership by U.S. Holders**

To the best of our knowledge, as of December 31, 2006, approximately 31.5 million, or 16%, of our shares (including shares represented by ADRs) were held in the U.S. by approximately 904 record holders. To the best of our knowledge, as of December 31, 2006, approximately 3.6 million and 0.5 million, or 64 % and 35% of our equity warrants and ORANEs, respectively, were held in registered form in the U.S. by approximately 135 and 329 holders, respectively.

Since certain of our ADSs and ordinary shares are held by brokers or other nominees, the number of ADSs and ordinary shares held of record and the number of record holders may not be representative of the location of where the beneficial holders are resident. Some of our equity warrants and ORANEs are in bearer form and are held through banks, brokers and other intermediaries, and we do not have information that permits us to know the residency of the holders of these securities.

**RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties in 2006:

|        | <b>Revenues with<br/>Related<br/>Parties(1)</b> | <b>Increase in<br/>Provision for<br/>Doubtful<br/>Accounts</b> |
|--------|---|--|
|        | <i>(Millions of euros)</i>                      |  |
| Dentsu | 5   | -  |

- (1) *This is the difference between purchases and sales made by the Group with Dentsu. These transactions were carried out at market prices. The purchases and sales were not material for either party, either individually or taken as a whole.*

The balance sheet at December 31, 2006 included the following transactions with related parties:

|                | <b>Receivables<br/>from /Loans<br/>to Related<br/>Parties</b> | <b>Provisions for<br/>Doubtful<br/>Accounts</b> | <b>Liabilities<br/>to Related<br/>Parties</b> |
|----------------|---|---|---|
|                | <i>(Millions of euros)</i>                                    |   |   |
| Dentsu         | 23  | -   | 6   |
| iSe            | 1   | -   | -   |
| Onspot Digital | -   | -   | 7   |

#### **Terms and Conditions of Transactions with Related Parties**

In April 2004, a member of the Management Board of our company, Kevin Roberts, indirectly acquired a 22% shareholding in Inspiros Worldwide Limited (["Inspiros"]), a New Zealand corporation, which provides consulting services to clients including Publicis Groupe companies. In March 2006, Mr. Roberts transferred his shareholder interest in Inspiros to a third party. Related dividends and the capital gain on the transfer were donated to a charitable organization upon receipt. The total amount of the commissions paid by Group companies to Inspiros was \$300,000 in 2005 and \$173,000 in the first quarter of 2006.

Certain members of our Supervisory Board (Michel David-Weill, Felix Rohatyn, Gérard Worms and Michel Cicurel and Hélène Ploix) hold management positions in financial establishments that could have business relations with our Company. In this respect, we concluded with Rothschild Bank a liquidity contract pursuant to which we authorized Rothschild to deal in our shares, mentioned in Item 16E ["Purchases of Equity Securities by the Issuer and Affiliated Purchasers."] Nevertheless, they are considered independent with respect to the criteria that we apply. See Item 6 ["Directors, Senior Management and Employees"] Directors and Senior Management ["Supervisory Board"] for information about the independence of our directors under the NYSE and the Exchange Act rules.

On November 30, 2003, Publicis Groupe S.A. and Dentsu concluded an agreement in connection with the merger agreement dated March 7, 2002, between Publicis Groupe S.A. and its subsidiaries Philadelphia Merger Corp. and Philadelphia Merger LLC, on one hand, and Bcom3 Group, Inc., on the other hand, which resulted in Philadelphia Merger Corp. absorbing, by way of merger, Bcom3. The main provisions of these commitments were described in the prospectus filed pursuant to Rule 424(b)(3) of the U.S. Securities Act of 1933, as amended (File No. 333-87600).

The agreement includes clauses concerning the management of Publicis Groupe S.A. related to the composition of the Supervisory Board, change of the legal form and representation of Dentsu on the Audit Committee; clauses concerning the transfer of shares and equity warrants of Publicis Groupe S.A. held by Dentsu, including a limitation of the participation of Dentsu to 15% of the voting rights of Publicis Groupe S.A. Moreover, it includes an anti-dilution clause in favor of Dentsu and a clause concerning the upholding of the accounting of Dentsu's investment in the Publicis Group under the equity method. This agreement will expire on July 12, 2012 unless it is renewed for ten years by agreement between the parties. This was the object of a Decision and Information (*Décisions et Informations*) of the AMF on January 9, 2004 under the number 204C0036.

In a letter to Publicis dated January 2, 2006, Dentsu irrevocably committed to tender all of its equity warrants into Publicis's tender offer for the warrants provided that, among other things, the price offered in the offer was

at least ¢9 per warrant. Pursuant to this commitment letter, Dentsu subsequently tendered 6,156,525 warrants which were purchased by Publicis for ¢9 per warrant in February 2006.

**Remuneration of Supervisory Board and Management Board Members**

Remuneration of individuals who were members of the Supervisory Board or the Management Board at December 31, 2006, or during the financial year then ended, is disclosed under Item 6 ¢Directors, Senior Management and Employees ¢ Compensation.¢

Except as described above and described under Item 6 [Directors, Senior Management and Employees] Directors and Senior Management [Additional Information] and Item 10 [Additional Information] Material Contracts, our company (inclusive of its subsidiaries) has not, since January 1, 2006, otherwise engaged in any material transactions with related parties, nor has it agreed to engage in any such transactions.

## Item 8. Financial Information

### CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

#### Consolidated Financial Statements

See our consolidated financial statements contained in Item 18 of this Annual Report.

#### Litigation

In the ordinary course of our business, we are named, from time to time, as a defendant in various legal proceedings. We maintain liability insurance and believe that our coverage is sufficient to protect us adequately from any material financial loss as a result of any such legal claims.

#### Dividend Policy

Our policy is to continue to regularly increase dividends. In 2007, we will propose a dividend of [0.50 per share to shareholders with respect to the 2006 fiscal year, which represents a 39% increase over the dividend paid with respect to the 2005 fiscal year. The payment and amount of any future dividends will depend on a number of factors, including our financial performance and net income, general business conditions and our business plans and investment policies, and is subject to the risks discussed under Item 3 [Key Information] Risk Factors. See Item 10 [Additional Information] Memorandum and Articles of Association [Rights, Preferences and Restrictions Applicable to Our Shares] Dividends.

#### SIGNIFICANT CHANGES

Except as disclosed elsewhere in this Annual Report, there have been no significant changes in our business since December 31, 2006, the date of the annual financial statements included in this Annual Report.

## Item 9. The Offer and Listing

### OFFER AND LISTING DETAILS

#### Market Price Information

Our shares trade on Euronext Paris under the symbol [PUB] and, since September 12, 2000, our ADSs have traded on the New York Stock Exchange under the symbol [PUB]. The tables below set forth, for the periods indicated, the reported high and low sales prices of our shares on the Euronext Paris in euros and the reported high and low sales prices of our ADSs on the New York Stock Exchange in dollars.

|                        | Euronext Paris (€) |       | NYSE (\$) |       |
|------------------------|--------------------|-------|-----------|-------|
|                        | High               | Low   | High      | Low   |
| <b>Last Six Months</b> |                    |       |           |       |
| March, 2007            | 37.19              | 33.42 | 49.40     | 42.00 |
| February, 2007         | 34.94              | 32.51 | 45.65     | 42.21 |
| January, 2007          | 33.00              | 31.71 | 43.45     | 41.10 |
| December, 2006         | 32.41              | 28.77 | 42.61     | 38.48 |
| November, 2006         | 30.51              | 28.10 | 38.94     | 36.81 |
| October, 2006          | 31.83              | 29.45 | 40.40     | 37.63 |



**Last Quarter**

2007

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| First Quarter | 37.19 | 31.71 | 49.40 | 41.10 |
|---------------|-------|-------|-------|-------|

**Last Two Years By Quarter**

2006

|                |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Fourth Quarter | 32.41 | 28.10 | 42.61 | 36.81 |
|----------------|-------|-------|-------|-------|

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| Third Quarter | 31.56 | 27.30 | 40.06 | 34.28 |
|---------------|-------|-------|-------|-------|

|                |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Second Quarter | 33.78 | 28.11 | 42.85 | 36.31 |
|----------------|-------|-------|-------|-------|

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| First Quarter | 33.60 | 29.29 | 38.79 | 36.91 |
|---------------|-------|-------|-------|-------|

2005

|                |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Fourth Quarter | 30.19 | 25.70 | 33.90 | 31.85 |
|----------------|-------|-------|-------|-------|

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| Third Quarter | 28.44 | 23.36 | 34.45 | 28.72 |
|---------------|-------|-------|-------|-------|

|                |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Second Quarter | 25.10 | 21.43 | 31.32 | 27.86 |
|----------------|-------|-------|-------|-------|

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| First Quarter | 25.35 | 22.72 | 33.38 | 29.76 |
|---------------|-------|-------|-------|-------|

**Last Five Years**

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2006 | 33.78 | 27.30 | 42.85 | 34.28 |
|------|-------|-------|-------|-------|

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2005 | 30.19 | 21.43 | 34.45 | 27.86 |
|------|-------|-------|-------|-------|

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2004 | 29.58 | 20.25 | 37.50 | 24.98 |
|------|-------|-------|-------|-------|

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2003 | 29.35 | 13.83 | 32.75 | 15.47 |
|------|-------|-------|-------|-------|

|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2002 | 39.90 | 16.70 | 34.95 | 16.70 |
|------|-------|-------|-------|-------|

Trading of our shares on Euronext Paris was suspended for part of the day on March 7, 2002 immediately prior to the announcement of our acquisition of Bcom3. There is no active public trading market for our ORANES and equity warrants.

We urge you to obtain current market quotations.

**Item 10. Additional Information****MEMORANDUM AND ARTICLES OF ASSOCIATION****Corporate Purpose** (article 2 of our *statuts*)

Our corporate purposes are to:

- produce, and derive value added from, in any manner, advertising in any forms and inspective of its type;
- organize shows and radio or television broadcasts, set up of radio, television and other programming, use movie theaters, recording or broadcasting studios and projection and viewing rooms, publish paper documents and editing music, sketches, scripts and theater productions; and
- more generally, carry out commercial, financial, industrial and real and movable property transactions directly or indirectly related to the above in order to foster the development and growth of our business.

We may conduct operations in any country on our own behalf or on the account of third parties, either alone or jointly, with other companies or persons and realize in any form, directly or indirectly, activities in line with our corporate purpose.

We may also acquire interests in other businesses, regardless of such businesses' purposes.

**Management Board and Supervisory Board (Title III of our *statuts*)**

**Management Board** (articles 10 to 12 of our *statuts*):

The Management Board oversees our management. The Management Board is appointed by the Supervisory Board and must have at least two but no more than five members. Each member is appointed for a four-year period and must be natural person, but need not be a shareholder. Members of the Management Board may be re-appointed. No member of the Management Board may serve after the

ordinary shareholders' meeting following his or her 70th birthday. The Supervisory Board appoints one of the members of the Management Board as chairperson and may appoint one or several or all the other members of the Management Board as chief executive officers (or co-chief executive officers). The members of the Management Board may be dismissed either by the Supervisory Board or by the shareholders at a general meeting.

**Supervisory Board** (articles 13 to 17 of our *statuts*):

The Supervisory Board has the responsibility of exercising ongoing supervisory authority over the Management Board. It is composed of no less than three and no more than eighteen members, appointed by the shareholders' meeting. Members of the Supervisory Board serve six-year terms and may be re-elected. Members over 75 years of age may not constitute more than one-third of the Supervisory Board, which may be rounded up. Should this limit be exceeded, the oldest member of the Supervisory Board will automatically be retired. The potential crossing of this threshold shall be determined as at the date of the Supervisory Board's meeting to approve the financial statements for the past fiscal year. Our *statuts* provide that a member of our Supervisory Board must own at least 200 of our shares for during the course of his or her term. The members of the Supervisory Board may be dismissed only by the general meeting of shareholders.

Under the French commercial code, any transaction directly or indirectly between a company and one of its members of the Supervisory Board that cannot be reasonably considered in the ordinary course of business of the company is subject to the prior consent of the Supervisory Board and must be approved at the next shareholders' meeting. Any such transaction concluded without the prior consent of the Supervisory Board can be nullified if it causes prejudice to the company. An interested member of the Supervisory Board, or a person acting on the member's behalf, can be held liable on this basis. The statutory auditor must be informed of the transaction within one month following its conclusion and must prepare a report to be submitted to the shareholders for approval at their next meeting. At the meeting, the interested member may not vote on the resolution approving the transaction, nor may his or her shares be taken into account in determining the outcome of the vote or whether a quorum is present. In the event the transaction is not ratified by the shareholders at a shareholders' meeting, it will remain enforceable by third parties against the company, but the company may in turn hold the interested member and, in some circumstances, the other members, liable for any damages it may suffer as a result. In addition, the transaction may be canceled if it is fraudulent. In the case of transactions with members that can be considered within the company's ordinary course of business, the interested member must provide a copy of the governing agreement to the chairperson of the Supervisory Board, and the members of the Supervisory Board and the statutory auditor must be informed of the principal terms of each such transaction. Similar limitations apply to transactions between a company and a holder of shares carrying 10% or more of its voting power (or, if such shareholder is a legal entity, the entity's parent, if any). Certain transactions between a corporation and one of its members are prohibited under the French commercial code. Members of our Supervisory Board are not authorized, in the absence of a quorum, to vote compensation to themselves or other Supervisory Board members.

**Rights, Preferences and Restrictions Applicable to Our shares attached to each category of shares** (article 8 of our *statuts*)

Each share confers the right proportionate to such share to a part of the corporate assets and benefits. The shareholders bear liability only up to the value of the shares that they hold.

**General Shareholders' Meetings** (articles 19 to 24 of our *statuts*)

General shareholders' meetings are open to all shareholders regardless of the number of shares held. The procedures for providing notice of meetings and holding meetings are prescribed by French law, and are summarized below.

**Representation and admission to Shareholders' meetings** (article 20 of our *statuts*)

To participate in general shareholders' meetings, a shareholder must provide evidence of share ownership. For holders of registered shares, ownership is established through registration on the Company's registry. Holders of bearer shares must instruct the authorized intermediary holding the account through which the shares are held to block the shares, and to deliver an attestation of share ownership. These steps must be completed no



more than five days before the date of the Shareholders' meeting. The Supervisory Board has the ability, for any shareholders' meeting either to shorten the aforementioned periods, or to not require any particular blocking conditions. Personal cards may be delivered in the shareholders' names.

As of January 1, 2007, pursuant to new legislation in France relating to providing evidence of share ownership, the provisions of article 20 of our *statuts* are no longer applicable. Amendments to this article 20 will be proposed at the next general shareholders' meeting.

## **Rights, Preferences and Restrictions Applicable to Our Shares**

### ***Dividends***

Dividends on our shares are distributed to shareholders pro rata. Outstanding dividends are payable to shareholders of record on the last business day before the date of payment. The dividend payment date is decided by the shareholders at an ordinary general meeting (or by the Management Board in the absence of such a decision by the shareholders). Under the French commercial code, we must pay any dividends within nine months of the end of our fiscal year unless otherwise authorized by court order. Subject to certain conditions, our Management Board can effect the distribution of interim dividends at any time until our financial statements for the relevant year are approved by shareholders. Dividends on shares that are not claimed within five years of the date of declared payment revert to the French government.

### ***Voting Rights***

Each of our shares carries the right to cast one vote in shareholder elections, except that a share held by the same shareholder in registered form for at least two years carries the right to cast two votes.

Under the terms of the shareholders' agreement between Dentsu and Publicis Groupe signed on March 7, 2002, Dentsu may not, until July 1, 2012, have more than 15% of the voting rights. Dentsu-Badinter, a partnership, was created on September 24, 2004 in order to limit Dentsu's voting rights to 15%.

### ***Liquidation Rights*** (article 32 of our *statuts*)

At the expiration of the Company's term of incorporation, or in the event of dissolution or liquidation, any assets remaining after payment of our debts and social security expenses, liquidation expenses and all of our remaining obligations will be distributed first to repay in full the nominal value of our shares. Any surplus will be distributed pro rata among shareholders in proportion to the nominal value of their shareholdings.

### ***Preferential Subscription Rights***

Under the French commercial code, if we issue additional shares, or any equity securities or other specific kinds of additional securities carrying a right, directly or indirectly, to purchase equity securities issued by our company for cash, current shareholders will have preferential subscription rights to those securities on a pro rata basis. These preferential rights will require us to give priority treatment to those shareholders over other persons wishing to subscribe for the securities. The rights entitle the holder to subscribe to an issue of any securities that may increase our share capital by means of a cash payment or a set-off of cash debts. Preferential subscription rights are transferable during the subscription period relating to a particular offering, and may be listed on the Euronext Paris. A two-thirds majority of our shares entitled to vote at an extraordinary general meeting may vote to waive preferential subscription rights with respect to any particular offering. French law requires a company's board of directors and independent auditors to present reports that specifically address any proposal to waive preferential subscription rights. In the event of a waiver, the relevant securities issuance must be completed within the period prescribed by law. The shareholders may also decide at an extraordinary general meeting to give existing shareholders a non-transferable priority right to subscribe for the new securities during a limited period of time. Shareholders may also waive their own preferential subscription rights with respect to any particular offering.

### ***Amendments to Rights of Holders***

Shareholder rights can be amended only by action of an extraordinary general meeting of the class of shareholders affected. Two-thirds of the shares of the affected class voting either in person or by mail or proxy must approve any proposal to amend shareholder rights. The voting and quorum requirements for this type of special meeting are the same as those applicable to an extraordinary general meeting, except that the quorum requirements for a special meeting are 33% of the voting shares, or 20% upon resumption of an adjourned meeting.



Except as described under [ ] Declaration of Share Ownership, [ ] *statuts* do not contain any provisions that discriminate against existing or prospective holders of substantial numbers of our shares. See also [ ] Capital increase in response to third party tender offers. [ ]

### **Ordinary and Extraordinary Meetings**

In accordance with the French commercial code, there are two types of shareholders [ ] general meetings: ordinary and extraordinary.

Ordinary general meetings of shareholders are required for matters that are not specifically reserved by law to extraordinary general meetings, such as:

- electing, replacing and removing members of the Supervisory Board;
- appointing independent auditors;
- declaring dividends or authorizing dividends to be paid in shares;
- approving the company [ ]s annual financial statements; and
- issuing debt securities.

Extraordinary general meetings of shareholders are required for approval of matters such as amendments to our *statuts*, including any amendment required in connection with extraordinary corporate actions. Extraordinary corporate actions include:

- changing our company [ ]s name or corporate purpose;
- increasing or decreasing our share capital;
- creating a new class of equity securities;
- authorizing the issuance of investment certificates or convertible or exchangeable securities;
- establishing any other rights to equity securities;
- selling or transferring substantially all of our assets; and
- voluntarily liquidating our company.

### **Calling Shareholders [ ] Meetings**

The French commercial code requires our Management Board to convene an annual ordinary general meeting of shareholders for approval of the annual accounts. This meeting must be held within six months of the end of each fiscal year. This period may be extended by an order of the president of the Tribunal de Commerce. The Management Board and the Supervisory Board may also convene an ordinary or extraordinary meeting of shareholders upon proper notice at any time during the year. If the Management Board and our Supervisory Board fail to convene an annual shareholders [ ] meeting, our independent auditors or a court- appointed agent may call the meeting. Any of the following may request the court to appoint an agent:

- one or several shareholders holding at least 5% of our share capital;
- in cases of urgency, designated employee representatives or any interested party;

- duly qualified associations of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of the voting rights of our company; or

□ in a bankruptcy, our liquidator or court-appointed agent may also call a shareholders□ meeting in some instances.

Shareholders holding more than 50% of our share capital or voting rights may also convene a shareholders□ meeting after a public offer to acquire control of our company or a sale of a controlling stake in our capital.

#### *Notice of Shareholders□ Meetings*

We must announce general meetings at least 30 days in advance by means of a preliminary notice published in the *Bulletin des Annonces Légales Obligatoires* (the □BALO□). The preliminary notice must first be sent to the *Autorité des Marchés Financiers* (the □AMF□). The AMF also recommends that a summary of such preliminary notice be published in a newspaper of national circulation in France. The preliminary notice must disclose, among other things, the time, date and place of the meeting, whether the meeting will be ordinary or extraordinary, the agenda, a draft of the resolutions to be submitted to the shareholders, a description of the procedures which holders of bearer shares must follow to attend the meeting, the procedure for voting by mail and a statement informing the shareholders that they may propose additional resolutions to the Management Board within ten days of the publication of the notice.

We must send a final notice containing the agenda and other information about the meeting at least 15 days prior to the meeting or at least six days prior to the resumption of any meeting adjourned for lack of a quorum. The final notice must be sent by mail to all registered shareholders who have held shares for more than one month prior to the date of the preliminary notice. The final notice must also be published in the BALO and in a newspaper authorized to publish legal announcements in the local administrative department in which our company is registered, with prior notice having been given to the AMF.

In general, shareholders can take action at shareholders□ meetings only on matters listed in the agenda for the meeting. One exception to this rule is that shareholders may take action with respect to the dismissal of members of the Supervisory Board, regardless of whether this action is on the agenda. Additional resolutions to be submitted for approval by the shareholders at the meeting may be proposed to the Management Board (within ten days of the publication of the preliminary notice in the BALO) by:

- designated employee representatives;
- one or several shareholders holding a specified percentage of shares; or
- a duly qualified association of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of the voting rights in our company.

The Management Board must submit properly proposed resolutions to a vote of the shareholders.

During the two weeks preceding a meeting of shareholders, any shareholder may submit written questions to the Management Board relating to the agenda for the meeting. The Management Board must respond to these questions during the meeting.

#### *Attendance and Voting at Shareholders□ Meetings*

Each share confers on the shareholder the right to cast one vote, except that shares owned by the same shareholder in registered form for at least two years carry double voting rights. Shareholders may attend ordinary meetings and extraordinary shareholders□ meetings and exercise their voting rights, subject to the conditions specified in the French commercial code and our *statuts*. There is no requirement that shareholders have a minimum number of shares in order to attend or to be represented at an ordinary or extraordinary general meeting.

To participate in any general meeting, a holder of shares held in registered form must have shares registered in his or her name in a shareholder account maintained by us or on our behalf by an agent appointed by us at least five days prior to the date set for the meeting. A holder of bearer shares must obtain a certificate from the accredited intermediary with whom the holder has deposited his or her shares. This certificate must indicate the number of bearer shares the holder owns and must state that these shares are not transferable until the time

fixed for the meeting. The holder must deposit this certificate at the place specified in the notice of the meeting at least five days before the meeting.

*Proxies and Votes by Mail*

In general, all shareholders who have properly registered their shares or duly presented a certificate from their accredited financial intermediary may participate in general shareholders' meetings. Shareholders may participate in general meetings either in person or by proxy. Shareholders may vote in person, by proxy or by mail.

Proxies will be sent to any shareholder on request. To be counted, such proxies must be received at our registered office, or at any other address indicated on the notice convening the meeting, prior to the date of the meeting. A shareholder may grant proxies to his or her spouse or to another shareholder. A shareholder that is a corporation may grant proxies to a legal representative. Alternatively, the shareholder may send us a blank proxy without nominating any representative. In this case, the chair of the meeting will vote blank proxies in favor of all resolutions proposed or approved by the Management Board and against all others.

With respect to votes by mail, we are required to send shareholders a voting form. The completed form must be returned to us at least three days prior to the date of the shareholders' meeting.

*Quorum*

The French commercial code requires that shareholders having at least 20% of the shares entitled to voting rights must be present in person or be voting by mail or by proxy to fulfill the quorum requirement for:

- an ordinary general meeting; or
- an extraordinary general meeting where an increase in our share capital is proposed through incorporation of reserves, profits or share premium.

The quorum requirement is 25% of the shares entitled to voting rights, determined on the same basis, for any other extraordinary general meeting.

If a quorum is not present at a meeting, the meeting is adjourned. When an adjourned meeting is resumed, there is no quorum requirement for an ordinary meeting or for an extraordinary general meeting where an increase in our share capital is proposed through incorporation of reserves, profits or share premium. However, only questions that were on the agenda of the adjourned meeting may be discussed and voted upon. In the case of any other reconvened extraordinary general meeting, shareholders having at least 20% of outstanding voting rights must be present in person or be voting by mail or proxy for a quorum. If a quorum is not present, the reconvened meeting may be adjourned for a maximum of two months. Any deliberation by the shareholders taking place without a quorum is void.

*Majority*

Holders of a simple majority of a company's voting power present, voting by mail or represented by proxy may pass any resolution on matters required to be considered at an ordinary general meeting, or concerning a capital increase by incorporation of reserves, profits or share premium at an extraordinary general meeting. At any other extraordinary general meeting, a two-thirds majority of the voting power present, voting by mail or represented by proxy is required.

A unanimous shareholder vote is required to increase liabilities of shareholders.

Abstention from voting by those present or those represented by proxy or voting mail is counted as a vote against the resolution submitted to the shareholder vote.

In general, a shareholder is entitled to one vote per share at any general meeting, except that shares owned by the same shareholder in registered form for at least two years carry double voting rights. Under the French commercial code, shares of a company held by entities controlled directly or indirectly by that company are not entitled to voting rights and are not considered for quorum purposes.





**Limitations on Right to Own Securities**

Our *statuts* contain no provisions that limit the right of shareholders to own our securities or hold or exercise voting rights associated with those securities. See [ ] Exchange Controls[ ] for a description of certain requirements imposed by the French commercial code.

**Double voting rights** (article 21 of our *statuts*)

Our *statuts* provide double voting rights for shares held in registered form by the same shareholder for at least two years.

**Declaration of share ownership** (article 7 III of our *statuts*)

Our *statuts* provide that any natural or legal person, acting individually or jointly and acquiring or disposing by any means of 1% or any multiple of 1% of our share capital, shall notify us within 5 trading days such acquisition or disposal by registered mail with return receipt addressed to our headquarters. In addition, a legal entity holding shares representing more than 2.5% of our share or voting rights must disclose to us the identity of all persons holding, directly or indirectly, more than one-third of the share capital or voting rights of that entity. Should the number of voting rights be greater than the number of shares, the percentages will be calculated based on voting rights. These declaration obligations also apply each time that the fraction of the shares or voting rights held falls below one of the thresholds specified in the preceding paragraph.

Shareholders who fail to comply with this requirement may be deprived of voting rights with respect to any shares exceeding the relevant threshold, until the required disclosure is made.

The French commercial code provides that any individual or entity, acting individually or jointly, that becomes the owner, directly or indirectly, of more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the outstanding shares or voting rights of a listed company in France, such as our company, or that increases or decreases its shareholding or voting rights above or below any of those percentages, must notify the company within five calendar days of the date it crosses such thresholds of the number of shares it holds and their voting rights. The individual or entity must also notify the AMF within five trading days of the date it crosses these thresholds.

French law and AMF regulations impose additional reporting requirements on persons who acquire more than 10% or 20% of the outstanding shares or voting rights of a listed company. These persons must file a report with the company and the AMF within 10 days of the date they cross the threshold. In the report, the acquiror must specify its intentions for the following 12-month period, including whether or not it intends to continue its purchases, to acquire control of the company in question or to nominate candidates for the Supervisory Board. The AMF makes the notice public. The acquiror must also publish a press release stating its intentions in a financial newspaper of national circulation in France. The acquiror may amend its stated intentions, provided that it does so on the basis of significant changes in its own situation or that of its shareholders. Upon any change of intention, it must file a new report.

To permit holders to give the required notice, we are required to publish in the BALO no later than 15 calendar days after the annual ordinary general shareholders[ ] meeting information with respect to the total number of voting rights outstanding as of the date of such meeting. In addition, if the number of outstanding voting rights changes by 5% or more between two annual ordinary general meetings, we are required to publish in the BALO, within 15 calendar days of such change, the number of voting rights outstanding and provide the AMF with written notice of such information. The AMF publishes the total number of voting rights so notified by all listed companies in a weekly notice (*avis*), noting the date each such number was last updated.

If any person fails to comply with the legal notification requirement, the shares or voting rights in excess of the relevant threshold will be deprived of voting rights for all shareholders[ ] meetings until the end of a two-year period following the date on which their owner complies with the notification requirements. In addition, any shareholder who fails to comply with these requirements may have all or part of his or her voting rights suspended for up to five years by the Commercial Court at the request of the chair, any shareholder or the AMF and may be subject to a fine.

**Capital increase in response to third party tender offers**

Our shareholders have authorized our Management Board to increase our capital in response to a third party tender offer for our shares. The exercise of this authority would be subject to the clearance with the AMF.

### ***Shareholders lists***

The French commercial code authorizes French companies to require persons holding their shares in bearer form to disclose the beneficial owner(s) of those shares. The voting and dividend rights associated with the shares can be suspended until the required disclosure is made.

### ***Mandatory public tender offers***

Under AMF regulations, and subject to limited exemptions granted by the AMF, any person or persons acting in concert that own in excess of one-third of the share capital or voting rights of a French listed company must initiate a public tender offer for the balance of the share capital of such company.

## **MATERIAL CONTRACTS**

### **Strategic Alliance Agreement**

On November 30, 2003, we entered into an agreement (the "Alliance Agreement") to form a strategic alliance with Dentsu. The Alliance Agreement supersedes and gives further effect to the strategic alliance memorandum of understanding we entered into with Dentsu on March 7, 2002.

Pursuant to the Alliance Agreement, we agreed to terminate, and to cause Saatchi & Saatchi and ZenithOptimedia to terminate, our arrangements and agreements with partners in Japan. We also agreed to partner with Dentsu in Japan exclusively and not to initiate any new business in Japan without prior consultation with Dentsu. Subject to certain exceptions, we will represent Dentsu and its clients in the Americas, Europe, Australia and New Zealand.

Under the agreement, Dentsu will consult with us before making any investments, initiating any joint ventures or other new ventures in Australia, Europe or the Americas, and will not partner with WPP, Interpublic, Omnicom or Havas. We also agreed not to partner with any of those companies or Hakuhodo. We agreed to the continued expansion of the Dentsu network in Asia and acknowledged the existing Dentsu partnership with WPP and Dentsu Young & Rubicam, and Dentsu agreed not to expand that partnership.

In addition, we and Dentsu agreed to share knowledge, research and learning that can be used to develop and improve services to multinational clients. We and Dentsu also indicated our expectation that we will jointly develop various communications businesses internationally, including, in particular, sports marketing businesses. Pursuant to the agreement, we founded iSe International Sports and Entertainment AG in 2003. Our company and Dentsu each had a 45% interest in iSe; Fuji Television Network, Inc. and Tokyo Broadcasting Service each had a 4% interest; SportsMondial owns the remaining 2%. Following the successful management and organization of the official hospitality programs of the 2006 FIFA World Cup for which the company was principally created, the shareholders decided on March 2, 2007 to proceed with the liquidation of the joint venture.

### **Publicis/Dentsu Shareholders' Agreement**

On November 30, 2003, we entered into a shareholders' agreement (the "Publicis/Dentsu Agreement") with Dentsu regarding certain terms of its shareholding in our company.

The Publicis/Dentsu Agreement supersedes and gives further effect to the shareholders' agreement memorandum of understanding we entered into with Dentsu on March 7, 2002. This agreement was concluded in accordance with the rules related to regulated contracts.

Under the Publicis/Dentsu Agreement, so long as Dentsu owns at least 10% of our shares (calculated in a specified manner), we are required to propose to our shareholders resolutions for the appointment of two Dentsu designees to our Supervisory Board. The number of Dentsu designees will increase if the total number of Publicis' Supervisory Board members increases so that Dentsu maintains a representation in proportion with its voting rights. The two current members of our Supervisory Board appointed pursuant to the Publicis/Dentsu Agreement are Yutaka Narita and Tateo Mataka.

Until July 1, 2012, Dentsu will be subject to a "standstill" limiting its ownership of our shares to the number of shares that entitles it to 15% of our total voting power.

Dentsu is entitled to a protection against any dilution that may result from a capital increase in cash to which Dentsu is not able to subscribe by using its preferential subscription rights.

Until July 1, 2012, Dentsu will be prohibited from selling or transferring any Publicis shares. In the event of a public tender offer for Publicis securities, Publicis will ensure that market regulations (and in particular, the rulings of the French Stock Market Authority on public offerings) be respected including concerning this lockup agreement.

On September 24, 2004, we and Dentsu entered into an amendment of the Publicis/Dentsu Agreement. Such amendment was entered into to reflect the agreements and amendments entered into by and between Dentsu and Elisabeth Badinter on September 24, 2004 as described below under "Elisabeth Badinter/Dentsu Shareholders' Agreement".

The Publicis/Dentsu Agreement will expire on July 1, 2012, unless we and Dentsu agree to renew it for an additional 10 year term.

#### **Elisabeth Badinter/Dentsu Shareholders' Agreement**

On December 2, 2003, Elisabeth Badinter and Dentsu entered into a shareholders' agreement to govern their relationship as shareholders of our company (the "Badinter/Dentsu Agreement"). The Badinter/Dentsu agreement supersedes and gives further effect to the memorandum of understanding entered into by Ms. Badinter and Dentsu on March 7, 2002 and the letter agreement, dated March 7, 2002, of Dentsu.

Under the Badinter/Dentsu Agreement, Dentsu has undertaken as a Publicis shareholder, to elect or renew the mandates of the Supervisory Board members that will be designated by Ms. Badinter.

Dentsu has agreed to vote at Supervisory Board members meetings as follows:

- (i) to elect Ms. Badinter or her designee as chairperson of the Supervisory Board;
- (ii) to elect or renew the mandate to the Supervisory Board of such persons designated by her; and
- (iii) to vote in favor of appointments of or changes in the members of our management (and in particular of the Management Board) proposed by Ms. Badinter, provided that Ms. Badinter shall have previously consulted with Dentsu on such appointments or changes.

The Badinter/Dentsu Agreement provides for the creation of a special committee, to be comprised of members appointed by Ms. Badinter and Dentsu (Ms. Badinter has the right to appoint the majority of its members). The role of the committee is to (i) examine all strategic decisions to be submitted for the approval of the Supervisory Board and/or the vote of the shareholders, (ii) determine the vote on matters on which Dentsu has agreed to vote as directed by Ms. Badinter and (iii) in the case of a meeting convened at the direction of Dentsu, examine such other matters identified by a member of the committee designated by Dentsu.

In addition, Dentsu agreed that it will vote its shares as directed by Ms. Badinter on a number of matters, including those relating to certain merger or similar business combinations involving our company. Dentsu also agreed (i) not to transfer any of our shares (or any of the warrants that it received in connection with our acquisition of Bcom3) until July 12, 2012 (subject to specified exceptions), and (ii) to be subject to specified restrictions on any transfer of shares or warrants, and a right of first refusal of Ms. Badinter with respect to any transfer, in each case after July 12, 2012.

After consulting Ms. Badinter, Dentsu has undertaken to vote at the Publicis general shareholders' meetings as Ms. Elisabeth Badinter votes on the following decisions:

- amendment of the Publicis by-laws (*statuts*) concerning: the company's name, headquarters, number of members of the Management Board or of the Supervisory Board, term and number of shares required for exercising this function;

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- any merger or combination by which the Publicis shareholders at the time of the merger retain the majority of the new group after the transaction;
- distribution of reasonable dividends of up to 40% of the distributable sums;
- increases of less than 10% of the capital or its voting rights without waiver of preferential subscription rights and up to a total amount of 10% of Publicis capital at March 7, 2002;
- capital reduction resulting from the purchase of shares by the Company.

After consulting Ms. Elisabeth Badinter, Dentsu has the right to vote as it chooses for the following actions:

- the decision to issue securities representing more than 10% of its capital or of the Publicis voting rights;
- the attribution of subscription rights;
- reserved capital increases;
- public offers of Publicis securities without preferential subscription rights;
- the contribution or transfer of assets, insofar as they are subject to a vote of the general meeting of shareholders;
- approval of any transaction involving Ms. Badinter, Dentsu or a Publicis subsidiary.

Dentsu shall vote for the approval of Publicis accounts, so long as the members designated by Dentsu on the Supervisory Board are heard by the Audit Committee, the Auditors have certified the accounts, Dentsu's representatives, heard by the Audit Committee, have provided any comments to the Statutory Auditors and the Statutory Auditors have responded and maintained their certification.

Until July 12, 2012, under the Badinter/Dentsu Agreement, Dentsu is prohibited from owning, solely or acting in concert, with the exception of this agreement, a number of our shares that would entitle it to exercise more than 15% of the total voting power of our shares, subject to specified exceptions. Dentsu has undertaken not to exercise its voting rights beyond the 15% limit established above.

Until July 1, 2012, Dentsu will be prohibited from selling or transferring any Publicis shares. In the event of a public tender offer for Publicis securities, Publicis will ensure that market regulations (and in particular the rulings of the French Stock Market Authority (*Autorité des marchés financiers*) on public offerings) be respected including concerning this lockup agreement.

Starting on July 12, 2012, Ms. Badinter will have a preemptive right, in the event that Dentsu receives an offer of acquisition in cash or should Dentsu wish to sell its shares on the market or in the context of a private placement.

Dentsu agreed not to enter into specified agreements with third parties concerning the direction and management of our company without the prior written consent of Ms. Badinter.

Ms. Badinter will not be able to conclude any agreement concerning the direction and management of Publicis, without the prior agreement of Dentsu, if such an agreement would oblige Dentsu to file a joint public offer for Publicis. Violation by Ms. Badinter gives Dentsu the right to terminate the agreement.

Ms. Badinter will use her best efforts to ensure that Dentsu is protected against any dilution that may result from a capital increase in cash to which Dentsu was not able to subscribe.

The parties will adapt the agreement to allow Dentsu to account for its participation in Publicis under the equity method, so long as the economic and legal balance of the agreement remains unchanged. Should Dentsu or Ms. Badinter vote differently at any of the Publicis general shareholders meetings, none of the parties shall be allowed to terminate the agreement.

On September 24, 2004, Ms. Badinter and Dentsu formed a partnership (the Société en Participation (SEP)) and approved bylaws (*statuts*) of the SEP.



The by-laws (*statuts*) provide that the purpose of the SEP is to exercise the voting rights attached to the shares for which the right to exercise voting rights was contributed to the SEP.

On September 24, 2004, Dentsu contributed to the SEP the right to exercise the voting rights of 11,181,399 ordinary shares of Publicis, and on October 1, 2004, Ms. Badinter contributed to the SEP the right to exercise the voting rights of one (1) ordinary share of Publicis. The term of the SEP expires on the earlier of September 24, 2014 or the date on which the EB Shareholders' Agreement terminates, except in the event of extension or prior dissolution, as decided jointly by Ms. Badinter and Dentsu. The by-laws (*statuts*) provide that Dentsu will, during the duration of the existence of the SEP, contribute to the SEP the right to exercise the voting rights in respect of those shares it holds which would cause it to have voting rights in excess of 15% of Publicis's voting power. The by-laws also provide that, to the extent Dentsu's voting power in Publicis falls below 15%, the right of the SEP to exercise the voting rights attached to the shares held by the SEP will immediately end only to the extent that it allows Dentsu to have voting rights equal to 15% of the voting power of Publicis. The number of shares thus transferred was 10,783,944 at December 31, 2006. The by-laws (*statuts*) provide that there will be one manager of the SEP who will be appointed and dismissed unanimously by Ms. Badinter and Dentsu and who shall initially be Ms. Badinter. The manager has the power to manage the SEP and, among other things, exercise the voting rights attached to the shares held by the SEP.

On September 24, 2004, Ms. Badinter and Dentsu entered into an amendment of the Badinter/ Dentsu Agreement, pursuant to which such agreement was amended, among other things, to provide Ms. Badinter with a first offer right to purchase any ordinary shares of Publicis for which the right to exercise the voting rights has been contributed by Dentsu to the SEP and which Dentsu wishes to dispose or otherwise transfer to a party other than a wholly-owned subsidiary of Dentsu, subject to specified exceptions.

Each of the foregoing summaries is qualified in its entirety by the full text of the Alliance Agreement, the by-laws (*statuts*) of the SEP, the Publicis/ Dentsu Agreement (and the amendment thereof) and the Badinter/ Dentsu Agreement (and the amendment thereof), as the case may be.

The agreement will terminate 12 years after the date of its signing unless the two parties agree to renew the agreement for an additional 12 years.

Each of the foregoing summaries is qualified in its entirety by the full text of the Alliance Agreement, the by-laws (*statuts*) of the SEP, the Publicis/Dentsu Agreement (and the amendment thereof) and the Badinter/Dentsu Agreement (and the amendment thereof), as the case may be.

### **Agreements with Members of the Supervisory Board and the Management Board**

Through certain subsidiaries, we have concluded employment agreements with Kevin Roberts, Jack Klues and Robert Seelert. The material terms of those agreements are as follows:

- Our agreement with Mr. Roberts (and a related agreement with a consulting firm owned by Mr. Roberts) generally provides that if we terminate Mr. Roberts' employment before it expires and under specific circumstances, subject to certain conditions, we may be required to pay him an amount equal to (i) 120% of his annual salary, (ii) the annual cost of his various benefits, and (iii) the maximum bonus he would have earned for the year. Moreover, at the expiration of his contract and subject to certain conditions, Mr. Roberts is entitled to a deferred bonus calculated on the basis of \$200,000 per year of employment, starting on January 1, 2005.
- In addition, in place of the pension agreements concluded in connection with the Saatchi & Saatchi acquisition, we have agreed to pay Mr. Roberts an annuity in the total amount of \$6,133,000 during the period from 2005 to 2009. Of this amount, \$3,825,000 is directly conditional upon his continued employment with us between October 2005 and December 2008, and could be reduced pro rata in the event that Mr. Roberts were to terminate his employment before the end of this period.
- Our agreement with Mr. Klues, effective as of July 1, 2004, provides that if we terminate Mr. Klues' employment under specific circumstances, we may be required to pay him an amount equal to his annual

compensation (base salary and base bonus).

82

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- Our agreement with Mr. Seelert, whose term of office on the Supervisory Board expired on June 7, 2006, provides that at the end of his term as President of Saatchi & Saatchi North America, he will have the right to claim amounts calculated on the basis of 6.25% of the total remuneration that he earned since September 2002.

In considering Maurice Lévy's compensation as from 2003, our Supervisory Board has agreed to pay Mr. Maurice Lévy a deferred bonus equal to the total amount of bonuses paid or due to him since January 1, 2003 upon the termination of his employment as Chairman of the Management Board, provided he remains employed by us for seven and a half years starting on January 1, 2003 and complies with a non-compete obligation for three years following such termination. The deferred bonus will be equal to the aggregate of all bonuses that he acquired since January 1, 2003.

Expenses and accruals relating to post-employment and other long-term benefits:

- Total expense corresponding to benefits after the termination of employment and other long-term benefits for the persons who served during 2006 on the Supervisory Board or the Managing Board was €5,000 million in the Group's income statement in 2006.
- The overall provision for these benefits was €20 million as of December 31, 2006, €16 million as of December 31, 2005 and €18 million as of December 31, 2004. See note 29 of the notes to the consolidated financial statements.

## EXCHANGE CONTROLS

The French commercial code currently does not limit the right of nonresidents of France or non-French persons to own and vote shares. However, nonresidents of France must file an administrative notice with French authorities in connection with the acquisition of a controlling interest in our company. Under existing administrative rulings, ownership of 20% or more of our share capital or voting rights is regarded as a controlling interest, but a lower percentage might be held to be a controlling interest in some circumstances depending upon factors such as:

- the acquiring party's intentions; and
- the acquiring party's ability to elect members, and financial reliance by us on the acquiring party.

French exchange control regulations currently do not limit the amount of payments that we may remit to nonresidents of France. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a nonresident be handled by an accredited intermediary. In France, all registered banks and most credit establishments are accredited intermediaries.

The accredited intermediary must declare the transfer of any funds exceeding €12,500 to the Bank of France for statistical purposes.

## TAXATION

The following discussion is a summary description of certain material U.S. and French tax consequences that may apply to you as a holder of our shares.

This discussion applies only to holders of our shares that are U.S. holders. A "U.S. holder" is a beneficial owner of our shares that:

- is, for U.S. federal income tax purposes, a citizen or resident of the United States, a U.S. domestic corporation or otherwise subject to U.S. federal income taxation on a net income basis in respect of our shares;
- is a tax resident of the United States for purposes of the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double

Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (which was signed on August 31, 1994 and generally became effective on January 1, 1996) (the "Treaty");

- is entitled to the benefits of the Treaty under the "limitation on benefits" provisions thereof;
- is not a French tax resident; and
- does not hold our shares in connection with a permanent establishment or a fixed base in France.

Further, this discussion applies only to holders for whom all the following requirements are met:

- the holder owns, directly or indirectly, less than 5% of our share capital;
- the holder holds our shares as capital assets; and
- the holder's functional currency is the U.S. dollar.

YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISER REGARDING THE TAX CONSEQUENCES TO YOU OF ACQUIRING, OWNING OR DISPOSING OF OUR SHARES. The summary may not apply to you or may not completely or accurately describe tax consequences to you because your individual circumstances may affect the tax consequences of acquiring, holding and disposing of our shares. This description does not address all aspects of U.S. and French tax laws and tax treaties that may be relevant in light of the particular circumstances of a U.S. holder. For example, special rules may apply to U.S. expatriates, insurance companies, tax-exempt organizations, financial institutions, persons subject to the alternative minimum tax, securities broker-dealers, traders in securities that elect to mark-to-market and persons holding their shares as part of a conversion transaction or constructive sale, among others.

This description is based on U.S. and French tax laws, conventions and treaties in force as of the date of this Annual Report, all of which are subject to change (possibly with retroactive effect) or to different interpretations. Also, this summary does not discuss any tax rules other than U.S. federal income tax and French tax rules. Further, the U.S. and French tax authorities and courts are not bound by this summary and may disagree with its conclusions. All holders of our shares are advised to consult their own tax advisers as to the particular tax consequences to them of acquiring, owning and disposing of our shares, including their eligibility for the benefits of the Treaty, the applicability and effect of state, local, foreign and other tax laws and possible changes in tax laws.

For U.S. federal income tax purposes and French tax purposes, a U.S. holder of ADSs will be treated as the owner of the corresponding number of shares held by the Depository and references herein to shares refer also to ADSs.

### ***Taxation of Dividends***

In France, dividends are paid out of after-tax income.

#### ***New Tax Credit***

From January 1, 2006, French resident individuals are taxed on only 60% of the dividends they receive and, in addition to a fixed allowance, are entitled to a tax credit equal to 50% of all dividends received within one year (the "Tax Credit"). The Tax Credit is capped at €230 for married couples and members of a union agreement subject to joint taxation and €115 for single persons, widows or widowers, divorcees or married persons subject to separate taxation.

Dividends paid to non-residents are not normally eligible for the Tax Credit described above.

However, individual U.S. holders may be entitled to a refund of the Tax Credit, less the 15% withholding tax described below, provided that they are subject to U.S. federal income tax on the Tax Credit and the dividend to which it relates. The French tax authorities have not yet issued guidance with respect to the refund of the Tax Credit to non-resident individuals. Individual investors are urged to consult their own tax advisors in this respect.

U.S. holders that are not individuals are no longer entitled to Tax Credit payments from the French Treasury.

### *Withholding Tax*

Dividends paid to a shareholder having his or her tax residence outside France by a French company are generally subject to a 25% French withholding tax under French tax laws.

Under the Treaty, this withholding tax is reduced to 15% our shares are beneficially owned by a U.S. holder who has previously established that he or she is a U.S. holder in accordance with the procedures described below.

In order for tax to be withheld at the 15% rate, a U.S. holder must complete and deliver to the paying agent (through its account holder) Form 5000 before the date of payment of the dividend and send it before receiving such payment to the institution which holds the shares on its behalf. To complete Form 5000, the holder must certify in particular that:

- the holder is beneficially entitled to the dividend;
- the holder is a U.S. resident within the meaning of the Treaty;
- the dividend is not derived from a permanent establishment or a fixed base that the holder has in France; and
- the dividend received is or will be reported to the tax authorities in the United States.

If a U.S. holder has not completed Form 5000 before the dividend payment date, the paying establishment will deduct French withholding tax at the rate of 25%. In that case, the holder may claim a refund of the excess withholding tax by completing Form 5000 and Form 5001 and sending them, through its account holder, to the French tax authorities before December 31 of the second calendar year following the calendar year during which the withholding tax is levied.

The 15% withholding tax may also apply to dividends paid to a U.S. partnership or similar pass-through entity mentioned in Article 4.2(b)(iv) of the Treaty and whose income is subject to U.S. tax either in its hands or in the hands of its partners who are U.S. holders (U.S. Tax Resident Partnership).

Specific procedures will apply if our shares are held through a U.S. Tax Resident Partnership. U.S. holders who will own their shares through a U.S. Tax Resident Partnership are advised to consult their own tax advisers as to the conditions and formalities under which they may benefit from the above-mentioned reduction of the French withholding tax.

### *Other Entities*

Additional specific rules apply to tax-exempt U.S. pension funds, not-for-profit organizations and certain other tax-exempt U.S. holders.

These holders may be eligible for a reduced withholding tax rate of 15% subject to the same withholding tax filing requirements as eligible U.S. holders, except that they may have to supply additional documentation evidencing their entitlements to these benefits.

These holders are advised to consult their own tax advisers as to the conditions under which they may benefit from the above-mentioned reduction of the French withholding tax.

### *U.S. Federal Income Taxes*

For U.S. federal income tax purposes, the gross amount of any dividend and Tax Credit (including any French withholding tax) will be included in a U.S. holder's gross income as dividend income on the date the U.S. holder is treated as having received such payment, to the extent it is paid out of current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. Dividends paid by our company will not give rise to any U.S. dividends received deduction. They will generally constitute foreign source passive (or, for taxable years beginning after December 31, 2006, passive category) income for foreign tax credit purposes.

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For U.S. federal income tax purposes, the amount of any dividend paid in euros, including any French withholding taxes, will be equal to the U.S. dollar value of the euros on the date the dividend is included in income, regardless of whether the payment is in fact converted into U.S. dollars on such date. Any foreign currency gain or loss recognized by a U.S. holder upon the conversion of euros



to U.S. dollars on a date subsequent to receipt generally will be U.S.-source ordinary income or loss. The U.S. holder may also be required to recognize foreign currency gain or loss if it receives a refund under the Treaty of tax withheld in excess of the treaty rate. This foreign currency gain or loss also will generally be U.S. source ordinary income or loss.

To the extent that any dividends paid exceed our current and accumulated earnings and profits as calculated for U.S. federal income tax purposes, the distribution will be treated as follows: first, as a tax-free return of capital, which will cause a reduction in the adjusted basis of your shares; and second, as capital gain to the extent of the balance of the dividend.

French withholding tax imposed on the dividends you receive is treated as payment of a foreign income tax. You may take this amount as a credit against your U.S. federal income tax liability, subject to specific conditions and limitations.

For taxable years that begin before 2011, dividends paid by us will be taxable to a non-corporate U.S. holder at a reduced rate normally applicable to capital gain, provided we qualify for the benefits of the Treaty or our stock with respect to which the dividend is paid is readily tradable on an established securities market in the U.S. and certain other requirements are met. For example, in order to be eligible for the reduced rate, a U.S. holder must hold the stock with respect to which the dividend is paid for more than 60 days during the 121 day period surrounding the ex-dividend date for the dividend. In addition, a U.S. holder will not be entitled to the reduced rate if such holder is under an obligation to make related payments with respect to positions in substantially similar or related property (whether pursuant to a short sale, a hedge or otherwise). However, a U.S. holder will not be able to claim the reduced rate if we are treated for U.S. federal income tax purposes as a passive foreign investment company ("PFIC") in the taxable year in which the dividend is paid or in the preceding taxable year. The Treaty has been approved for purposes of the aforementioned reduced tax rate on dividends. As described below, we believe that we were not treated as a PFIC with respect to our 2006 taxable year, and we do not expect to be treated as a PFIC with respect to our current taxable year. Accordingly, we believe that dividends paid by us should be eligible for the reduced tax rate for a U.S. holder that meets the holding period and other requirements. All U.S. holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules and the availability of the reduced tax rate with respect to dividends paid by us.

### ***Taxation on Sale or Disposition of Shares***

Under French tax law, capital gains realized upon the sale of our shares by holders who are not French residents for French tax purposes (and who do not hold their shares in connection with a permanent establishment or a fixed base in France) are not taxable in France provided that the vendor and any related persons have not directly or indirectly held more than 25% of rights to our earnings (droits aux bénéfices sociaux) at any time during the five years preceding the sale.

A 1.1% ad valorem registration duty (subject to a maximum of €4,000 per transfer) applies to certain transfers of shares in French companies. This duty does not apply to transfers of shares in listed companies that are not evidenced by a written agreement, or if any such agreement is executed outside France.

If the holder is a U.S. holder, the holder will not be subject to French tax on any capital gain if the holder sells or exchanges its shares.

In general, for U.S. federal income tax purposes, you will recognize capital gain or loss if you sell or exchange your ADSs in the same manner as you would if you were to sell or exchange any other shares held as capital assets. Any gain or loss will be U.S.-source gain or loss. Subject to the PFIC rules discussed below, if you are a non-corporate holder, any capital gain will generally be subject to U.S. federal income tax at preferential rates if you meet the specified minimum holding periods.

### ***PFIC***

We believe that we will not be treated as a PFIC for U.S. federal income tax purposes for the current taxable year. However, an actual determination of our PFIC status is fundamentally factual in nature and cannot be made until the close of the applicable taxable year. We will be a PFIC for any taxable year in which either:

- 75% or more of our gross income is passive income; or
- our assets that produce passive income or that are held for the production of passive income amount to at least 50% of the value of our total assets on average.

If we were to become a PFIC, the tax applicable to distributions on our shares and any gains you realize when you dispose of our shares may be less favorable to you. You should consult your own tax advisers regarding the PFIC rules and their effect on you if you purchase our shares.

### **French Estate and Gift Taxes**

Under The Convention Between the U.S. of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritance and Gifts of November 24, 1978, if an individual holder transfers its shares in our company by gift, or if they are transferred by reason of the holder's death, that transfer will only be subject to French gift or inheritance tax if one of the following applies:

- the individual holder is domiciled in France at the time of making the gift, or at the time of the individual holder's death; or
- the individual holder used our shares in conducting a business through a permanent establishment or fixed base in France, or

the individual holder held our shares for that use.

### **French Wealth Tax**

The French wealth tax does not generally apply to our shares if the holder is an individual who is a tax resident of the U.S. for purposes of the Treaty, provided that:

- the individual holder does not own, alone or with related persons, directly or indirectly, shares, rights or interests the total of which gives right to at least 25% of our earnings; and
- the shares are not held in connection with a permanent establishment or a fixed base in France.

### **U.S. Information Reporting and Backup Withholding**

Dividend payments on our shares and proceeds from the sale, exchange or other disposition of the shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding. U.S. federal backup withholding generally is a withholding tax imposed at the rate of 28% on specified payments to persons that fail to furnish required information. Backup withholding will not apply to a U.S. holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding. Any U.S. persons required to establish their exempt status generally must file Internal Revenue Service Form W-9, entitled Request for Taxpayer Identification Number and Certification.

Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability. You may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information in a timely manner.

### **DOCUMENTS ON DISPLAY**

We are subject to the periodic reporting and other informational requirements of the Exchange Act as they apply to foreign private issuers. Under the Exchange Act, we are required to file and submit reports and other information with the SEC. Copies of reports and other information, when so filed or submitted, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The public may also view our Annual Reports and other documents filed with the SEC on the Internet at [www.sec.gov](http://www.sec.gov). As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions in Section 16 of the Exchange Act.

**ENFORCEABILITY OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS**

Our company is a corporation organized under the laws of France. The majority of the members of our Supervisory and Management Boards are citizens and residents of countries other than the U.S., and the majority of our assets are located outside of the U.S.

Accordingly, it may be difficult for investors:

- to obtain jurisdiction over our company or the members of our Supervisory and Management Boards in courts in the U.S. in actions predicated on the civil liability provisions of the U.S. federal securities laws;
- to enforce judgments obtained in such actions against us or the members of our Supervisory or Management Board ;
- to obtain judgments against us or the members of our Supervisory or Management Board in original actions in non-U.S. courts predicated solely upon the U.S. federal securities laws; or
- to enforce against us or the members of our Supervisory or Management Board in non-U.S. courts judgments of courts in the U.S. predicated upon the civil liability provisions of the U.S. federal securities laws.

Each of the foregoing statements applies to our auditors as well.

**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

As a result of our global operating activities and our financing activities, we are subject to various market risks relating primarily to foreign currency exchange rate risk and interest rate risk.

**INTEREST RATE RISK**

Group management determines the mix between fixed and variable-rate debt and periodically reviews its decision based on interest rate trend forecasts.

At December 31, 2006, 55% of the Group’s gross financial indebtedness (excluding debt related to acquisition of shareholdings and debt arising from commitments to purchase minority interests) was comprised of fixed rate loans at an average interest rate of 5.66% . Variable rate loans represented 45% of the Group’s gross financial indebtedness at December 31, 2006, with an average interest rate of 5.58% .

These percentages differ significantly from the breakdown at the end of December 2005 when almost all of the financial debt was at fixed rate. This arises following changes to the terms of swap that became effective on October 31, 2006. As a result of these changes, the Eurobond, which was issued at fixed rate (nominal 4.125%), became at variable rate.

Variable rate indebtedness at December 31, 2006, after deducting cash and cash equivalents and other financial assets, is approximately €1.2 billion. An increase of 1 % in short-term interest rates would have a positive effect of €12 million on the Group’s pre-tax profits.

The following table sets out the carrying amount by maturity at December 31, 2006 of the Group’s financial instruments that are exposed to interest rate risk:

|                 | <b>Maturities</b> |                |                |                |                |
|-----------------|-------------------|----------------|----------------|----------------|----------------|
| <b>Total at</b> | <b>Between</b>    | <b>Between</b> | <b>Between</b> | <b>Between</b> | <b>Between</b> |
|                 |                   |                |                |                |                |

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| <b>December 31,<br/>2006</b> | <b>Less than<br/>1 Year</b> | <b>1 and 2<br/>Years</b> | <b>2 and 3<br/>Years</b> | <b>3 and 4<br/>Years</b> | <b>4 and 5<br/>Years</b> | <b>More than<br/>5 Years</b> |
|------------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------|
|------------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------|

*(Millions of euros)*

Fixed rate:

|  |                |                |            |            |            |          |              |
|--|----------------|----------------|------------|------------|------------|----------|--------------|
| Eurobond                                 | 742            | -              | -          | -          | -          | -        | 742          |
| OCEANEs (debt component)                 | 849            | -              | 615        | -          | -          | -        | 234          |
| ORANEs (debt component)                  | 33             | 3              | 3          | 3          | 3          | 3        | 18           |
| Other fixed rate debt                    | 7              | 7              | -          | -          | -          | -        | -            |
| Debt related to finance leases           | 83             | -              | -          | -          | -          | -        | 83           |
| <b>Total fixed rate</b>                  | <b>1,714</b>   | <b>10</b>      | <b>618</b> | <b>3</b>   | <b>3</b>   | <b>3</b> | <b>1,077</b> |
| Effect of the swap on Eurobond           | (742)          |                |            |            |            |          | (742)        |
| <b>Total fixed rate after hedging</b>    | <b>972</b>     | <b>10</b>      | <b>618</b> | <b>3</b>   | <b>3</b>   | <b>3</b> | <b>335</b>   |
| Variable rate:                           |                |                |            |            |            |          |              |
| Bank borrowings                          | 38             | 31             | 7          | -          | -          | -        | -            |
| Bank overdrafts                          | 30             | 30             | -          | -          | -          | -        | -            |
| Cash and cash equivalents                | (1,920)        | (1,920)        | -          | -          | -          | -        | -            |
| Other financial assets                   | (64)           | -              | (1)        | (1)        | (1)        | -        | (61)         |
| <b>Total variable rate</b>               | <b>(1,916)</b> | <b>(1,859)</b> | <b>6</b>   | <b>(1)</b> | <b>(1)</b> | <b>-</b> | <b>(61)</b>  |
| Effect of the swap on Eurobond           | (742)          | -              | -          | -          | -          | -        | (742)        |
| <b>Total variable rate after hedging</b> | <b>(1,174)</b> | <b>(1,859)</b> | <b>6</b>   | <b>(1)</b> | <b>(1)</b> | <b>-</b> | <b>681</b>   |

#### FOREIGN CURRENCY EXCHANGE RATE RISK

We hold assets and liabilities, earn income and pay expenses of our subsidiaries in a variety of currencies. Our consolidated financial statements are presented in euros. Therefore, when we prepare our financial statements, we must translate our assets, liabilities, income and expenses in currencies other than the euro into euros at then-applicable exchange rates. Consequently, increases and decreases in the value of the euro will affect the value of these items in our financial statements, even if their value has not changed in their original currency. In this regard, an increase in the value of the euro relative to other currencies may result in a decline in the reported value, in euros, of our interests held in those currencies. If the relative value of the euro to the U.S. dollar increases, the U.S. dollar equivalent of ADSs and cash dividends paid in euros on our ADSs will increase as well.

In order to hedge its net dollar-denominated assets, and thus to significantly reduce sensitivity of Group shareholders' equity to future exchange rate fluctuations between the euro and the US dollar, the Group swapped its €750 million fixed rate Eurobond to \$977 million of fixed rate dollar debt. Following the changes made to the terms of the swap in 2006, the issue is now swapped into variable rate. In this context, a balancing payment of €30 million was received and the corresponding income was recognized in shareholders' equity.

From the point of view of IAS 39, the swap from fixed rate euro to variable rate dollar was designated as:

- a net investment hedge, leading to the recognition of changes in the foreign exchange component of the derivative in shareholders' equity; and
- a hedge of the fair value of the Eurobond debt for the interest rate component. In this context, the portion of the Eurobond debt swapped into variable rate was remeasured at fair value at the balance sheet date.

The following table presents the Group's net assets at December 31, 2006 by main currency, before and after the effect of the swap on Eurobond:

|                                  | <b>Total at<br/>December<br/>31, 2006</b> | <b>Euro(1)</b> | <b>US Dollar</b>           | <b>Pound<br/>Sterling</b> | <b>Other</b> |
|----------------------------------|---|----------------|----------------------------|---------------------------|--------------|
|                                  |   |                | <i>(Millions of euros)</i> |                           |              |
| Assets                           | 11,627                                    | 2,781          | 5,428                      | 1,054                     | 2,364        |
| Liabilities                      | (9,520)                                   | (3,643)        | (3,587)                    | (765)                     | (1,525)      |
| <b>Net assets before hedging</b> | <b>2,107</b>                              | <b>(862)</b>   | <b>1,841</b>               | <b>289</b>                | <b>839</b>   |
| Effect of swap on Eurobond       | -   | 742            | (742)                      | -                         | -            |
| <b>Net assets after hedging</b>  | <b>2,107</b>                              | <b>(120)</b>   | <b>1,099</b>               | <b>289</b>                | <b>839</b>   |

(1) Functional currency

In addition, changes in exchange rates against the euro, the reporting currency used in the Group's financial statements, can have an impact of the Group's consolidated balance sheet and consolidated income statement.

For information purposes, the breakdown of Group revenues by transaction currency is as follows:

|                       | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|-----------------------|-------------|-------------|-------------|
| Euro                  | 24 %        | 25 %        | 27 %        |
| US Dollar             | 41 %        | 42 %        | 42 %        |
| Pound Sterling        | 10 %        | 10 %        | 10 %        |
| Other                 | 25 %        | 23 %        | 21 %        |
| <b>Total revenues</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

The impact of a drop of 1% in the euro's exchange rate against the US Dollar and the Pound Sterling would be (favorable)

- €22 million on 2006 consolidated revenues;
- €4 million on 2006 consolidated operating income;

The majority of commercial transactions are denominated in the local currencies of the countries in which they are transacted. As a result, we believe exchange rate risk relating to such transactions is not very significant and is occasionally hedged through foreign currency hedging contracts.

As regards intercompany loans and borrowings, these are subject to appropriate hedges if they present a significant net exposure to exchange rate risk. It should however be noted that, as most treasury needs of subsidiaries are financed at country level through cash pooling mechanisms, international financing operations are limited in number and in duration.

Derivatives used are generally forward foreign exchange contracts.

The table below summarizes hedging contracts in place at December 31, 2006:

**I. Intercompany Receivables and Payables**

| <b>Currency Sold</b>                               | <b>Currency Purchased</b> | <b>Amount of Currency Sold</b> | <b>Amount of Currency Purchased</b> | <b>Fair Value of the Hedge</b> |
|--|---------------------------|--------------------------------|-------------------------------------|--------------------------------|
|  |                           | (Local currency, in millions)  | (Local currency, in millions)       | (Millions of euros)            |
| AUD  | USD                       | (56.7)                         | 44.4                                | (0.2)                          |
| AUD  | EUR                       | (16.3)                         | 9.7                                 | (0.1)                          |
| DKK  | EUR                       | (25.3)                         | 3.4                                 |                                |
| DKK  | USD                       | (31.1)                         | 5.5                                 |                                |
| EUR  | GBP                       | (15.8)                         | 10.7                                |                                |
| EUR  | NOK                       | (1.2)                          | 10.0                                |                                |
| EUR  | THB                       | (1.3)                          | 61.3                                |                                |
| EUR  | USD                       | (61.1)                         | 80.8                                | 0.1                            |
| GBP  | EUR                       | (18.1)                         | 26.4                                | (0.4)                          |
| JPY  | EUR                       | (165.5)                        | 1.1                                 |                                |
| NOK  | EUR                       | (56.5)                         | 6.9                                 | 0.1                            |
| NZD  | EUR                       | (21.9)                         | 11.3                                | (0.3)                          |
| SEK  | EUR                       | (55.4)                         | 6.2                                 |                                |
| SEK  | USD                       | (201.6)                        | 29.6                                | 0.1                            |
| THB  | EUR                       | (253.5)                        | 5.1                                 | (0.1)                          |
| USD  | AUD                       | (5.2)                          | 6.6                                 |                                |
| USD  | CAD                       | (1.9)                          | 2.2                                 |                                |
| USD  | EUR                       | (88.4)                         | 66.7                                | (0.2)                          |
| USD  | GBP                       | (2.7)                          | 1.4                                 |                                |
| <b>Total intercompany receivables and payables</b> |                           |                                |                                     | <b>(1.0)</b>                   |



**II. Third Party Receivables and Payables**

| <b>Currency Sold</b>                              | <b>Currency Purchased</b> | <b>Amount of Currency Sold</b> | <b>Amount of Currency Purchased</b> | <b>Fair Value of the Hedge</b> |
|---|---------------------------|--------------------------------|-------------------------------------|--------------------------------|
|   |                           | (Local currency, in millions)  | (Local currency, in millions)       | (Millions of euros)            |
| EUR   | GBP                       | (5.2)                          | 3.5                                 | -                              |
| USD   | GBP                       | (3.0)                          | 1.5                                 | -                              |
| <b>Total third party receivables and payables</b> |                           |                                |                                     | <b>0</b>                       |

**III. Future Flows (Dividends and Interest Receivable, Firm Sales)**

| <b>Currency Sold</b>          | <b>Currency Purchased</b> | <b>Amount of Currency Sold</b> | <b>Amount of Currency Purchased</b> | <b>Fair Value of the Hedge</b> |
|-------------------------------|---------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                               |                           | (Local currency, in millions)  | (Local currency, in millions)       | (Millions of euros)            |
| EUR                           | GBP                       | (6.5)                          | 4.4                                 |                                |
| GBP                           | AUD                       | (0.4)                          | 1.0                                 |                                |
| GBP                           | CAD                       | (1.0)                          | 2.1                                 | (0.1)                          |
| GBP                           | CHF                       | (0.3)                          | 0.7                                 |                                |
| GBP                           | EUR                       | (7.0)                          | 10.4                                |                                |
| GBP                           | SEK                       | (0.2)                          | 3.2                                 |                                |
| GBP                           | USD                       | (0.4)                          | 0.8                                 |                                |
| SGD                           | EUR                       | (4.0)                          | 2.0                                 |                                |
| USD                           | GBP                       | (20.7)                         | 10.8                                | 0.3                            |
| <b>Total future flows (1)</b> |                           |                                |                                     | <b>0.2</b>                     |

(1) *On account of their immaterial impact, Publicis did not apply hedge accounting but instead recognized changes in the fair value of the derivatives through income.*

**TOTAL I + II + III (0.8)**

**EQUITY MARKETS RISK**

The main shareholdings that are exposed to a significant market risk are treasury stock in Publicis and shares in Interpublic Group (IPG):

For treasury stock, a decline in its value would not have an impact on earnings as the carrying value of such treasury stock is deducted from shareholders' equity and any increases in provisions against treasury stock are cancelled.

For IPG shares, which are classified as available-for-sale assets, a 10% decrease in their market value would not have an impact on earnings but would have an impact on shareholders' equity at December 31, 2006.



The following table shows the impact of a 10% fall in the market value of shareholdings owned by Publicis as of December 31, 2006:

|                                | <u>Treasury Stock</u> | <u>Other (IPG shares)</u> |
|--------------------------------|-----------------------|---------------------------|
| Effect on balance sheet assets | n/a                   | (5)                       |
| Effect on Shareholders' equity | -                     | (5)                       |
| Effect on net income           | -                     | -                         |

**Item 12. *Description of Securities Other Than Equity Securities***

Not applicable.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures**

#### **Disclosure Controls and Procedures**

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2006. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2006 to provide reasonable assurance that (i) information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

#### **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting principles in the United States of America (U.S. GAAP);
- provide reasonable assurance that receipts and expenditures of the Group are made in accordance with authorizations of the Group's management and directors; and
- provide reasonable assurance that unauthorized acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2006 based upon the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway

Commission (COSO). Based on our assessment, management concluded that the Group's internal control over financial reporting was effective as of December 31, 2006. Management's assessment of the effectiveness of the Group's internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young Audit and Mazars & Guérard, S.A., each an independent registered public accounting firm, as stated in their report which is included herein.

***Attestation Report of the Independent Registered Public Accounting Firms:***

To the Board of Directors and Shareholders of Publicis Groupe S.A.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Publicis Groupe S.A ("the Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended and our report dated April 5, 2007 expressed an unqualified opinion thereon.

Paris, France  
April 5, 2007

/s/ Bruno Perrin

Ernst & Young Audit  
Represented by Bruno Perrin



/s/ Philippe Castagnac

Mazars & Guérard, S.A  
Represented by Philippe Castagnac

### ***Change in Internal Control over Financial Reporting***

Except as described hereafter, there were no significant changes in our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting. In our 2005 Annual Report on Form 20-F, we reported a material weakness in our internal control structure relating to the preparation of our U.S. GAAP financial information. This material weakness resulted from errors that originated in 2002 and solely impacted our US GAAP financial information. It had no effect on either our French GAAP or IFRS financial statements. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. During the period, as we progressed towards compliance with Section 404 of the Sarbanes Oxley Act of 2002, we continued to strengthen our accounting function personnel and processes, with additional resources and training, in particular with respect to U.S. GAAP, which we believe remediated the aforementioned previously reported material weakness.

### ***French Descriptive Report on Internal Controls***

Under French law, we are required to publish descriptions of the material elements of our internal control procedures, as such procedures are defined under French regulations. The French report is not the equivalent of the report we will be required to file under the Sarbanes-Oxley Act of 2002 beginning with the Annual Report to be filed for the year ending December 31, 2006. A free English translation of our French report is filed as an exhibit to this Annual Report.

### ***Item 16A. Audit Committee Financial Expert***

The Supervisory Board has appointed Mr. Gerard Worms chairman of the Audit Committee. He is also the Audit Committee financial expert within the meaning of Item 16A (b) and (c) of the requirements of Form 20-F of the SEC. The SEC has determined that the Audit Committee financial expert designation does not impose on the person with the designation, any duties, obligations or liability that are greater than the duties, obligations or liabilities imposed on such person as a member of the Audit Committee of the Supervisory Board in the absence of such designation. His experience is presented under Item 6 above. Mr. Worms is an independent director within the meaning of Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended.

### ***Item 16B. Code of Ethics***

We have adopted a code of ethics (as that term is defined in the instructions to Item 16B of Form 20-F) that applies specifically to our chief executive officer, chief financial officer and other principal financial officers. We also adopted a code of ethics applicable to all employees according to NYSE Rule 303A.10. Our codes of ethics are available on the "Groupe" page of our website, at [www.Publicis.com](http://www.Publicis.com), under "Corporate Social Responsibility" and "Principles." Our disclosure of significant ways in which our corporate governance practices differ from those followed by U.S. companies under NYSE listing standards, as required under NYSE Rule 303A.11, is also available on the "Groupe" page, under "Corporate Governance" and "NYSE Statement." In addition, we undertake to provide a copy of our codes of ethics to any person without charge upon request. Such requests may be directed to our legal department by phone at +33 1 44 43 70 00 or by mail to 133, avenue des Champs-Élysées, 75008 Paris, France.

### ***Item 16C. Principal Accountant Fees and Services***

#### **Accountant Fees**

Ernst & Young Audit and Mazars & Guérard served as our independent auditors for the years ended December 31, 2005 and 2006, for which audited financial statements appear in this Annual Report. Ernst & Young has provided a separate audit report on the financial statements for 2004, which report is included in the 2004 Form



20-F/A.

96

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The following table sets forth the aggregate fees for professional services and other services rendered by Ernst & Young Audit and Mazars & Guérard with respect to the financial statements for 2005 and 2006.

|                    | 2006                                   |                                     | 2005                                   |                                     |
|--------------------|--|-------------------------------------|--|-------------------------------------|
|                    | (€ millions)<br>Ernst & Young<br>Audit | (€ millions)<br>Mazars &<br>Guérard | (€ millions)<br>Ernst &<br>Young Audit | (€ millions)<br>Mazars &<br>Guérard |
| Audit Fees         | 10.1                                   | 6.6                                 | 5.8                                    | 3.6                                 |
| Audit Related Fees | 0.8                                    | 0.8                                 | 1.2                                    | 0.9                                 |
| Tax Fees           | 0.3                                    | □                                   | 0.4                                    | □                                   |
| All Other Fees     | □                                      | □                                   | □                                      | □                                   |
| Total Fees         | 11.2                                   | 7.4                                 | 7.4                                    | 4.5                                 |

□Audit Fees□ are the aggregate fees billed by our independent auditors for the audit of our individual and consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

□Audit-Related Fees□ are the aggregate fees billed by our independent auditors for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under □Audit Fees.□ □Audit-Related Fees□ include consultations concerning financial accounting and reporting standards and due diligence services.

□Tax Fees□ are the aggregate fees billed by our independent auditors for professional services related to tax compliance and tax consultations, including assistance in connection with tax audits.

### **Audit Committee Pre-Approval Policies and Procedures**

Our Audit Committee chooses and submits for shareholder[s] approval the accounting firms who audit our financial statements and serve as our independent auditors. Since May 2003, our Audit Committee has followed a policy that requires management to obtain the Audit Committee[s] approval before engaging our independent auditors to provide any other audit or permitted non-audit services to us or our subsidiaries.

This policy, which is designed to assure that such engagements do not impair the independence of our auditors, requires the Audit Committee to pre-approve various audit and permitted non-audit services that may be performed by our auditors. All services, including audit services, audit-related services, tax services and all other services, are subject to specific pre-approval. The Audit Committee is not permitted to approve any engagement of our auditors if the services to be performed either fall into a category of services that are not permitted by applicable law or the services would be inconsistent with maintaining the auditors['] independence.

### **Item 16D. Exemptions from the Listing Standards for Audit Committees**

None.

### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Publicis has obtained authority from its shareholders for the right to repurchase up to a maximum of 10% of its issued share capital. This authority is valid until November 30, 2007. Pursuant to this authority, the maximum repurchase price is fixed at □35 per share, and the minimum resale price is at □18 per share.

Publicis conducts purchases of its own shares pursuant to agreements with two banks. The banks are independent service providers that engage in market transactions at their discretion, independently of Publicis.

The agreement between Publicis and Rothschild & Cie Banque (["Rothschild"]) is a ["liquidity contract"] (*un contrat de liquidité*), pursuant to which Rothschild is authorized by Publicis to deal in its shares (within certain agreed limits) in order to promote secondary market in the shares of Publicis and to maintain share price stability.

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The agreement between Publicis and Deutsche Bank is for the purpose of acquiring Publicis' own shares to be in position to deliver the shares to certain employees and members of the management of Publicis in connection with stock option grants.

The following table sets forth the shares purchased by Publicis under these two agreements:

|   | <b>(a) Total<br/>Number of<br/>Shares<br/>Purchased</b> | <b>(b) Average<br/>Price Paid<br/>per Share (in<br/>euros)</b> | <b>(c) Total Number<br/>of Shares<br/>Purchased as Part<br/>of Publicly<br/>Announced Plans<br/>or Programs</b> | <b>(d) Maximum Number<br/>of Shares that May Yet<br/>Be Purchased Under<br/>the Plans or<br/>Programs(1)</b> |
|---|---|--|---|--|
| January 2006 (January 1 □ January 31)       | 134,500   | 30.99  | 134,500   | 6,704,087  |
| February 2006 (February 1 □ February 28)    | 228,500   | 31.83  | 228,500   | 6,724,087  |
| March 2006 (March 1 □ March 31)             | 417,832   | 32.45  | 417,832   | 6,494,337  |
| April 2006 (April 1 □ April 30)             | 237,200   | 32.92  | 237,200   | 6,672,337  |
| May 2006 (May 1 □ May 31)                   | 388,500   | 31.88  | 388,500   | 6,460,337  |
| June 2006 (June 1 □ June 30)                | 147,500   | 31.30  | 147,500   | 6,312,837  |
| July 2006 (July 1 □ July 31)                | 78,500  | 30.92  | 78,500  | 6,234,637  |
| August 2006 (August 1 □ August 31)          | 6,000   | 30.90  | 6,000   | 6,451,228  |
| September 2006 (September 1 □ September 30) | 286,338   | 30.92  | 286,338   | 7,245,698  |
| October 2006 (October 1 □ October 31)       | 329,100   | 30.63  | 329,100   | 7,353,448  |
| November 2006 (November 1 □ November 30)    | 1,527,168   | 29.31  | 1,527,168   | 6,033,571  |
| December 2006 (December 1 □ December 31)    | 1,814,328   | 29.24  | 1,814,328   | 4,765,572  |

(1) *Under French Law, we cannot hold, either directly or through a person acting on our behalf, more than 10% of our issued shares. The maximum number still remaining for purchase therefore reflects this limitation, after taking into account shares bought and sold during the month in question.*

**PART III**

**Item 17. *Financial Statements***

Not applicable.

**Item 18. *Financial Statements***

99

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS**

To the Board of Directors

And Shareholders of Publicis Groupe S.A.

We have audited the accompanying consolidated balance sheets of Publicis Groupe S.A. and subsidiaries ("the Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, and 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 consolidated financial position of the Company at December 31, 2006, and 2005 and the consolidated results of its operations and its cash flows for each of the two years then ended, in conformity with International Financial Reporting Standards as adopted by the European Union.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 33 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 5, 2007 expressed an unqualified opinion thereon.

Paris, France  
April 5, 2007

/s/ Bruno Perrin

Ernst & Young Audit  
Represented by Bruno Perrin

/s/ Philippe Castagnac

Mazars & Guérard, S.A.  
Represented by Philippe Castagnac

F-1

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors

And Shareholders of Publicis Groupe S.A.

We have audited the accompanying consolidated balance sheet of Publicis Groupe S.A. and subsidiaries ("the Company") as of December 31, 2004 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2004, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 33 to the consolidated financial statements.

Paris, France  
April 5, 2007

/s/ Bruno Perrin

Ernst & Young Audit  
Represented by Bruno Perrin

F-2

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**Consolidated income statement**

|   | <b>Notes</b> | <b>2006</b>        | <b>2005</b>                | <b>2004</b>        |
|---|--------------|--------------------|----------------------------|--------------------|
|   |              |                    | <i>(Millions of euros)</i> |                    |
| <b>Revenue</b>  |              | <b>4,386</b>       | <b>4,127</b>               | <b>3,832</b>       |
| Personnel expenses  | 3            | (2,630)            | (2,454)                    | (2,271)            |
| Other operating expenses  | 4            | (936)              | (908)                      | (862)              |
| <b>Operating margin before depreciation and amortization</b>  |              | <b>820</b>         | <b>765</b>                 | <b>699</b>         |
| Depreciation and amortization expense<br>(excluding intangibles arising on acquisition)   | 5            | (107)              | (116)                      | (119)              |
| <b>Operating margin</b>   |              | <b>713</b>         | <b>649</b>                 | <b>580</b>         |
| Amortization of intangibles arising on acquisition  | 5            | (22)               | (23)                       | (29)               |
| Impairment  | 5            | (31)               | (33)                       | (215)              |
| Non-current income (expense)  | 6            | 29                 | 59                         | (10)               |
| <b>Operating income</b>   |              | <b>689</b>         | <b>652</b>                 | <b>326</b>         |
| Cost of net financial debt  | 7            | (36)               | (78)                       | (108)              |
| Other financial income (expense)  | 7            | (14)               | (14)                       | (6)                |
| <b>Income of consolidated companies before taxes</b>  |              | <b>639</b>         | <b>560</b>                 | <b>212</b>         |
| Income taxes  | 8            | (192)              | (157)                      | (112)              |
| Net change in deferred taxes related to the<br>OBSA/CLN transactions and deferred tax<br>assets related to the conversion to IFRS |              | -                  | -                          | 198                |
| <b>Net income of consolidated companies</b>   |              | <b>447</b>         | <b>403</b>                 | <b>298</b>         |
| Equity in net income of non-consolidated<br>companies   | 13           | 22                 | 11                         | 6                  |
| <b>Net income</b>   |              | <b>469</b>         | <b>414</b>                 | <b>304</b>         |
| Net income attributable to minority interests   |              | 26                 | 28                         | 26                 |
| <b>Net income attributable to equity holders of<br/>the parent</b>  |              | <b>443</b>         | <b>386</b>                 | <b>278</b>         |
| <b>Per share data</b> (in euros)  | 9            |                    |                            |                    |
| <i>Number of shares</i>   |              | <i>209,611,690</i> | <i>210,415,990</i>         | <i>210,535,541</i> |
| Net earnings per share  |              | 2.11               | 1.83                       | 1.32               |
| <i>Number of shares □ diluted</i>   |              | <i>240,064,428</i> | <i>233,816,994</i>         | <i>233,984,337</i> |
| Net earnings per share □ diluted  |              | 1.97               | 1.76                       | 1.29               |



**Consolidated balance sheet**

|   | Notes | December 31,<br>2006 | December 31,<br>2005 | December 31,<br>2004 |
|---|-------|----------------------|----------------------|----------------------|
| <i>(Millions of euros)</i>                        |       |                      |                      |                      |
| <b>Assets</b>                                     |       |                      |                      |                      |
| Goodwill, net                                     | 10    | 2,840                | 2,883                | 2,623                |
| Intangible assets, net                            | 11    | 693                  | 763                  | 740                  |
| Property and equipment, net                       | 12    | 511                  | 580                  | 609                  |
| Deferred tax assets                               | 8     | 186                  | 230                  | 373                  |
| Investments accounted for by the equity method    | 13    | 44                   | 33                   | 17                   |
| Other financial assets                            | 14    | 118                  | 118                  | 143                  |
| <b>Non-current assets</b>                         |       | <b>4,392</b>         | <b>4,607</b>         | <b>4,505</b>         |
| Inventory and costs billable to clients           | 15    | 688                  | 580                  | 437                  |
| Accounts receivable                               | 16    | 4,214                | 4,145                | 3,368                |
| Other receivables and other current assets        | 17    | 413                  | 446                  | 364                  |
| Cash and cash equivalents                         | 18    | 1,920                | 1,980                | 1,186                |
| <b>Current assets</b>                             |       | <b>7,235</b>         | <b>7,151</b>         | <b>5,355</b>         |
| <b>Total assets</b>                               |       | <b>11,627</b>        | <b>11,758</b>        | <b>9,860</b>         |
| <b>Liabilities and shareholders' equity</b>       |       |                      |                      |                      |
| Capital stock                                     |       | 79                   | 79                   | 78                   |
| Additional paid-in capital and retained earnings  |       | 2,001                | 1,977                | 1,543                |
| <b>Shareholders' equity</b>                       | 19    | <b>2,080</b>         | <b>2,056</b>         | <b>1,621</b>         |
| Minority interests                                |       | 27                   | 20                   | 31                   |
| <b>Total equity</b>                               |       | <b>2,107</b>         | <b>2,076</b>         | <b>1,652</b>         |
| Long-term financial debt (more than 1 year)       | 22    | 1,911                | 1,913                | 1,492                |
| Deferred tax liabilities                          | 8     | 216                  | 220                  | 365                  |
| Long-term provisions                              | 20    | 509                  | 582                  | 550                  |
| <b>Non-current liabilities</b>                    |       | <b>2,636</b>         | <b>2,715</b>         | <b>2,407</b>         |
| Accounts payable                                  |       | 5,192                | 5,030                | 4,000                |
| Short-term financial debt (less than 1 year)      | 22    | 203                  | 224                  | 273                  |
| Income taxes payable                              |       | 149                  | 263                  | 206                  |
| Short-term provisions                             | 20    | 116                  | 120                  | 106                  |
| Other creditors and other current liabilities     | 23    | 1,224                | 1,330                | 1,216                |
| <b>Current liabilities</b>                        |       | <b>6,884</b>         | <b>6,967</b>         | <b>5,801</b>         |
| <b>Total liabilities and shareholders' equity</b> |       | <b>11,627</b>        | <b>11,758</b>        | <b>9,860</b>         |

(1) After changes in accounting policies set out in Note 1.6.

**Consolidated cash flow statement**

|   | <b>2006</b>  | <b>2005</b>                | <b>2004</b>  |
|---|--------------|----------------------------|--------------|
|   |              | <i>(Millions of euros)</i> |              |
| <b>I- Cash flows from operating activities</b>  |              |                            |              |
| Net income  | 469          | 414                        | 304          |
| Income taxes  | 192          | 157                        | (86)         |
| Cost of net financial debt  | 36           | 78                         | 108          |
| Capital (gains) losses on disposal (before tax)   | (27)         | (58)                       | 10           |
| Depreciation, amortization and impairment on property and equipment and intangible assets | 160          | 172                        | 363          |
| Non-cash expenses on stock options and similar items                                      | 16           | 20                         | 20           |
| Other non-cash income and expenses  | 11           | 11                         | 13           |
| Equity in net income of non-consolidated companies  | (22)         | (11)                       | (6)          |
| Dividends received from equity accounted investments                                      | 19           | 9                          | 7            |
| Restructuring expenditure   | (18)         | (30)                       | (79)         |
| Taxes paid  | (229)        | (167)                      | (114)        |
| Interest paid   | (85)         | (93)                       | (73)         |
| Interest received   | 74           | 44                         | 46           |
| Change in working capital requirements (1)  | (3)          | 74                         | 264          |
| <b>Net cash provided by operating activities</b>  | <b>593</b>   | <b>620</b>                 | <b>777</b>   |
| <b>II- Cash flows from investing activities</b>   |              |                            |              |
| Purchases of property and equipment and intangible assets                                 | (81)         | (83)                       | (104)        |
| Proceeds from sale of property and equipment and intangible assets                        | 32           | 8                          | 3            |
| Proceeds from sale of investments and other financial assets, net                         | (3)          | 7                          | 468          |
| Acquisitions of subsidiaries  | (58)         | (71)                       | (124)        |
| Disposals of subsidiaries   | 11           | 98                         | -            |
| <b>Net cash flows provided by (used in) investing activities</b>                          | <b>(99)</b>  | <b>(41)</b>                | <b>243</b>   |
| <b>III- Cash flows from financing activities</b>  |              |                            |              |
| Dividends paid to parent company shareholders   | (66)         | (55)                       | (47)         |
| Dividends paid to minority shareholders of subsidiaries                                   | (23)         | (19)                       | (23)         |
| Cash received on new borrowings   | 19           | 747                        | 455          |
| Reimbursement of borrowings   | (52)         | (460)                      | (1,307)      |
| Net (purchases)/sales of treasury stock and equity warrants                               | (264)        | 7                          | (9)          |
| Cash received on hedging transactions   | 36           | -                          | -            |
| <b>Net cash flows provided by (used in) financing activities</b>                          | <b>(350)</b> | <b>220</b>                 | <b>(931)</b> |
| <b>IV- Impact of exchange rate fluctuations</b>   | <b>(139)</b> | <b>72</b>                  | <b>(39)</b>  |
| <b>Net change in consolidated cash flows (I + II + III + IV)</b>                          | <b>5</b>     | <b>871</b>                 | <b>50</b>    |
| Cash and cash equivalents at January 1  | 1,980        | 1,186                      | 1,415        |
| Bank overdrafts at January 1  | (95)         | (172)                      | (451)        |

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|  |          |            |           |
|--|----------|------------|-----------|
| Net cash and cash equivalents at beginning of year | 1,885    | 1,014      | 964       |
| Cash and cash equivalents at December 31           | 1,920    | 1,980      | 1,186     |
| Bank overdrafts at December 31                     | (30)     | (95)       | (172)     |
| Net cash and cash equivalents at end of year       | 1,890    | 1,885      | 1,014     |
| <b>Net change in cash and cash equivalents</b>     | <b>5</b> | <b>871</b> | <b>50</b> |

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*(1) Breakdown of change in working capital requirements*

|   |              |              |             |
|---|--------------|--------------|-------------|
| <i>Change in inventory and costs billable to clients</i>          | <i>(152)</i> | <i>(97)</i>  | <i>(47)</i> |
| <i>Change in accounts receivable and other receivables</i>        | <i>(338)</i> | <i>(391)</i> | <i>76</i>   |
| <i>Change in accounts payable, other creditors and provisions</i> | <i>487</i>   | <i>562</i>   | <i>235</i>  |
| <i>Change in working capital requirements</i>                     | <i>(3)</i>   | <i>74</i>    | <i>264</i>  |

F-5

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## Statement of changes in shareholders' equity

| Number of<br>shares | Millions of euros   | Capital<br>stock | Additional<br>paid-in<br>capital | Reserves<br>and<br>retained<br>earnings | Gains and<br>losses<br>recognized<br>through<br>equity | Shareholders<br>equity | Minority<br>interests | Total<br>equity |
|---------------------|---|------------------|----------------------------------|---|--|------------------------|-----------------------|-----------------|
| 182,365,864         | <b>January 1, 2004</b>  | <b>78</b>        | <b>2,557</b>                     | <b>(1,291)</b>                          | <b>154</b>   | <b>1,498</b>           | <b>28</b>             | <b>1,526</b>    |
|                     | Gains and (losses) recognized through equity  |                  |                                  |   | (124)  | (124)                  | (1)                   | (125)           |
|                     | Net income for the year   |                  |                                  | 278                                     |  | 278                    | 26                    | 304             |
|                     | <b>Total recognized income and (expenses) for the year</b>                                    |                  |                                  | <b>278</b>                              | <b>(124)</b>   | <b>154</b>             | <b>25</b>             | <b>179</b>      |
| 92,808              | Increase in capital stock of Publicis Groupe SA   |                  |                                  |   |  |                        |                       |                 |
|                     | Dividends paid  |                  | (20)                             | (27)                                    |  | (47)                   | (23)                  | (70)            |
|                     | Share-based compensation  |                  |                                  | 20                                      |  | 20                     |                       | 20              |
|                     | Effect of changes in scope of consolidation and of commitments to purchase minority interests |                  |                                  |   |  |                        | 1                     | 1               |
|                     | Reversal of Saatchi & Saatchi provisions  |                  |                                  | 2                                       |  | 2                      |                       | 2               |
|                     | Reversal of Italian Bond provisions   |                  |                                  | 3                                       |  | 3                      |                       | 3               |
| (370,454)           | Purchases/sales of treasury stock   |                  |                                  | (9)                                     |  | (9)                    |                       | (9)             |
| 182,088,218         | <b>December 31, 2004 (1)</b>  | <b>78</b>        | <b>2,537</b>                     | <b>(1,024)</b>                          | <b>30</b>  | <b>1,621</b>           | <b>31</b>             | <b>1,652</b>    |
|                     | Gains and (losses) recognized through equity  |                  |                                  |   | 88   | 88                     | 5                     | 93              |
|                     | Net income for the year   |                  |                                  | 386                                     |  | 386                    | 28                    | 414             |
|                     | <b>Total recognized income and (expenses) for the year</b>                                    |                  |                                  | <b>386</b>                              | <b>88</b>  | <b>474</b>             | <b>33</b>             | <b>507</b>      |
| 1,637,949           | Increase in capital stock of Publicis Groupe SA   | 1                | 47                               | (48)                                    |  |                        |                       |                 |
|                     | Dividends paid  |                  |                                  | (55)                                    |  | (55)                   | (19)                  | (74)            |
|                     | Share-based compensation  |                  |                                  | 20                                      |  | 20                     |                       | 20              |
|                     | Buyback of equity warrants (BSA)  |                  |                                  | (2)                                     |  | (2)                    |                       | (2)             |
|                     | Additional interest on Oranes   |                  |                                  | (2)                                     |  | (2)                    |                       | (2)             |
|                     | Partial early redemption of the 2018 Oceane (equity component)                                |                  |                                  | (9)                                     |  | (9)                    |                       | (9)             |
|                     | Effect of changes in scope of consolidation and of commitments to purchase minority interests |                  |                                  |   |  |                        | (25)                  | (25)            |
| 343,079             | Purchases/sales of treasury stock   |                  |                                  | 9                                       |  | 9                      |                       | 9               |
| 184,069,246         | <b>December 31, 2005 (1)</b>  | <b>79</b>        | <b>2,584</b>                     | <b>(725)</b>                            | <b>118</b>   | <b>2,056</b>           | <b>20</b>             | <b>2,076</b>    |

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|             |   |           |              |              |            |              |                 |
|-------------|---|-----------|--------------|--------------|------------|--------------|-----------------|
|             | Gains and (losses) recognized through equity  |           |              | (103)        | (103)      | (4)          | (107)           |
|             | Net income for the year   |           | 443          |              | 443        | 26           | 469             |
|             | <b>Total recognized income and (expenses) for the year</b>                                    |           | <b>443</b>   | <b>(103)</b> | <b>340</b> | <b>22</b>    | <b>362</b>      |
|             | Increase in capital stock of  |           |              |              |            |              |                 |
| 1,600,219   | Publicis Groupe SA  | -         | 47           | (47)         |            |              |                 |
|             | Dividends paid  |           |              | (66)         | (66)       | (23)         | (89)            |
|             | Share-based compensation  |           |              | 16           | 16         |              | 16              |
|             | Buyback of equity warrants (BSA)  |           |              | (201)        | (201)      |              | (201)           |
|             | Additional interest on Oranes   |           |              | (1)          | (1)        |              | (1)             |
|             | Effect of changes in scope of consolidation and of commitments to purchase minority interests |           |              |              |            | 8            | 8               |
| (2,065,587) | Purchases/sales of treasury stock   |           |              | (64)         | (64)       |              | (64)            |
| 183,603,878 | <b>December 31, 2006</b>  | <b>79</b> | <b>2,631</b> | <b>(645)</b> | <b>15</b>  | <b>2,080</b> | <b>27 2,107</b> |

(1) Retained earnings were adjusted at December 31, 2005 and December 31, 2004, following the change in accounting policy for recognition of actuarial gains and losses on defined benefit plans (See Note 1.6).

**Gains and losses recognized directly through equity****(a) Changes in the year**

|  | <b>2006</b>  | <b>2005</b>                | <b>2004</b>  |
|--|--------------|----------------------------|--------------|
|  | <hr/>        | <hr/>                      | <hr/>        |
|  |              | <i>(Millions of euros)</i> |              |
| Revaluation of available-for-sale investments                                  | 11           | (16)                       | (9)          |
| Hedge on net investments   | (8)          | 9                          | -            |
| Actuarial gains and losses on defined benefit plans                            | 2            | (21)                       | (8)          |
| Deferred taxes on stock options  | 2            | -                          | -            |
| Cumulative translation adjustment  | (110)        | 116                        | (107)        |
| <b>Total gains and (losses) recognized directly through equity in the year</b> | <b>(103)</b> | <b>88</b>                  | <b>(124)</b> |

**(b) Balances at year end**

|   | <b>December 31,<br/>2006</b> | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|---|------------------------------|------------------------------|------------------------------|
|   | <hr/>                        | <hr/>                        | <hr/>                        |
|   |                              | <i>(Millions of euros)</i>   |                              |
| Revaluation of property   | 105                          | 105                          | 105                          |
| Revaluation of available-for-sale investments                                     | 35                           | 24                           | 40                           |
| Hedge on net investments  | 1                            | 9                            | -                            |
| Actuarial gains and losses on defined benefit plans                               | (27)                         | (29)                         | (8)                          |
| Deferred taxes on stock options   | 2                            | -                            | -                            |
| Cumulative translation adjustment   | (101)                        | 9                            | (107)                        |
| <b>Cumulative gains and losses recognized directly through equity at year end</b> | <b>15</b>                    | <b>118</b>                   | <b>30</b>                    |

## Notes to the consolidated financial statements

### 1. ACCOUNTING POLICIES

#### 1.1 Consolidation principles and policies

In application of European regulation N° 1606/2002 pertaining to international standards, issued on July 19, 2002, the consolidated financial statements for the 2006 financial year were prepared in accordance with IAS /IFRS international standards applicable at December 31, 2006 as approved by the European Union.

The financial statements for the 2006 financial year are presented with two years comparatives, 2005 and 2004, also prepared under IAS /IFRS accounting standards. Accounting options related to first time adoption of IFRS are presented in paragraph 1.4 below.

The financial statements were approved by the Management Board on February 19, 2007 and reviewed by the Supervisory Board on February 27, 2007. They will be submitted for the approval of the shareholders, who have the power to change the financial statements as presented, at the Annual General Meeting on June 4, 2007.

#### **Reporting currency**

Publicis prepares and reports its consolidated financial statements in euros.

#### **Investments in subsidiaries**

The consolidated financial statements include the financial statements of Publicis Groupe S.A. and its subsidiaries prepared to December 31 each year. Subsidiaries are consolidated as from the time that the Group obtains control until the date at which control is transferred to an entity outside the Group.

Control is the power to determine the financial and operational policies of an enterprise in order to obtain economic advantages from its activities. Control is presumed to exist when the Group holds, directly or indirectly through subsidiaries, the majority of the voting rights in an enterprise. In cases where the Group holds, directly or indirectly, less than half of the voting rights, control can however derive from the enterprise's documents of incorporation, by virtue of contractual or statutory rights, from the power to appoint or dismiss the majority of the Board of Directors or from the power to cast the majority of votes.

#### **Investments in associates**

The Group's investments in associates are accounted for under the equity method. An associate is an enterprise over which the Group has significant influence. This is presumed to be the case when the Group's ownership percentage is greater than or equal to 20% and when the entity is neither a subsidiary nor an enterprise that is subject to the joint control of the Group and others.

Investments in associates are recognized in the balance sheet at acquisition cost, as increased or decreased by changes in the Group's share in the net assets of the associate subsequent to acquisition. The Group's investment includes the amount of any goodwill, which is treated in accordance with the Group's accounting policy in this area as presented below. The income statement reflects the Group's share in the after tax profit or loss of the associate.

#### **Transactions in foreign currencies**

Transactions in foreign currencies are recognized at the exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable at the balance sheet date. All differences arising are recognized in the income statement except for differences on loans and borrowings which, in substance, form part of the net investment in a foreign entity. These latter differences are recognized through equity until such time as the net investment is disposed of, at which time they are recognized through the income statement.





## **Translation of financial statements denominated in foreign currencies**

The functional currency of each Group entity is the currency of the economic environment in which it operates. The local currency denominated financial statements of subsidiaries located outside of the euro zone are translated into euros, the reporting currency of the consolidated financial statements, in the following manner:

- Assets and liabilities are translated at year-end exchange rates;
- Income statement items are translated at average exchange rates for the year;
- Translation gains and losses resulting from the application of these rates are recognized in [Gains and losses recognized through equity] change in cumulative translation adjustment for the Group share with the remainder being recorded in [Minority interests] in the balance sheet.

Goodwill and fair value adjustments to assets and liabilities recognized in the context of the acquisition of a foreign entity are expressed in the functional currency of the acquired enterprise and translated at the exchange rate applicable at the balance sheet date.

## **Elimination of intercompany transactions**

Transactions between consolidated subsidiaries are fully eliminated, as are the corresponding receivables and payables. Similarly intercompany gains or losses on sale, internal dividends and provisions relating to subsidiaries are eliminated from consolidated results, except in the case of impairment.

### 1.2 Other accounting policies

#### **Research and study costs**

Publicis records costs of research and studies as expenses in the period in which they are incurred. These costs relate primarily to the following items: studies and tests related to advertising campaigns, development costs in respect of internet sites and related tools, research programs in respect of consumer behavior and advertisers' needs in various areas, and studies and modeling conducted in order to optimize media purchases for the Group's clients.

Development expenditure incurred on an individual project is capitalized when its future recoverability can be considered to be reasonably certain. All expenditure capitalized is amortized over the period over which it is expected that revenues related to the project will be earned.

#### **Goodwill**

Goodwill arising on consolidation represents the difference between the acquisition cost of investments (including potential additional purchase price consideration, which is recognized in financial debt when its payment is probable and it can be measured reliably) and the Group's share in the fair value of identified assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill recognized in the balance sheet is not amortized but is, rather, subject to impairment tests performed annually. Impairment tests are performed for the cash generating unit(s) to which the goodwill was allocated by comparing the recoverable value and the carrying amount of the cash generating unit(s). The Group considers that agencies or combinations of agencies are cash generating units.

The recoverable value of a cash generating unit is the greater of its fair value (generally its market value), net of costs of disposal, and its value in use. Value in use is determined on the basis of discounted future cash flows. Calculations are based on five-year cash flow forecasts, a terminal growth rate for subsequent cash flows and the application of a discount rate to all future flows. The discount rates used reflect current market assessments of the time value of money and the specific risks to which the cash generating unit is subject.



If the carrying amount of a cash generating unit is greater than its recoverable value, the assets of the cash generating unit are written down to their recoverable value. Impairment losses are allocated, firstly, to goodwill, and are recognized through the income statement.

### **Intangible assets**

Separately acquired intangible assets are recognized at acquisition cost. Intangible assets acquired in the context of a business combination are recognized at their fair value at the acquisition date, separately from goodwill, if they meet one of the two following conditions:

- They are identifiable, *i.e.*, they result from legal or contractual rights, or
- They are separable from the acquired entity.

Intangible assets are comprised primarily of tradenames, client relationships and software.

Tradenames, which are considered to have indefinite useful lives, are not amortized. They are subject to annual impairment tests which involve comparing their recoverable value to their carrying amount. All impairment losses are recognized in the income statement.

Client relationships with a finite useful life are amortized over such useful lives, which are generally between 13 and 40 years. They are also subject to impairment tests if there are any indicators that they may have been impaired.

The method used to identify any impairment of intangible assets is based on discounted future cash flows. More precisely, for tradenames, the Group uses the "royalty savings" method, which takes into account the future cash flows that the tradename would generate in royalties if a third party were prepared to pay for use of the tradename. As regards client relationships, the method takes into account the discounted future cash flows expected to be generated by the clients. Independent experts perform the valuations. The financial factors used are consistent with those used for valuation of goodwill balances.

Capitalized software includes both software for internal use and software used for sales and marketing purposes, and is stated at either purchase cost or, when developed internally, at production cost. Software is amortized over its useful life, and never over more than three years.

### **Property and equipment**

Property and equipment is stated at cost, as reduced by cumulative depreciation and impairment losses. Publicis opted to revalue its building at 133, Avenue des Champs - Elysées in Paris at its fair value at the date of transition to IFRS and to consider this value as being the deemed cost at the transition date.

If necessary, the total cost of an asset is split among its individual components where they have different useful lives. In such cases each component is recognized separately and depreciated over its specific useful life.

Property and equipment is depreciated on a straight-line basis over the assets' estimated useful lives.

Useful lives of property and equipment are generally as follows (straight-line method):

- Buildings: 20 to 70 years.
- Fixtures, fittings and general installations: 10 years.
- Office furniture and equipment: 5 to 10 years.
- Vehicles: 4 years.



□ Computer hardware: 2 to 4 years.

If any indicators imply that items of property and equipment may be impaired, the recoverable value of the property and equipment or the cash generating unit(s) to which such assets belong is compared to their carrying amount. Any impairment loss is recognized through the income statement.

### **Leases**

Finance leases, which transfer substantially all the risks and rewards of ownership of the leased assets to the Group, are recognized in the balance sheet as from the outset of the lease contract at the lesser of the fair value of the leased asset and the discounted present value of minimum lease payments. Assets acquired under finance leases are recognized in property and equipment and a corresponding liability is recognized in financial debt. They are depreciated over the length of the lease contract or over the useful lives applicable to similar assets owned by the Group, whichever is the shorter. In the income statement, the lease rental expenses are replaced by the interest expense on the debt and the depreciation expense relating to the assets. The tax effect of this consolidation adjustment is also taken into account.

Leases under which the lessor does not transfer substantially all the risks and rewards inherent to ownership of the assets are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

### **Investments**

All investments are initially recognized at cost, which corresponds to either the price paid or the fair value of assets given in payment.

Subsequent to initial recognition, investments recognized in the □investments held-for-trading□ or □investments available-for-sale□ categories are measured at their fair value at the balance sheet date. Gains and losses arising on investments held-for-trading are recognized in the income statement. Gains and losses arising on investments available-for-sale are recognized in equity, on a specific line, until such time as the asset is sold or until it is shown that the asset is impaired.

Other long-term investments which are intended to be held-to-maturity, such as bonds, are measured subsequent to initial recognition at amortized cost using the effective interest rate method. For investments recognized at amortized cost, gains and losses are recognized in the income statement on disposal, or when the assets are impaired, and also through the process of amortization.

For investments that are actively traded on organized financial markets, fair value is determined by reference to the published market price at the balance sheet date. For investments in respect of which no market price is published on the basis of an active market, fair value is either determined by reference to that of an almost identical instrument or is calculated on the basis of the cash flows that are expected to be derived from the investment.

### **Loans and advances to equity accounted and non-consolidated companies**

This caption includes financial assets held by consolidated companies on both equity accounted associates and non-consolidated entities.

A provision is recorded against these assets when there is a recoverability risk resulting from the financial condition of the entities in question. Such provisions are included in the caption □Provisions on other non-current financial assets□.

### **Inventory and costs billable to clients**

Inventory and costs billable to clients primarily comprise work-in-progress related to the advertising business, consisting of technical, creative and production work (graphic design, TV and radio production, editing, etc.), which



is billable, but has not yet been billed to clients. They are recognized on the basis of costs incurred and a provision is recorded when their net realizable value is lower than cost. Unbillable work or costs incurred relating to new client development activities are not recognized in assets except when they constitute expenses incurred during the proposal process which may be billed to the client under the terms of the contract. In order to assess net realizable value, inventory and costs billable to clients are reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of client disputes and claims.

### **Accounts receivable**

Receivables are recognized at the initial amount of the invoice. An allowance for doubtful accounts is recognized for receivables for which there is a risk of non-recovery. Such allowances are determined, case-by-case, on the basis of various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of the debtor.

As a result of the nature of the Group's activities, accounts receivable are of a short-term nature. However any receivable whose recovery date was distant would be measured at its present value.

### **Derivatives**

The Group uses derivatives such as foreign currency and interest rate hedges in order to hedge its current or future positions against foreign exchange rate risk or interest rate risk. These derivatives are measured at their fair value, which is determined on the basis of market prices available at the balance sheet date.

Once they are designated as hedges for accounting purposes, it is necessary to distinguish between:

- Fair value hedges, which are used to hedge against changes in the fair value of a recognized asset or liability,
- Cash flow hedges, which are used to hedge against exposure to changes in future cash flows, and
- Hedges of net investments.

For hedges related to a recognized asset or liability, all gains and losses resulting from the remeasurement of the hedging instrument at fair value are recognized immediately in the income statement. In parallel, changes in the value of the hedged item are reflected in the carrying value of this item and a gain or loss is recognized in the income statement.

For hedges in respect of firm commitments which meet the conditions for use of hedge accounting (hedges of future cash flows), the portion of the gain or loss realized on the hedging instrument that is determined to be an effective hedge is recognized through equity. The ineffective portion is recognized immediately in the income statement. Gains and losses previously recognized through equity are taken to the income statement of the period in which the firm commitment affects results, for example when the sale effectively takes place.

For hedges of net investments in foreign businesses, including hedges of monetary items recognized as forming part of the net investment, the accounting treatment is similar to that used for hedges of future cash flows. Gains or losses corresponding to the effective portion of the hedging instrument are recognized directly through equity while those which correspond to the ineffective portion are taken to the income statement. On disposal of the foreign investment, the cumulative amount of gains and losses previously recognized through equity are taken to the income statement.

In the case of derivatives which do not meet the criteria for hedge accounting, all gains and losses resulting from changes in their fair value are recognized directly in the income statement of the period.

Changes in the fair value of derivatives which are designated as fair value hedges are recognized in [Other financial income (expense)], as are changes in the value of the underlying hedged items. The fair value of derivatives is recognized in [Other current assets] or in [Other current liabilities].

### **Cash and cash equivalents**

Cash and cash equivalents include cash in bank, petty cash, short term deposits with an initial maturity of less than three months and money market funds and monetary mutual funds subject to an insignificant risk of change in value, *i.e.*, that comply with the following criteria: sensitivity to interest rate risk less than or equal to 0.25 and 12 month historical volatility close to zero.

For the purposes of the consolidated cash flow statement, cash includes cash and cash equivalents as defined above, less bank overdrafts.

### **Treasury stock**

Irrespective of its intended use, all treasury stock is recognized as a deduction from shareholders' equity.

### **Bonds**

- *Bonds reimbursable in cash:*

The bonds are initially recognized at their fair value, which corresponds to the amount of cash received, net of issue costs. Subsequent to initial recognition, bonds are recognized at amortized cost, using the effective interest rate method, which takes account of all issue costs and any redemption premium or discount.

- *Bonds with conversion options and bonds reimbursable in shares:*

In the case of bonds convertible into shares (Oceanes), bonds reimbursable in shares (Oranes) and bonds with detachable equity warrants (OBSAs), the debt component and the equity component are separately recognized as of the date of initial recognition. The fair value of the debt component on issue is determined by discounting the future contractual cash flows using the market interest rate that would have been applicable if the company had issued a bond with the same conditions but without a conversion option.

The value of the equity component is determined at the date of issue as the difference between the fair value of the debt component and the fair value of the entire bond. The value of the conversion option is not revised during subsequent financial years.

Issue costs are allocated between the debt component and the equity component on the basis of their respective carrying amounts at the date of issue.

The debt component is subsequently measured on an amortized cost basis.

### **Buyout commitments to minority shareholders**

Publicis has granted put options to shareholders of its consolidated subsidiaries giving them the right to sell their minority shareholdings to the Group.

While awaiting an IFRIC interpretation or a specific IFRS on this matter, the following accounting treatment has been adopted in accordance with currently applicable IFRS standards:





- On initial recognition, these commitments are recognized in financial debt at the discounted value of the purchase commitment, with the double entry being booked to minority interests and, for the balance, to goodwill,
- Subsequent changes in the value of the commitment are recognized by adjusting the amount of goodwill, and
- On expiration of the commitment, if the purchase does not take place, the entries previously recognized are reversed; if the purchase is completed, the amount recognized in financial debt is reversed against the cash outflow related to the purchase of the minority shareholding.

## Provisions

Provisions are recognized when:

- The Group has a current obligation (legal or constructive) resulting from a past event,
- It is probable that an outflow of resources embodying economic benefits will be necessary to extinguish the obligation, and
- The amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions are discounted to present value. Increases in the amount of provisions resulting from the unwinding of the discount are recognized as financial expenses.

Contingent liabilities are not recognized but are, rather, when material, disclosed in the notes to the financial statements (except in the case of business combinations where they constitute identifiable items for recognition).

- *Provisions for litigation and claims*

The Group recognizes a provision in each case where a risk related to litigation or a claim of any type (commercial, regulatory, tax or employee related) is identified, where it is probable that an outflow of resources will be necessary to extinguish this risk and where a reliable estimate of costs to be incurred can be made. In such cases, the amount of the provision (including any related penalties) is determined by the agencies and their experts, under the supervision of the Group's head office teams, on the basis of their best estimate of the probable costs related to the litigation or the claim.

- *Provisions for restructuring*

Restructuring costs are fully provided for in the period in which the decision to implement the restructuring plan is made and announced. In the context of an acquisition, restructuring plans which do not constitute liabilities for the acquired enterprise at the date of acquisition are recognized as expenses. These costs consist primarily of severance and early retirement payments and notice periods not worked, recognized in personnel expenses, and, in some cases, of write-downs of property and equipment and other assets.

- *Vacant property provisions*

A provision is recognized for the amount of rent and related expenses to be paid, net of any sublease revenues to be received, for all buildings that are sublet or vacant and are not intended to be used in the context of the Group's principal activities.



In the context of acquisitions, provisions are also recorded when the acquired company has property rental contracts with less favorable terms than those prevailing in the market at the acquisition date.

· *Pensions and other post-employment benefits*

The Group recognizes commitments related to pensions and other post-employment benefits in accordance with the type of plan in question:

- Defined contribution plans: the amount of Group contributions paid to the plan is recognized as an expense of the period;
- Defined benefit plans: the cost of defined benefits is separately determined for each plan using the projected unit cost actuarial method. Actuarial gains and losses arising in the year are recognized directly in equity. The effect of unwinding the discount on employee benefit commitments, net of the expected return on plan assets is recognized in [Other financial income (expense)].

**Accounts payable**

This caption includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services including those related to media space purchases as an agent. These payables are due within less than one year. However any payable whose due date was distant would be measured at its present value.

**Revenue**

A written agreement with clients (purchase order, letter, contract, etc.) indicating the nature and the amount of the work to be performed is required for the recognition of revenue. The Group's revenue recognition policies are summarized below:

- *For commission based customer arrangements (excluding production):*

Revenue from advertising creation services and media space buying services is recognized at the date of publication or broadcast.

- *For other customer arrangements (project based arrangements, fixed fee arrangements, time-based arrangements, etc.):*

Revenue is recognized in the accounting period in which the service is rendered. Revenue under fixed fee arrangements is recognized on a straight-line basis which reflects the nature and the scope of services rendered. Revenue under time-based arrangements is recognized on the basis of work performed.

- *Fees based on performance criteria:*

Revenue is recognized when the performance criteria have been met and the customer has confirmed its agreement.

**Publicis stock options**

The fair value of options granted is recognized in personnel expenses over the vesting period of the options. It is determined by an independent expert using the Black-Scholes model.

For plans in respect of which exercise depends on achievement of objectives, the Group evaluates the probability that the objectives will be achieved and takes account of this estimate in its calculation of the number of shares to

be issued.

F-15

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### **Non-current income (expense)**

In order to facilitate understanding of the Group's operational performance, Publicis presents unusual income and expenses in "Non-current income (expense)". This caption notably includes capital gains and losses on disposal of assets.

### **Cost of net financial debt and other financial income (expense)**

Cost of net financial debt includes interest expense on financial debt and interest income on cash and cash equivalents.

Other financial income (expense) mainly includes the effects of unwinding of discount on vacant property provisions and on pensions provisions (net of return on plan assets), changes in the fair value of derivatives and foreign exchange gains and losses.

### **Income taxes**

Net income is taxed based on the tax laws and regulations in effect in the respective countries where the income is recognized. Deferred taxes are recognized using the balance sheet liability method in respect of temporary differences between the tax value and the carrying amount of assets and liabilities.

Deferred tax assets are recognized for deductible temporary differences, loss carryforwards and unused tax credits to the extent that it is probable that taxable profits (resulting from the reversal of taxable temporary differences or taxable profits that will be generated by the entity) against which such items can be used will be available in future years.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and if necessary is reduced to the extent that it is no longer probable that sufficient taxable profits for the use of all or part of the deferred tax asset will be available. Previously unrecognized deferred tax assets are evaluated at each balance sheet date and recognition occurs if it has become probable that future taxable profits will enable them to be recovered.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applicable in the year in which the asset will be realized or the liability settled. The tax rates used are those that have been enacted, or virtually enacted, at the balance sheet date.

### **Earnings per share and diluted earnings per share**

Earnings per share is calculated by dividing net income attributable to ordinary shares by the weighted average number of ordinary shares in issue during the period, including the effect of redemption of Oranes in shares, as Oranes are contractually reimbursable in ordinary shares.

Diluted earnings per share is calculated by dividing net income attributable to ordinary shares, after cancellation of interest on bonds reimbursable in, or convertible into, ordinary shares, by the weighted average number of ordinary shares in issue during the period adjusted by the effect of dilutive options, dilutive equity warrants and the conversion of bonds convertible into ordinary shares (Oceanes).

In the calculation of diluted earnings per share, only instruments with a dilutive effect, *i.e.*, those whose effect is to reduce net earnings per share, are taken into account.

For Publicis stock options and equity warrants the following method is used:

In order to calculate diluted earnings per share, the dilutive options and the dilutive equity warrants are presumed to have been exercised.

The proceeds resulting from the exercise of these instruments are considered to have been received for the issue of ordinary shares at the average market price for ordinary shares during the period (which is deemed to represent fair value □ this share issue has neither a dilutive or anti-dilutive effect and is not taken into account in the calculation of diluted earnings per share). The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price is treated as an issuance of shares without financial consideration, thus having a dilutive effect; this number of shares is taken into account in the denominator of diluted earnings per share.

In this manner, options and equity warrants only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for such options or equity warrants (*i.e.*, when they are □in the money□).

In addition to earnings per share as described above (both basic and diluted), the Group usually calculates and communicates a basic and diluted □Headline□ earnings per share, which is similar to that described above except that the earnings taken into account exclude:

- The □Impairment□ and □Amortization of intangibles arising on acquisition□ captions, and
- Certain specifically designated unusual income and expenses (recorded under the □Non-current income (expense)□ caption).

### 1.3 Principal sources of uncertainty arising from use of estimates

The main assumptions concerning future events, and other sources of uncertainty arising from the use of estimates at the balance sheet date, in respect of which a significant risk of changes in estimates of the net carrying amount of assets and liabilities during future years exists, relate to:

- Provisions,
- Impairment of goodwill and intangible assets,
- Measurement at fair value of the options granted under Publicis Groupe S.A.'s stock option plans.

Detailed disclosures in these areas are provided, respectively in note 20, note 5, and note 28 hereafter.

### 1.4 Accounting options taken on first-time adoption of IFRS

IFRS financial reporting for 2004 was prepared in accordance with the requirements of IFRS 1. Retrospective application in the opening balance sheet of the accounting policies retained for IFRS financial reporting constituted the general rule applied for adjustment. The effect of these adjustments was recognized directly through shareholders' equity.

The optional exceptions to retrospective application of IFRS standards, allowed by IFRS 1 for preparation of the opening balance sheet, are as follows:

#### *Business combinations*

Publicis opted for the possibility not to restate prior classification and methods used for business combinations that took place before the transition date. As from this date, business combinations are treated in accordance with the requirements of IFRS 3.

Furthermore, the gross value of goodwill under IFRS at January 1, 2004 is deemed to be equal to the net value of such goodwill under French standards.

*Cumulative translation adjustments*

Publicis opted to not identify, and reconstitute as separate components of shareholders' equity, cumulative translation adjustments at the date of transition to IFRS. Cumulative translation adjustments resulting from the translation of the accounts of foreign companies were thus cancelled at the date of transition to IFRS and any gains and losses on future disposals of these foreign entities will only take account of translation adjustments generated after the IFRS transition date.

*Actuarial gains and losses on pension commitments*

Publicis opted to recognize all actuarial gains and losses in respect of employee benefit plans at the IFRS transition date. This treatment had already been applied in the 2004 consolidated financial statements as prepared in accordance with French accounting standards

*Measurement of certain tangible assets at fair value as deemed cost*

Publicis opted to revalue its building at 133, avenue des Champs Elysées in Paris at its fair value and to consider this value as being the deemed cost at the transition date.

The fair value of this building at the transition date amounts to €164 million, which represents an adjustment of €159 million compared to its carrying amount under previous accounting standards. The valuation was performed by an independent expert using the rent capitalization method.

*Publicis option plans*

Publicis only applies IFRS 2, share based payments, for option plans granted after November 7, 2002 whose rights have not yet vested before January 1, 2005.

*Designation of financial instruments as being measured at fair value through income or as available-for-sale*

Publicis retained the option of designating financial instruments as being either measured at fair value through income or as available-for-sale assets at the transition date.

1.5 Impact of IFRS standards and IFRIC interpretations which are published but not yet in force

The Group has analyzed the IFRS standards and amendments and the IFRIC interpretations published and approved by the European Union at December 31, 2006 which are applicable on January 1, 2007 at the latest, as well as such texts that have not yet been approved by the European Union at December 31, 2006. The Group expects that adoption of these texts will not have a material impact on its financial statements in the periods in which they first become applicable.

1.6 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the following points:

● During the year, the Group adopted the following new IFRS standards and amendments and new IFRIC interpretations:

- IAS 19 Amendment *Employee benefits,*
- IAS 21 Amendment *Effects of changes in foreign exchange rates,*
- IAS 39 Amendments *Financial instruments: Recognition and measurement,*
- IFRIC 4 *Determining whether an arrangement contains a lease.*



F-18

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Application of these standards and interpretations, with the exception of the amendment to IAS 19, did not have a material impact on the financial statements.

The Group retained the option provided by IAS 19 under which actuarial gains and losses arising in the year are recognized directly in equity. As stated in paragraph 1.4 above, Publicis opted to recognize all actuarial gains and losses in respect of employee benefit plans at the IFRS transition date. In consequence, this change in accounting policy has no impact of the balance sheet at January 1, 2004 or on the 2004 income statement. Furthermore, the amount of actuarial gains and losses generated during 2004 was below the threshold (corridor) required for recognition of amortization in the 2005 income statement. The change in accounting policy thus did not have any effect on the 2005 income statement either.

- All receivables and payables on media space transactions, including those in which the Group acts as an agent on behalf of its clients which were previously recorded in "Other receivables and other current assets" and "Other creditors and other current liabilities", are henceforth recorded in "Accounts receivable" and "Accounts payable". This change in accounting policy has no impact on the income statements for 2004 and 2005.

The following captions of the consolidated balance sheet for prior periods have thus been adjusted as set out below:

|   | <b>Balance sheet at<br/>December 31, 2005<br/>published</b> | <b>Effects of changes in<br/>accounting policies</b> | <b>Balance sheet at<br/>December 31, 2005 after<br/>reclassifications</b> |
|---|---|--|---|
|   | <i>(Millions of euros)</i>                                  |  |   |
| <b>Assets</b>   |   |  |   |
| Deferred tax assets <sup>(1)</sup>                              | 216   | 14   | 230   |
| Accounts receivable <sup>(2)</sup>                              | 4,014   | 131  | 4,145   |
| Other receivables and other current assets <sup>(2)</sup>       | 577   | (131)  | 446   |
| <b>Liabilities &amp; shareholders' equity</b>                   |   |  |   |
| Additional paid-in capital and retained earnings <sup>(1)</sup> | 2,006   | (29)   | 1,977   |
| Long-term provisions <sup>(1)</sup>                             | 539   | 43   | 582   |
| Accounts payable <sup>(2)</sup>                                 | 4,605   | 425  | 5,030   |
| Other creditors and other current liabilities <sup>(2)</sup>    | 1,755   | (425)  | 1,330   |
|   | <b>Balance sheet at<br/>December 31, 2004<br/>published</b> | <b>Effects of changes in<br/>accounting policies</b> | <b>Balance sheet at<br/>December 31, 2004 after<br/>reclassifications</b> |
|   | <i>(Millions of euros)</i>                                  |  |   |
| <b>Assets</b>   |   |  |   |
| Deferred tax assets <sup>(1)</sup>                              | 368   | 5  | 373   |
| Accounts receivable <sup>(2)</sup>                              | 3,282   | 86   | 3,368   |
| Other receivables and other current assets <sup>(2)</sup>       | 450   | (86)   | 364   |
| <b>Liabilities &amp; shareholders' equity</b>                   |   |  |   |
| Additional paid-in capital and retained                         |   |  |   |

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|   |       |       |       |
|---|-------|-------|-------|
| earnings (1)                                      | 1,551 | (8)   | 1,543 |
| Long-term provisions (1)                          | 537   | 13    | 550   |
| Accounts payable (2)                              | 3,694 | 306   | 4,000 |
| Other creditors and other current liabilities (2) | 1,522 | (306) | 1,216 |

(1) *Effects of the change in accounting policy regarding recognition of actuarial gains and losses on defined benefit plans.*

(2) *Effects of the change in balance sheet presentation relating to receivables and payables on media space transactions.*

F-19

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## 2. CHANGES IN THE SCOPE OF CONSOLIDATION

### 2.1 Acquisitions in the year

The main acquisitions in the year were as follows:

- In March 2006, the Group acquired 60% of Solutions Integrated Marketing Services, a leader in marketing services in India,
- In April 2006, the Group acquired the Belgian agency Duval Guillaume, the largest independent advertising and marketing services agency in the country,
- In May 2006, the Group acquired 51% of Yorum, Allmedia, Bold and Zone, which are Turkish advertising and communications agencies,
- In July 2006, the Group acquired the BOZ group, a leader in health sector communications in France,
- In August 2006, the Group acquired Moxie Interactive, a digital and interactive communications agency based in the United States, and
- In October 2006, the Group acquired Emotion, a leader in events communications in Asia.

The acquisition cost (excluding cash of the acquired entities) of the entities integrated during the year, taken together, amounts to a total of €130 million, of which €49 million was paid during the year. All acquisitions in the period, taken together, represent less than 1.5% of consolidated revenue and made a positive contribution of less than 1.5% to net income attributable to equity holders of the parent.

### 2.2 Disposals in the year

The Group did not make any material disposal in the year.

The companies sold contributed less than 0.2% to 2006 consolidated revenue and net income attributable to equity holders of the parent.

## 3. PERSONNEL EXPENSES AND HEADCOUNT

Personnel expenses include salaries, commissions, bonuses, employee profit sharing and holiday pay. They also include expenses related to stock option plans and expenses related to pensions (excluding the net effect of unwinding of discount on benefit obligations which is included in [Other financial income (expense)]).

|                            | <u>2006</u>  | <u>2005</u>                | <u>2004</u>  |
|----------------------------|--------------|----------------------------|--------------|
|                            |              | <i>(Millions of euros)</i> |              |
| Remuneration               | 2,104        | 1,964                      | 1,822        |
| Social security expenses   | 333          | 316                        | 287          |
| Post-employment benefits   | 69           | 63                         | 59           |
| Stock-option expense       | 16           | 20                         | 20           |
| Temporaries and freelances | 108          | 91                         | 83           |
| <b>Total</b>               | <b>2,630</b> | <b>2,454</b>               | <b>2,271</b> |



**Breakdown of headcount****By geographical area:**

|                   | <b>December 31,</b> |               |               |
|-------------------|---------------------|---------------|---------------|
|                   | <b>2006</b>         | <b>2005</b>   | <b>2004</b>   |
| Europe            | 15,258              | 14,412        | 14,151        |
| North America     | 11,990              | 12,158        | 11,308        |
| Rest of the world | 12,691              | 12,040        | 10,925        |
| <b>Total</b>      | <b>39,939</b>       | <b>38,610</b> | <b>36,384</b> |

**By function (in %):**

|                                       | <b>December 31,</b> |             |             |
|---------------------------------------|---------------------|-------------|-------------|
|                                       | <b>2006</b>         | <b>2005</b> | <b>2004</b> |
| Commercial                            | 23%                 | 23%         | 22%         |
| Creative                              | 17%                 | 18%         | 17%         |
| Production and specialized activities | 15%                 | 15%         | 15%         |
| Media and research                    | 23%                 | 22%         | 22%         |
| Administration and Management         | 17%                 | 16%         | 17%         |
| Other                                 | 5%                  | 6%          | 7%          |
| <b>Total</b>                          | <b>100%</b>         | <b>100%</b> | <b>100%</b> |

**4. OTHER OPERATING EXPENSES**

Other operating expenses include all external charges other than production and media purchases. They notably include rent, other lease expenses and other expenses related to the occupancy of premises of an amount of €257 million in 2006, as against €236 million in 2005 and €240 million in 2004. They also include taxes (other than income taxes) and additions to and reversals of provisions.

**5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT**

|  | <b>2006</b>                | <b>2005</b>  | <b>2004</b>  |
|--|----------------------------|--------------|--------------|
|  | <i>(Millions of euros)</i> |              |              |
| Amortization expense on other intangible assets (excluding intangibles arising on acquisition) | (16)                       | (19)         | (10)         |
| Depreciation of property and equipment   | (91)                       | (97)         | (109)        |
| <b>Depreciation and amortization expense (excluding intangibles arising on acquisition)</b>    | <b>(107)</b>               | <b>(116)</b> | <b>(119)</b> |
| <b>Amortization of intangibles arising on acquisition</b>                                      | <b>(22)</b>                | <b>(23)</b>  | <b>(29)</b>  |
| Impairment of intangibles arising on acquisition   | (1)                        | (11)         | (123)        |
| Impairment of goodwill   | (30)                       | (6)          | (92)         |

|  |              |              |              |
|--|--------------|--------------|--------------|
| Impairment of property and equipment                   | -            | (16)         | -            |
| <b>Impairment</b>                                      | <b>(31)</b>  | <b>(33)</b>  | <b>(215)</b> |
| <b>Total depreciation, amortization and impairment</b> | <b>(160)</b> | <b>(172)</b> | <b>(363)</b> |

F-21

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***Impairment of intangibles arising on acquisition***

Impairment tests were carried out on all of the Group's tradenames, being those recognized on acquisition of Bcom3 (Leo Burnett, Starcom, MS&L and Medicus) and the Fallon and ZenithOptimedia tradenames. Fallon, Nelson, Leo Burnett and MS&L client relationships were also subjected to impairment tests. All valuations required for these impairment tests were performed by an independent expert.

The after tax discount rates used in the valuations were between 8.0% (9.8% before tax) and 10.5% (16.9% before tax).

These tests led the Group to recognize an impairment loss on Fallon's client relationships in an amount of €1 million.

This expense was determined using an after tax discount rate of 10.5% (16.9% before tax).

***Impairment of goodwill***

Impairment tests were carried out on the cash generating units, which are comprised of agencies or combinations of agencies.

The valuations required for performance of impairment tests on goodwill of Leo Burnett (which resulted from the allocation of the overall goodwill arising on acquisition of Bcom3) and of Fallon were performed by an independent expert. The other impairment tests were performed by the Group.

The after tax discount rates used were between 8.5% (11.9% before tax) and 10.5% (14.7% before tax). The terminal growth rate used in the projections is between 2.5% and 3%.

These tests led the Group to recognize an impairment loss of €23 million in respect of goodwill on Johnston & Associates (€13 million), eventive (€8 million) and Publicis Austria (€2 million).

In addition, the Group benefited from a tax saving of €7 million resulting from tax loss carryforwards which existed at the date of acquisition of Bcom3 but which had not been recognized in the balance sheet. Impairment of the Bcom3 goodwill was thus recognized for an identical amount.

Furthermore, the carrying amounts of the goodwill and the tradename allocated to Leo Burnett amount, respectively, to €1,070 million (being 38% of the total carrying amount of goodwill) and €221 million (being 63% of the total carrying amount of tradenames) at December 31, 2006.

The impairment test on the Leo Burnett goodwill was carried out on the basis of the value in use of this cash generating unit determined using its 5-year business plan (2007-2011) and the following assumptions:

- Discounting of future cash flows at a pre-tax rate of 8.5% after tax (11.9% before tax),
- Growth of revenue over the period 2007-2011 in line with the average expected growth of the creative agency networks,
- A terminal growth rate of 2.5%, and
- Constant levels of margins over the period of the business plan and beyond.

The value in use thus calculated is greater than the carrying amount of the Leo Burnett cash generating unit. No impairment loss thus needed to be recognized. Use of a discount rate 1% higher than that used leads to the same conclusion. Use of a terminal growth rate 1% lower than that used also leads to the same conclusion.



**6. NON-CURRENT INCOME (EXPENSE)**

This caption brings together unusual items of income and expense. It notably includes capital gains and losses on disposal of assets.

|   | <u>2006</u>                | <u>2005</u> | <u>2004</u> |
|---|----------------------------|-------------|-------------|
|   | <i>(Millions of euros)</i> |             |             |
| Capital gains (losses) on disposal of assets (1)                  | 27                         | 80          | (2)         |
| Capital gains (losses) on redemption of financing instruments (2) | -                          | (22)        | (7)         |
| Other non-current income (expense)                                | 2                          | 1           | (1)         |
| <b>Non-current income (expense)</b>                               | <b>29</b>                  | <b>59</b>   | <b>(10)</b> |

- (1) *In 2006, this line item is mainly comprised of the capital gain on the sale of the Saatchi & Saatchi building located in Neuilly-sur-Seine, France. In 2005, it is mainly comprised of the capital gain on the sale of shareholdings in JC Decaux Netherlands, VKM, and Sopact, as well as 33% of Metrobus.*
- (2) *In 2005, this represents the capital loss on redemption of 62.36% of the Oceane 2018. In 2004, it represents the capital loss on the redemption of the bond component of the OBSA and the sale of the CLN.*

**7. NET FINANCIAL COSTS**

|  | <u>2006</u>                | <u>2005</u> | <u>2004</u>  |
|--|----------------------------|-------------|--------------|
|  | <i>(Millions of euros)</i> |             |              |
| Interest expense on loans and bank overdrafts  | (107)                      | (114)       | (144)        |
| Interest expense on finance lease obligations  | (10)                       | (10)        | (10)         |
| Interest income  | 81                         | 46          | 46           |
| <b>Cost of net financial debt</b>  | <b>(36)</b>                | <b>(78)</b> | <b>(108)</b> |
| Foreign exchange gains (losses)  | 7                          | (51)        | 29           |
| Change in the fair value of derivatives  | (10)                       | 47          | (23)         |
| Financial expense related to unwinding of discount on long-term vacant property provisions (at a rate of 5%) | (7)                        | (7)         | (8)          |
| Net financial expense related to unwinding of discount on pension provisions                                 | (5)                        | (4)         | (5)          |
| Dividends received from non-consolidated companies   | 1                          | 1           | 1            |
| <b>Other financial income (expense)</b>  | <b>(14)</b>                | <b>(14)</b> | <b>(6)</b>   |
| <b>Net financial costs</b>   | <b>(50)</b>                | <b>(92)</b> | <b>(114)</b> |

**8. INCOME TAXES****Analysis of income tax expense**

|   | <u>2006</u>                | <u>2005</u>  | <u>2004</u>  |
|---|----------------------------|--------------|--------------|
|   | <i>(Millions of euros)</i> |              |              |
| Current tax expense   | (232)                      | (233)        | (180)        |
| Tax loss carryforwards and tax credits which reduced current tax expense but were not recognized in assets in prior periods | 59                         | 43           | 35           |
| <b>Total current tax expense</b>  | <b>(173)</b>               | <b>(190)</b> | <b>(145)</b> |
| Net deferred tax expense related to the creation and reversal of temporary differences                                      | (18)                       | 33           | 33           |
| Changes in provisions against deferred tax assets and recognition of deferred tax assets (1)                                | (1)                        | -            | -            |
| <b>Total deferred tax income (expense)</b>  | <b>(19)</b>                | <b>33</b>    | <b>33</b>    |
| <b>Income taxes</b>   | <b>(192)</b>               | <b>(157)</b> | <b>(112)</b> |

(1) Excluding, in 2004, [57 million of recognition of deferred tax assets related to conversion to IFRS which are included under the [Net change in deferred taxes related to the OBSA/CLN transactions and deferred tax assets related to the conversion to IFRS] caption in the Income Statement.

**Analysis of income taxes recognized through equity**

Income taxes recognized directly through equity in the financial year relate to the swap on the Eurobond 2012 (see Note 26), to actuarial gains and losses on employee benefit commitments and to stock options. These movements are set out in the following table:

|   | <u>2006</u>                | <u>2005</u> | <u>2004</u> |
|---|----------------------------|-------------|-------------|
|   | <i>(Millions of euros)</i> |             |             |
| Swap on Eurobond 2012   | (2)                        | 2           | -           |
| Actuarial gains and losses                                    | (4)                        | 9           | 5           |
| Stock options   | 2                          | -           | -           |
| <b>Deferred tax assets recognized directly in equity</b>      | <b>(4)</b>                 | <b>11</b>   | <b>5</b>    |
| Swap on Eurobond 2012   | (9)                        | 9           | -           |
| <b>Deferred tax liabilities recognized directly in equity</b> | <b>(9)</b>                 | <b>9</b>    | <b>-</b>    |

**Effective tax rate**

The effective tax rate is as follows:

|  | <b>2006</b>                | <b>2005</b>  | <b>2004</b>  |
|--|----------------------------|--------------|--------------|
|  | <i>(Millions of euros)</i> |              |              |
| Income of consolidated companies before taxes  | 639                        | 560          | 212          |
| Capital gain on disposals of JC Decaux Netherlands, VKM, Sopact and 33% of Metrobus  | -                          | (87)         | -            |
| Capital gain on the sale of the Saatchi & Saatchi building   | (27)                       | -            | -            |
| Capital loss on the redemption of the debt component of the OBSA and the sale of the CLN   | -                          | -            | 7            |
| Goodwill impairment, excluding impairment arising from the use of tax losses which were not recognized at the time of acquisition of Bcom3 | 23                         | 1            | 88           |
| Impairment of property and equipment   | -                          | 16           | -            |
| <b>Income before non-current gains and losses</b>  | <b>635</b>                 | <b>490</b>   | <b>307</b>   |
| French tax rate  | 34.43%                     | 33.83%       | 34.33%       |
| <b>Expected tax expense:</b>   | <b>(219)</b>               | <b>(166)</b> | <b>(105)</b> |
| Effect of:   |                            |              |              |
| - Differences in income tax rates  | (3)                        | (4)          | (4)          |
| - Income taxed at reduced rates  | -                          | -            | -            |
| - Use of prior tax losses and recognition of deferred tax assets in respect of prior year losses <sup>(1)</sup>                            | 59                         | 43           | 35           |
| - Losses in year for which no deferred tax asset was recognized and provisions against deferred tax assets                                 | (17)                       | (22)         | (12)         |
| - Permanent differences  | (12)                       | (8)          | (26)         |
| <b>Income taxes per the income statement <sup>(2)</sup>:</b>   | <b>(192)</b>               | <b>(157)</b> | <b>(112)</b> |
| <b>Effective tax rate</b>  | <b>30.2%</b>               | <b>32.0%</b> | <b>36.5%</b> |

(1) Excluding, in 2004, [5]million of recognition of deferred tax assets related to conversion to IFRS which are included under the [Net change in deferred taxes related to the OBSA/CLN transactions and deferred tax assets related to the conversion to IFRS] caption in the Income Statement.

(2) Excluding net change in deferred taxes related to the OBSA/CLN transactions and deferred tax assets related to the conversion to IFRS.

**Tax loss carryforwards**

Following the acquisition of Saatchi & Saatchi, the Group had approximately [503 million of tax loss carryforwards, arising out of Saatchi transactions prior to the acquisition, available to it. At December 31, 2006, the amount of unrecognized tax loss carryforwards, from an accounting perspective, is [55 million.

In addition to the Saatchi & Saatchi tax loss carryforwards, the Group has [305 million of tax loss carryforwards at December 31, 2006 (of which [253 million can be carried forward indefinitely) which have not given rise to recognition of a deferred tax asset in the consolidated balance sheet because of uncertainties related to possibilities for their use.

The tax saving on tax loss carryforwards of the Bcom3 group which existed at the time of the acquisition and which were used in 2006 have been adjusted against Bcom3 goodwill for [7 million, in accordance with IFRS 3.

**Deferred taxes recognized in the balance sheet**

At December 31, deferred tax assets and liabilities are as follows:

|   | <b>2006</b>                | <b>December 31,<br/>2005</b> | <b>2004</b>  |
|---|----------------------------|------------------------------|--------------|
|   | <i>(Millions of euros)</i> |                              |              |
| Short-term  | 46                         | 70                           | 98           |
| Long-term   | 315                        | 368                          | 332          |
| Effect of offset of deferred tax assets and liabilities by tax group <sup>(1)</sup> | (175)                      | (208)                        | (57)         |
| <b>Total deferred tax assets <sup>(2)</sup></b>                                     | <b>186</b>                 | <b>230</b>                   | <b>373</b>   |
| Short-term  | (17)                       | (31)                         | (36)         |
| Long-term   | (374)                      | (397)                        | (386)        |
| Effect of offset of deferred tax assets and liabilities by tax group <sup>(1)</sup> | 175                        | 208                          | 57           |
| <b>Total deferred tax liabilities</b>   | <b>(216)</b>               | <b>(220)</b>                 | <b>(365)</b> |
| <b>Deferred tax assets (liabilities) , net</b>                                      | <b>(30)</b>                | <b>10</b>                    | <b>8</b>     |

(1) Since 2005, the offset takes account of the existence of a single tax group in the United States.

(2) Deferred tax assets at December 31, 2005 and December 31, 2004 were adjusted following the change in accounting policy for recognition of actuarial gains and losses on defined benefit plans (See Note 1.6).

**Source of deferred taxes**

|   | <b>2006</b>                | <b>December 31,<br/>2005</b> |
|---|----------------------------|------------------------------|
|   | <i>(Millions of euros)</i> |                              |
| Deferred tax assets arising on temporary differences (excluding Bcom3)                                      | 230                        | 230                          |
| Deferred tax assets on compound bonds   | 11                         | 11                           |
| Deferred tax assets on restructuring and vacant property commitments related to the Bcom3 acquisition       | 71                         | 71                           |
| Deferred tax assets arising on tax loss carryforwards   | 49                         | 49                           |
| Effect of offset of deferred tax assets and liabilities by tax group  | (175)                      | (175)                        |
| <b>Total deferred tax assets</b>  | <b>186</b>                 | <b>230</b>                   |
| Deferred tax liabilities related arising on temporary differences (excluding compound bonds)                | (61)                       | (61)                         |
| Deferred tax liabilities on compound bonds  | (19)                       | (19)                         |
| Deferred tax liabilities attributable to adjustment of assets and liabilities at fair value on acquisition  | (257)                      | (257)                        |
| Deferred tax liability arising on the Champs Elysées building being restated at fair value (as deemed cost) | (54)                       | (54)                         |
| Effect of offset of deferred tax assets and liabilities by tax group  | 175                        | 175                          |
| <b>Total deferred tax liabilities</b>   | <b>(216)</b>               | <b>(216)</b>                 |
| <b>Deferred tax assets (liabilities), net</b>   | <b>(30)</b>                | <b>10</b>                    |

Deferred tax liabilities include those arising on the adjustment of intangible assets on the acquisitions of Zenith (€34 million) and Bcom3 (€206 million), as well as those related to the separation of the compound bonds (Océanes, Oranes) into their components and the deferred tax liability arising on the Champs Elysées building being adjusted to fair value (as deemed cost) at the date of transition to IFRS.

F-26

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**9. EARNINGS PER SHARE****Earnings per share and diluted earnings per share**

|  |     | <b>2006</b>       | <b>2005</b>                | <b>2004</b> |
|--|-----|-------------------|----------------------------|-------------|
| <b>Net income used for the calculation of earnings per share</b>               |     |                   |                            |             |
|  |     |                   | <i>(Millions of euros)</i> |             |
| Net income attributable to equity holders of the parent                        | a   | 443               | 386                        | 278         |
| <i>Impact of dilutive instruments:</i>   |     |                   |                            |             |
| - Savings in financial expenses related to the conversion of debt instruments, |     | 31                | 25                         | 23          |
| net of tax <sup>(1)</sup>  |     |                   |                            |             |
| Net income attributable to equity holders of the parent □ diluted              | b   | 474               | 411                        | 301         |
| <b>Number of shares used for the calculation of earnings per share</b>         |     |                   |                            |             |
| Average number of shares in circulation  |     | 183,576,207       | 182,818,378                | 182,410,541 |
| Shares to be issued to redeem the Oranes                                       |     | 26,035,483        | 27,597,612                 | 28,125,000  |
| Average number of shares used for the calculation                              | c   | 209,611,690       | 210,415,990                | 210,535,541 |
| <i>Impact of dilutive instruments: <sup>(2)</sup></i>                          |     |                   |                            |             |
| - Effect of exercise of dilutive stock options                                 |     | 1,736,783         | 228,591                    | 276,383     |
| - Effect of the exercise of the equity warrants                                |     | 59,208            | -                          | -           |
| - Shares resulting from the conversion of the convertible bonds <sup>(1)</sup> |     | 28,656,747        | 23,172,413                 | 23,172,413  |
| Number of shares □ diluted   | d   | 240,064,428       | 233,816,994                | 233,984,337 |
|  |     | <i>(in euros)</i> |                            |             |
| <b>Earnings per share</b>  | a/c | <b>2.11</b>       | <b>1.83</b>                | <b>1.32</b> |
| <b>Earnings per share □ diluted</b>  | b/d | <b>1.97</b>       | <b>1.76</b>                | <b>1.29</b> |

(1) In 2004 and 2005, only the 2008 Océanes are taken into account for the calculation of diluted earnings per share; in 2006, both the 2008 and 2018 Océanes are taken into account in the calculation;

(2) Only the equity warrants and stock options with a dilutive effect, being those whose exercise price is greater than the average share price for the year, are taken into consideration.

**Headline earnings per share (basic and diluted)**

|  |     | <b>2006</b>                | <b>2005</b> | <b>2004</b> |
|--|-----|----------------------------|-------------|-------------|
| <b>Net income used for the calculation of headline earnings per share (1)</b>                      |     | <i>(Millions of euros)</i> |             |             |
| Net income attributable to equity holders of the parent  |     | 443                        | 386         | 278         |
| <i>Items excluded:</i>   |     |                            |             |             |
| - Amortization of intangibles arising on acquisition, net of tax                                   |     | 13                         | 14          | 18          |
| - Impairment, net of tax   |     | 23                         | 24          | 164         |
| - Sale of the Saatchi & Saatchi building (Ile de la Jatte)   |     | (27)                       | -           | -           |
| - Capital gains, net of tax, on the sale of JCDecaux Netherlands, VKM, Sopact and 33 % of Metrobus |     | -                          | (87)        | -           |
| - Capital loss on the early redemption of the Oceane 2018, net of tax                              |     | -                          | 16          | -           |
| - Capital gains on the OBSA/CLN transactions, net of tax   |     | -                          | -           | (134)       |
| - Deferred tax assets related to conversion to IFRS  |     | -                          | -           | (57)        |
| Adjusted net income attributable to equity holders of the parent                                   | e   | 452                        | 353         | 269         |
| <i>Impact of dilutive instruments:</i>   |     |                            |             |             |
| - Savings in financial expenses related to the conversion of debt instruments, net of tax          |     | 31                         | 25          | 23          |
| Adjusted net income attributable to equity holders of the parent □ diluted                         | f   | 483                        | 378         | 292         |
| <b>Number of shares used for the calculation of earnings per share</b>                             |     |                            |             |             |
| Average number of shares in circulation  |     | 183,576,207                | 182,818,378 | 182,410,541 |
| Shares to be issued to redeem the Oranes   |     | 26,035,483                 | 27,597,612  | 28,125,000  |
| Average number of shares used for the calculation  | c   | 209,611,690                | 210,415,990 | 210,535,541 |
| <i>Impact of dilutive instruments:</i>   |     |                            |             |             |
| - Effect of exercise of dilutive stock options   |     | 1,736,783                  | 228,591     | 276,383     |
| - Effect of the exercise of the equity warrants  |     | 59,208                     | -           | -           |
| - Shares resulting from the conversion of convertible bonds  |     | 28,656,747                 | 23,172,413  | 23,172,413  |
| Number of shares □ diluted   | d   | 240,064,428                | 233,816,994 | 233,984,337 |
|  |     | <i>(In euros)</i>          |             |             |
| <b>Headline earnings per share (1)</b>   | e/c | <b>2.16</b>                | <b>1.68</b> | <b>1.28</b> |
| <b>Headline earnings per share - diluted (1)</b>   | f/d | <b>2.01</b>                | <b>1.62</b> | <b>1.25</b> |

(1) *Earnings per share before amortization of intangibles arising on acquisition, impairment, capital gain (loss) on the disposals of the Ile de la Jatte building, JCDecaux Netherlands and 33 % of Metrobus/ redemption of Oceane 2018/ the OBSA/CLN transactions (net of tax) and the recognition of deferred tax assets related to conversion to IFRS.*

It should be noted that the following transactions relating to ordinary shares and potential ordinary shares occurred during 2006:

- Exercise of the put on the Oceane 2018 in January 2006: 1,149,587 Oceanes were redeemed, thus eliminating an equivalent number of potential shares.

- Public equity warrant buyback offer initiated on January 13, 2006: the offer resulted in the buyback of 22,107,049 equity warrants, leading to the elimination of an equivalent number of potential shares

## **10. GOODWILL**

Publicis opted for the possibility not to restate prior classification and methods used for business combinations that took place before the transition date. As from this date, business combinations are treated in accordance with the requirements of IFRS 3 and thus goodwill and intangible assets with indefinite useful lives are no longer amortized.

At January 1, 2004, the transition date, the gross carrying amount of goodwill under IFRS is equal to the gross value of such goodwill under French standards less prior accumulated amortization.

F-28

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Goodwill balances in respect of consolidated companies can be analyzed as follows:

|   | <b>Europe</b>              | <b>North<br/>America</b> | <b>Rest of<br/>the world</b> | <b>Total</b> |
|---|----------------------------|--------------------------|------------------------------|--------------|
|   | <i>(Millions of euros)</i> |                          |                              |              |
| <b>Net value at December 31, 2005</b>                     | <b>976</b>                 | <b>1,462</b>             | <b>445</b>                   | <b>2,883</b> |
| 2006 financial year:                                      |                            |                          |                              |              |
| - Gross goodwill at January 1, 2006                       | 1,035                      | 1,474                    | 497                          | 3,006        |
| - Changes in the year (including translation adjustments) | 58                         | (102)                    | 11                           | (33)         |
| <b>Total gross value</b>                                  | <b>1,093</b>               | <b>1,372</b>             | <b>508</b>                   | <b>2,973</b> |
| Impairment  | (69)                       | (24)                     | (40)                         | (133)        |
| <b>Net value at December 31, 2006</b>                     | <b>1,024</b>               | <b>1,348</b>             | <b>468</b>                   | <b>2,840</b> |

### Changes in goodwill

|   | <b>Gross value</b>         | <b>Impairment</b> | <b>Net value</b> |
|---|----------------------------|-------------------|------------------|
|   | <i>(Millions of euros)</i> |                   |                  |
| <b>January 1, 2004</b>  | <b>2,711</b>               | <b>(18)</b>       | <b>2,693</b>     |
| Acquisitions / impairment   | 99                         | (92)              | 7                |
| Changes related to the recognition of commitments to purchase minority interests <sup>(1)</sup> | (38)                       | -                 | (38)             |
| Disposals and derecognition   | (22)                       | -                 | (22)             |
| Translation adjustment and other  | (18)                       | 1                 | (17)             |
| <b>December 31, 2004</b>  | <b>2,732</b>               | <b>(109)</b>      | <b>2,623</b>     |
| Acquisitions / impairment   | 72                         | (6)               | 66               |
| Changes related to the recognition of commitments to purchase minority interests <sup>(1)</sup> | 50                         | -                 | 50               |
| Disposals and derecognition   | (8)                        | -                 | (8)              |
| Translation adjustment and other  | 160                        | (8)               | 152              |
| <b>December 31, 2005</b>  | <b>3,006</b>               | <b>(123)</b>      | <b>2,883</b>     |
| Acquisitions / impairment   | 110                        | (30)              | 80               |
| Changes related to the recognition of commitments to purchase minority interests <sup>(1)</sup> | 39                         | -                 | 39               |
| Disposals and derecognition   | (13)                       | 13                | -                |
| Translation adjustment and other  | (169)                      | 7                 | (162)            |
| <b>December 31, 2006</b>  | <b>2,973</b>               | <b>(133)</b>      | <b>2,840</b>     |

(1) While awaiting a specific IFRS or an IFRIC interpretation, commitments to purchase minority interests have been recognized in financial debt with the double entry being booked to minority interests and, for the balance, to goodwill. Any future changes in such minority interests as well as any change in the valuation of such commitments will modify the related goodwill balance.

At December 31, 2006, the gross value of goodwill resulting from the Bcom3 acquisition amounts to €1,771 million. Impairment recognized in respect of this goodwill amounts to €16 million at December 31, 2006. It corresponds to the amount of tax savings on the tax loss carryforwards of Bcom3 used since 2004.



**11. INTANGIBLE ASSETS, NET****Changes in intangible assets with finite useful lives**

|                          | Client relationships       |                             |            | Software and other |                             |           |
|--------------------------|----------------------------|-----------------------------|------------|--------------------|-----------------------------|-----------|
|                          | Gross value                | Amortization/<br>impairment | Net value  | Gross value        | Amortization/<br>impairment | Net value |
|                          | <i>(Millions of euros)</i> |                             |            |                    |                             |           |
| <b>January 1, 2004</b>   | <b>564</b>                 | <b>(62)</b>                 | <b>502</b> | <b>100</b>         | <b>(68)</b>                 | <b>32</b> |
| Additions                | 3                          | -                           | 3          | 28                 | -                           | 28        |
| Amortization             | -                          | (29)                        | (29)       | -                  | (10)                        | (10)      |
| Impairment               | -                          | (95)                        | (95)       | -                  | -                           | -         |
| Disposals and write-off  | (5)                        | 1                           | (4)        | (10)               | 8                           | (2)       |
| Translation and other    | (28)                       | 13                          | (15)       | (19)               | 7                           | (12)      |
| <b>December 31, 2004</b> | <b>534</b>                 | <b>(172)</b>                | <b>362</b> | <b>99</b>          | <b>(63)</b>                 | <b>36</b> |
| Additions                | -                          | -                           | -          | 32                 | -                           | 32        |
| Amortization             | -                          | (23)                        | (23)       | -                  | (19)                        | (19)      |
| Impairment               | -                          | (11)                        | (11)       | -                  | -                           | -         |
| Disposals and write-off  | (3)                        | 3                           | -          | (7)                | 6                           | (1)       |
| Translation and other    | 61                         | (31)                        | 30         | (7)                | (4)                         | (11)      |
| <b>December 31, 2005</b> | <b>592</b>                 | <b>(234)</b>                | <b>358</b> | <b>117</b>         | <b>(80)</b>                 | <b>37</b> |
| Additions                | -                          | -                           | -          | 8                  | -                           | 8         |
| Amortization             | -                          | (22)                        | (22)       | -                  | (16)                        | (16)      |
| Impairment               | -                          | (1)                         | (1)        | -                  | -                           | -         |
| Disposals and write-off  | -                          | -                           | -          | (6)                | 6                           | -         |
| Translation and other    | (46)                       | 25                          | (21)       | (2)                | 2                           | -         |
| <b>December 31, 2006</b> | <b>546</b>                 | <b>(232)</b>                | <b>314</b> | <b>117</b>         | <b>(88)</b>                 | <b>29</b> |

**Changes in intangible assets with indefinite useful lives and in total intangible assets**

|                          | Tradenames                 |                         | Total intangible assets |                             |              |
|--------------------------|----------------------------|-------------------------|-------------------------|-----------------------------|--------------|
|                          | Gross value                | Impairment<br>Net value | Gross value             | Amortization/<br>impairment | Net value    |
|                          | <i>(Millions of euros)</i> |                         |                         |                             |              |
| <b>January 1, 2004</b>   | <b>382</b>                 | <b>-</b>                | <b>382</b>              | <b>1,046</b>                | <b>(130)</b> |
| Additions                | -                          | -                       | -                       | 31                          | -            |
| Amortization             | -                          | -                       | -                       | -                           | (39)         |
| Impairment               | -                          | (28)                    | (28)                    | -                           | (123)        |
| Disposals and write-off  | -                          | -                       | -                       | (15)                        | 9            |
| Translation and other    | (14)                       | 2                       | (12)                    | (61)                        | 22           |
| <b>December 31, 2004</b> | <b>368</b>                 | <b>(26)</b>             | <b>342</b>              | <b>1,001</b>                | <b>(261)</b> |
| Additions                | -                          | -                       | -                       | 32                          | -            |

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|                          |            |             |            |              |              |            |
|--------------------------|------------|-------------|------------|--------------|--------------|------------|
| Amortization             | -          | -           | -          | -            | (42)         | (42)       |
| Impairment               | -          | -           | -          | -            | (11)         | (11)       |
| Disposals and write-off  | -          | -           | -          | (10)         | 9            | (1)        |
| Translation and other    | 30         | (4)         | 26         | 84           | (39)         | 45         |
| <b>December 31, 2005</b> | <b>398</b> | <b>(30)</b> | <b>368</b> | <b>1,107</b> | <b>(344)</b> | <b>763</b> |
| Additions                | -          | -           | -          | 8            | -            | 8          |
| Amortization             | -          | -           | -          | -            | (38)         | (38)       |
| Impairment               | -          | -           | -          | -            | (1)          | (1)        |
| Disposals and write-off  | -          | -           | -          | (6)          | 6            | -          |
| Translation and other    | (17)       | (1)         | (18)       | (65)         | 26           | (39)       |
| <b>December 31, 2006</b> | <b>381</b> | <b>(31)</b> | <b>350</b> | <b>1,044</b> | <b>(351)</b> | <b>693</b> |

**Valuation of intangible assets**

Valuation tests performed by an independent expert at year-end 2006 resulted in the recognition of impairment of \$1 million on Fallon client relationships (see Note 5 - Depreciation, amortization and impairment).

F-30

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**12. PROPERTY AND EQUIPMENT, NET**

|  | <b>Land and<br/>buildings</b> | <b>Other</b>               | <b>Total</b> |
|--|-------------------------------|----------------------------|--------------|
|  |                               | <i>(Millions of euros)</i> |              |
| <b>Gross value at January 1, 2004</b>                | <b>317</b>                    | <b>1,038</b>               | <b>1,355</b> |
| Additions  | -                             | 94                         | 94           |
| Disposals and write offs                             | (4)                           | (130)                      | (134)        |
| Changes to scope of consolidation                    | -                             | -                          | -            |
| Translation and other                                | (12)                          | (99)                       | (111)        |
| <b>Gross value at December 31, 2004</b>              | <b>301</b>                    | <b>903</b>                 | <b>1,204</b> |
| Additions  | -                             | 69                         | 69           |
| Disposals and write offs                             | (2)                           | (106)                      | (108)        |
| Changes to scope of consolidation                    | -                             | (58)                       | (58)         |
| Translation and other                                | 52                            | 54                         | 106          |
| <b>Gross value at December 31, 2005</b>              | <b>351</b>                    | <b>862</b>                 | <b>1,213</b> |
| Additions  | -                             | 71                         | 71           |
| Disposals and write offs                             | (36)                          | (59)                       | (95)         |
| Changes to scope of consolidation                    | -                             | 9                          | 9            |
| Translation and other                                | (13)                          | (54)                       | (67)         |
| <b>Gross value at December 31, 2006</b>              | <b>302</b>                    | <b>829</b>                 | <b>1,131</b> |
| <b>Accumulated depreciation at December 31, 2005</b> | <b>(50)</b>                   | <b>(583)</b>               | <b>(633)</b> |
| Increases  | (5)                           | (87)                       | (92)         |
| Disposals and write offs                             | 14                            | 55                         | 69           |
| Changes to scope of consolidation                    | -                             | (5)                        | (5)          |
| Translation and other                                | 2                             | 39                         | 41           |
| <b>Accumulated depreciation at December 31, 2006</b> | <b>(39)</b>                   | <b>(581)</b>               | <b>(620)</b> |
| <b>Net value at December 31, 2006</b>                | <b>263</b>                    | <b>248</b>                 | <b>511</b>   |

**Land and buildings**

At December 31, 2006, the net book value of land and buildings of which Publicis is the proprietor is €191 million.

The Group's principal property asset is its corporate headquarters located at 133 avenue des Champs-Élysées in Paris. This seven-story building comprises about 12,000 square meters of office space primarily occupied by Group companies and 1,500 square meters of commercial property occupied by the Publicis Drugstore and two public cinemas.

Publicis opted to revalue this building at its fair value and to consider this value as being the deemed cost at the transition date. The fair value of this building at the transition date amounts to €164 million, which represents an adjustment of €159 million compared to its carrying amount under previous accounting standards. The valuation was performed by an independent expert using the rent capitalization method.

The parent company, Publicis Groupe S.A., also owns four floors of the building occupied by Leo Burnett at 15 rue du Dôme in Boulogne, a suburb of Paris. Publicis also has a capital lease contract expiring in 2007 for the two other floors in this building. Following the acquisition of Saatchi & Saatchi, the Group owned a six-story building

located at 30 rue Vital Bouhot in Neuilly-sur-Seine, a suburb of Paris, comprising approximately 5,660 square meters of office space occupied for the most part by Group companies. This building was sold during 2006 for a total amount of €33 million. This transaction generated a capital gain on disposal of €27 million (see note 6 – Non-current income (expense)).

**Other property and equipment**

The Group notably has significant information systems equipment dedicated to the creation and production of advertising, management of media buying, and administrative functions.

F-31

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**Assets under finance leases**

The net book value of such assets in the consolidated balance sheet is €72 million at December 31, 2006.

The principal assets capitalized are two floors of the office building located in rue du Dôme in Boulogne Billancourt (a Paris suburb) and the Leo Burnett office building in Chicago (United States). Leo Burnett's finance lease contract is in respect of assets with a gross value of €81 million, depreciable over 30 years. The office building is located at 35 West Wacker Drive in Chicago (United States). Following the signature of a rider to the lease during the year, under the terms of which the Group will move out of 2 floors as from June 1, 2007, the value of this building and of the corresponding lease debt were reduced by €17 million at December 31, 2006.

Property and equipment includes the following amounts in respect of assets held under finance leases:

|                          | 2006      | December 31,<br>2005       | 2004      |
|--------------------------|-----------|----------------------------|-----------|
|                          |           | <i>(Millions of euros)</i> |           |
| Gross value of buildings | 99        | 131                        | 116       |
| Depreciation             | (27)      | (28)                       | (22)      |
| <b>Net value</b>         | <b>72</b> | <b>103</b>                 | <b>94</b> |

**13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD**

Investments accounted for by the equity method at December 31, 2006 amounted to €44 million (as against €33 million at December 31, 2005 and €17 million at December 31, 2004).

|   | Carrying amount            |
|---|----------------------------|
|   | <i>(Millions of euros)</i> |
| <b>Amount at January 1, 2004</b>                        | <b>30</b>                  |
| Acquisitions  | 1                          |
| Disposals   | (2)                        |
| Group share of earnings of equity accounted investments | 6                          |
| Dividends paid  | (7)                        |
| Effect of translation and other                         | (11)                       |
| <b>Amount at December 31, 2004</b>                      | <b>17</b>                  |
| Acquisitions  | 12                         |
| Disposals   | (3)                        |
| Group share of earnings of equity accounted investments | 11                         |
| Dividends paid  | (9)                        |
| Effect of translation and other                         | 5                          |
| <b>Amount at December 31, 2005</b>                      | <b>33</b>                  |
| Acquisitions  | 15                         |
| Disposals   | (2)                        |
| Group share of earnings of equity accounted investments | 22                         |
| Dividends paid  | (19)                       |
| Effect of translation and other                         | (5)                        |

**Amount at December 31, 2006**

**44**

F-32

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The main account balances in the balance sheet and the income statement of associated companies are as follows:

|  | 2006       | December 31,<br>2005       | 2004       |
|--|------------|----------------------------|------------|
|  |            | <i>(Millions of euros)</i> |            |
| <b>Share in balance sheets of associated companies</b> |            |                            |            |
| Current assets   | 78         | 122                        | 67         |
| Non-current assets                                     | 22         | 108                        | 95         |
| <b>Total assets</b>                                    | <b>100</b> | <b>230</b>                 | <b>162</b> |
| Current liabilities                                    | 53         | 190                        | 133        |
| Non-current liabilities                                | 3          | 7                          | 12         |
| <b>Total liabilities</b>                               | <b>56</b>  | <b>197</b>                 | <b>145</b> |
| <b>Net assets</b>                                      | <b>44</b>  | <b>33</b>                  | <b>17</b>  |

|  | 2006 | December 31,<br>2005       | 2004 |
|--|------|----------------------------|------|
|  |      | <i>(Millions of euros)</i> |      |
| <b>Share of income of associated companies</b> |      |                            |      |
| Revenue  | 200  | 55                         | 43   |
| Net income                                     | 22   | 11                         | 6    |
| Carrying amount of the investment              | 44   | 33                         | 17   |

The main entities accounted for under the equity method are Bartle, Bogle Hegarty (BBH), Burrell Communications and International Sports and Entertainment (iSe). The carrying amounts of the investments in BBH, Burrell Communications and iSe amount, respectively, to €15 million, €8 million and €6 million.

iSe, which was created jointly in 2003 between Publicis (45%) and Dentsu (45%), managed the "Hospitality and Prestige Ticketing" program in respect of the 2006 World Cup Football Championship. As its shareholders have decided to liquidate the company, its remaining assets and liabilities at December 31, 2006 are considered to be current.

#### **14. OTHER FINANCIAL ASSETS**

Other financial assets are principally comprised of investments considered to be available-for-sale.

The portion of other financial assets maturing in less than one year is classified in current assets.

|                                     | 2006 | December 31,<br>2005       | 2004 |
|-------------------------------------|------|----------------------------|------|
|                                     |      | <i>(Millions of euros)</i> |      |
| Available-for-sale financial assets |      |                            |      |
| - IPG shares                        | 49   | 43                         | 52   |
| - Other                             | 8    | 10                         | 13   |

|   |            |            |            |
|---|------------|------------|------------|
| Loans and advances to equity accounted and non-consolidated companies | 5          | 6          | 7          |
| Other non-current financial assets                                    | 82         | 86         | 90         |
| <b>Gross value</b>  | <b>144</b> | <b>145</b> | <b>162</b> |
| Provisions  | (26)       | (27)       | (19)       |
| <b>Net value</b>  | <b>118</b> | <b>118</b> | <b>143</b> |

Publicis owns 1.20% of Interpublic Group (IPG) at December 31, 2006. This investment is not consolidated and the shares are classified as □available-for-sale□.

F-33

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Summary financial information in respect of IPG (most recent published consolidated figures):

|                                      | <b>2005</b>                  |
|--------------------------------------|------------------------------|
|                                      | <i>(Millions of dollars)</i> |
| Revenue                              | 6,274                        |
| Net income                           | (289)                        |
| Shareholders' equity at December 31, | 1,945                        |

**15. INVENTORY AND COSTS BILLABLE TO CLIENTS**

|  | <b>2006</b> | <b>December 31,<br/>2005</b> | <b>2004</b> |
|--|-------------|------------------------------|-------------|
|  |             | <i>(Millions of euros)</i>   |             |
| <b>Gross value</b>   | <b>693</b>  | <b>585</b>                   | <b>439</b>  |
| Provisions against inventories and costs billable to clients | (5)         | (5)                          | (2)         |
| <b>Net value</b>   | <b>688</b>  | <b>580</b>                   | <b>437</b>  |

In 2006, allowances to provisions against inventories and costs billable to clients amounted to €2 million. Releases of such provisions were recorded for the same amount.

**16. ACCOUNTS RECEIVABLE**

|                                  | <b>2006</b>  | <b>December 31,<br/>2005(1)</b> | <b>2004(1)</b> |
|----------------------------------|--------------|---------------------------------|----------------|
|                                  |              | <i>(Millions of euros)</i>      |                |
| Trade accounts receivable        | 4,242        | 4,170                           | 3,409          |
| Notes receivable                 | 38           | 51                              | 11             |
| <b>Gross value</b>               | <b>4,280</b> | <b>4,221</b>                    | <b>3,420</b>   |
| Provisions for doubtful accounts | (66)         | (76)                            | (52)           |
| <b>Net value</b>                 | <b>4,214</b> | <b>4,145</b>                    | <b>3,368</b>   |

(1) At December 31, 2005 and December 31, 2004, all receivables and payables on media space transactions, including those in which the Group acts as an agent on behalf of its clients which were previously recorded in "Other receivables and other current assets" and "Other creditors and other current liabilities", are henceforth recorded in "Accounts receivable" and "Accounts payable" (See Note 1.6).

These receivables are due in less than one year.

In 2006, allowances to provisions for doubtful accounts amounted to €18 million and reversals of such provisions amounted to €17 million.



**17. OTHER RECEIVABLES AND OTHER CURRENT ASSETS**

|  | <b>December 31,</b>        |                |                |
|--|----------------------------|----------------|----------------|
|  | <b>2006</b>                | <b>2005(1)</b> | <b>2004(1)</b> |
|  | <i>(Millions of euros)</i> |                |                |
| Taxes receivable                                   | 172                        | 171            | 155            |
| Advances to suppliers                              | 58                         | 36             | 31             |
| Prepayments  | 62                         | 68             | 69             |
| Derivatives hedging current assets and liabilities | 1                          | 1              | 1              |
| Derivatives on intercompany loans and borrowings   | -                          | 12             | 2              |
| Derivatives hedging net investment                 | 8                          | 26             | -              |
| Other receivables and other current assets         | 114                        | 156            | 109            |
| <b>Gross value</b>                                 | <b>415</b>                 | <b>470</b>     | <b>367</b>     |
| Provisions   | (2)                        | (24)           | (3)            |
| <b>Net value</b>                                   | <b>413</b>                 | <b>446</b>     | <b>364</b>     |

(1) At December 31, 2005 and December 31, 2004, all receivables and payables on media space transactions, including those in which the Group acts as an agent on behalf of its clients which were previously recorded in [Other receivables and other current assets] and [Other creditors and other current liabilities], are henceforth recorded in [Accounts receivable] and [Accounts payable] (See Note 1.6).

**18. CASH AND CASH EQUIVALENTS**

|                               | <b>December 31,</b>        |              |              |
|-------------------------------|----------------------------|--------------|--------------|
|                               | <b>2006</b>                | <b>2005</b>  | <b>2004</b>  |
|                               | <i>(Millions of euros)</i> |              |              |
| Cash and bank balances        | 551                        | 767          | 1,128        |
| Short-term liquid investments | 1,369                      | 1,213        | 58           |
| <b>Total</b>                  | <b>1,920</b>               | <b>1,980</b> | <b>1,186</b> |

Short-term liquid investments are principally comprised of monetary mutual funds.

**19. SHAREHOLDERS' EQUITY**

The statement of changes in shareholders' equity is presented with the other consolidated financial statements.

**Share capital of the parent company**

Publicis Groupe SA's share capital increased by [640,088] in 2006, corresponding to 1,600,219 shares with a par value of [0.40] each:

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- 1,562,129 shares issued in redemption of the second tranche of the Orane, and
- 38,090 shares issued in the context of exercise of options.

At December 31, 2006 the company's share capital was €79,483,692, comprised of 198,709,229 shares with a par value of €0.40 each.

F-35

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**Deduction of treasury stock existing at December 31, 2006**

Treasury stock held at the end of the period, including treasury stock held in the context of the liquidity contract, is deducted from shareholders' equity.

The following movements took place on the treasury stock portfolio in 2004, 2005 and 2006:

|   | <b>Number of<br/>shares</b>                    | <b>Gross value</b> |
|---|--|--------------------|
|   | <i>(Millions of euros)<br/>(except shares)</i> |                    |
| <b>Treasury stock held at December 31, 2003</b> (1) | <b>13,012,389</b>                              | <b>323</b>         |
| Acquisitions (other than under liquidity contract)  | 20,000   | 1                  |
| Disposals (exercises of stock-options)              | (16,546)                                       | (1)                |
| Movements in the context of the liquidity contract  | 367,000  | 9                  |
| <b>Treasury stock held at December 31, 2004</b> (1) | <b>13,382,843</b>                              | <b>332</b>         |
| Acquisitions (other than under liquidity contract)  | 48,469   | 1                  |
| Disposals (exercises of stock-options)              | (64,548)                                       | (2)                |
| Movements in the context of the liquidity contract  | (327,000)                                      | (8)                |
| <b>Treasury stock held at December 31, 2005</b> (1) | <b>13,039,764</b>                              | <b>323</b>         |
| Acquisitions (other than under liquidity contract)  | 3,020,496                                      | 88                 |
| Disposals (exercises of stock-options)              | (914,909)                                      | (23)               |
| Movements in the context of the liquidity contract  | (40,000)                                       | (1)                |
| <b>Treasury stock held at December 31, 2006</b> (1) | <b>15,105,351</b>                              | <b>387</b>         |

(1) Including shares held under the liquidity contract (0 at December 31, 2006)

**Dividends voted and proposed**

|   | <b>Per share</b>  | <b>Total</b> |
|---|---|--------------|
|   | <i>(Millions of euros)<br/>(except per share data in €)</i> |              |
| Dividends paid in 2006 (in respect of the 2005 financial year)                              | 0.36  | 66           |
| Dividends proposed to the Annual General Meeting<br>(in respect of the 2006 financial year) | 0.50  | 99(1)        |

(1) Amount for all existing shares at December 31, 2006, including treasury stock.

The dividend proposed in respect of the 2006 financial year will not have any tax impact for the company.

**20. PROVISIONS**

|                                      | <b>Restructuring</b>       | <b>Vacant<br/>property</b> | <b>Sub-Total</b> | <b>Pensions and<br/>other post-<br/>employment<br/>benefits</b> | <b>Litigation<br/>and claims</b> | <b>Other</b> | <b>Total</b> |
|--------------------------------------|----------------------------|----------------------------|------------------|---|----------------------------------|--------------|--------------|
|                                      | <i>(Millions of euros)</i> |                            |                  |   |                                  |              |              |
| <b>January 1, 2004</b>               | <b>102</b>                 | <b>232</b>                 | <b>334</b>       | <b>272</b>  | <b>54</b>                        | <b>149</b>   | <b>809</b>   |
| Increases                            | 12                         | 9                          | 21               | 38  | 4                                | 22           | 85           |
| Releases on use                      | (55)                       | (47)                       | (102)            | (58)  | (4)                              | (35)         | (199)        |
| Other releases                       | -                          | -                          | -                | -   | -                                | -            | -            |
| Changes to scope of<br>consolidation | -                          | -                          | -                | -   | -                                | -            | -            |
| Actuarial (gains) losses             | -                          | -                          | -                | 13  | -                                | -            | 13           |
| Translation and other                | (3)                        | (18)                       | (21)             | (10)  | (8)                              | (13)         | (52)         |
| <b>December 31,<br/>2004(1)</b>      | <b>56</b>                  | <b>176</b>                 | <b>232</b>       | <b>255</b>  | <b>46</b>                        | <b>123</b>   | <b>656</b>   |
| Increases                            | 10                         | 8                          | 18               | 22  | 5                                | 32           | 77           |
| Releases on use                      | (35)                       | (21)                       | (56)             | (22)  | -                                | (14)         | (92)         |
| Other releases                       | -                          | -                          | -                | -   | -                                | (1)          | (1)          |
| Changes to scope of<br>consolidation | -                          | -                          | -                | -   | -                                | (4)          | (4)          |
| Actuarial (gains) losses             | -                          | -                          | -                | 30  | -                                | -            | 30           |
| Translation and other                | 3                          | 19                         | 22               | 1   | (3)                              | 16           | 36           |
| <b>December 31, 2005<br/>(1)</b>     | <b>34</b>                  | <b>182</b>                 | <b>216</b>       | <b>286</b>  | <b>48</b>                        | <b>152</b>   | <b>702</b>   |
| Increases                            | 11                         | 10                         | 21               | 27  | 4                                | 47           | 99           |
| Releases on use                      | (9)                        | (21)                       | (30)             | (30)  | (6)                              | (31)         | (97)         |
| Other releases                       | -                          | (5)                        | (5)              | -   | -                                | -            | (5)          |
| Changes to scope of<br>consolidation | -                          | -                          | -                | (5)   | -                                | 1            | (4)          |
| Actuarial (gains) losses             | -                          | -                          | -                | (5)   | -                                | -            | (5)          |
| Translation and other                | (12)                       | (30)                       | (42)             | (17)  | (10)                             | 4            | (65)         |
| <b>December 31, 2006</b>             | <b>24</b>                  | <b>136</b>                 | <b>160</b>       | <b>256</b>  | <b>36</b>                        | <b>173</b>   | <b>625</b>   |
| <b>Of which short-term</b>           | <b>17</b>                  | <b>16</b>                  | <b>33</b>        | <b>36</b>   | <b>20</b>                        | <b>27</b>    | <b>116</b>   |
| <b>Of which long-term</b>            | <b>7</b>                   | <b>120</b>                 | <b>127</b>       | <b>220</b>  | <b>16</b>                        | <b>146</b>   | <b>509</b>   |

(1) At December 31, 2005 and December 31, 2004, provisions for pensions and other post-employment benefits were adjusted following the change in accounting policy for recognition of actuarial gains and losses on defined benefit plans (See Note 1.6).

**Restructuring and vacant property provisions**

Restructuring provisions and vacant property provisions result mainly from the acquisition of Bcom3.

**Restructuring provisions**

These provisions are based on estimated closing or restructuring costs for certain activities as a result of plans announced publicly but not yet carried out at year-end 2006 (principally severance pay). The plans, detailed by project and nature, were approved by General Management before being announced. The plans are monitored



centrally in order to ensure that the provision is applied to costs incurred and in order to justify the remaining balance on the basis of outstanding costs to be incurred.

**Vacant property provisions**

Vacant property provisions are principally comprised of provisions related to the acquisition of Bcom3, for an amount of €115 million at December 31, 2006, and of provisions related to Saatchi & Saatchi. These provisions

F-37

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relate mainly to New York City for a total amount of €102 million including €57 million for the rental contract related to the property at 375 Hudson Street in New York City. Valuations have been carried out by discounting rent payable, less expected sub-lease income, at an annual rate of 5%.

### Obligations in respect of employee benefits

Obligations in respect of employee benefits (see note 21) include:

- Defined benefit pension plans,
- Post-employment health cover plans, and
- Other post-employment benefits such as deferred remuneration and long-service awards.

## **21. DEFINED BENEFIT PENSION COMMITMENTS AND POST-EMPLOYMENT HEALTH COVER**

The Group has a certain number of commitments under defined benefit plans (pension plans and health cover). Commitments under material plans are calculated in accordance IAS 19 on an annual basis.

The calculations for these defined benefit plans have been carried out by independent experts in the United States, England, Germany, France, the Netherlands and Japan.

### **Change in the actuarial benefit obligation**

|  | <b>December 31,</b>        |                         |              |                          |                         |              |                          |                         |              |
|--|----------------------------|-------------------------|--------------|--------------------------|-------------------------|--------------|--------------------------|-------------------------|--------------|
|  | <b>2006</b>                |                         |              | <b>2005</b>              |                         |              | <b>2004</b>              |                         |              |
|  | <b>Pension<br/>plans</b>   | <b>Health<br/>cover</b> | <b>Total</b> | <b>Pension<br/>plans</b> | <b>Health<br/>cover</b> | <b>Total</b> | <b>Pension<br/>plans</b> | <b>Health<br/>cover</b> | <b>Total</b> |
|  | <i>(Millions of euros)</i> |                         |              |                          |                         |              |                          |                         |              |
| Actuarial benefit obligation at start of year      | (445)                      | (45)                    | (490)        | (348)                    | (38)                    | (386)        | (329)                    | (37)                    | (366)        |
| Service cost                                       | (19)                       | -                       | (19)         | (16)                     | (1)                     | (17)         | (15)                     | (1)                     | (16)         |
| Interest expense on benefit obligation             | (20)                       | (2)                     | (22)         | (20)                     | (2)                     | (22)         | (20)                     | (2)                     | (22)         |
| Contributions by plan participants                 | -                          | -                       | -            | -                        | -                       | -            | -                        | (1)                     | (1)          |
| Plan amendments                                    | -                          | 14                      | 14           | (1)                      | -                       | (1)          | -                        | -                       | -            |
| Acquisitions, disposals                            | (8)                        | (2)                     | (10)         | (15)                     | -                       | (15)         | (2)                      | -                       | (2)          |
| Reductions in headcount and plan settlements       | 7                          | -                       | 7            | -                        | -                       | -            | -                        | -                       | -            |
| Actuarial gains and (losses)                       | (7)                        | 5                       | (2)          | (42)                     | -                       | (42)         | (13)                     | (1)                     | (14)         |
| Benefits paid                                      | 24                         | 2                       | 26           | 28                       | 2                       | 30           | 18                       | 3                       | 21           |
| Translation adjustments                            | 14                         | 4                       | 18           | (31)                     | (6)                     | (37)         | 13                       | 1                       | 14           |
| <b>Actuarial benefit obligation at end of year</b> | <b>(454)</b>               | <b>(24)</b>             | <b>(478)</b> | <b>(445)</b>             | <b>(45)</b>             | <b>(490)</b> | <b>(348)</b>             | <b>(38)</b>             | <b>(386)</b> |



**Change in the fair value of plan assets**

|  | <b>December 31,</b>        |                     |              |                      |                     |              |                      |                     |              |
|--|----------------------------|---------------------|--------------|----------------------|---------------------|--------------|----------------------|---------------------|--------------|
|  | <b>2006</b>                |                     |              | <b>2005</b>          |                     |              | <b>2004</b>          |                     |              |
|  | <i>(Millions of euros)</i> |                     |              |                      |                     |              |                      |                     |              |
|  | <b>Pension plans</b>       | <b>Health cover</b> | <b>Total</b> | <b>Pension plans</b> | <b>Health cover</b> | <b>Total</b> | <b>Pension plans</b> | <b>Health cover</b> | <b>Total</b> |
| Fair value of plan assets at start of year   | 261                        | -                   | 261          | 218                  | -                   | 218          | 195                  | -                   | 195          |
| Actual return on plan assets   | 24                         | -                   | 24           | 31                   | -                   | 31           | 18                   | -                   | 18           |
| Employer contributions   | 23                         | -                   | 23           | 14                   | -                   | 14           | 30                   | -                   | 30           |
| Contributions by plan participants   | -                          | -                   | -            | -                    | -                   | -            | -                    | -                   | -            |
| Plan amendments  | -                          | -                   | -            | -                    | -                   | -            | -                    | -                   | -            |
| Acquisition, disposals   | 1                          | -                   | 1            | 1                    | -                   | 1            | 2                    | -                   | 2            |
| Reductions in headcount and plan settlements   | (4)                        | -                   | (4)          | -                    | -                   | -            | -                    | -                   | -            |
| Benefits paid  | (19)                       | -                   | (19)         | (22)                 | -                   | (22)         | (20)                 | -                   | (20)         |
| Translation adjustments  | (9)                        | -                   | (9)          | 19                   | -                   | 19           | (7)                  | -                   | (7)          |
| <b>Fair value of plan assets at end of year</b>  | <b>277</b>                 | <b>-</b>            | <b>277</b>   | <b>261</b>           | <b>-</b>            | <b>261</b>   | <b>218</b>           | <b>-</b>            | <b>218</b>   |
| <b>Surplus (deficit)</b>   | <b>(177)</b>               | <b>(24)</b>         | <b>(201)</b> | <b>(184)</b>         | <b>(45)</b>         | <b>(229)</b> | <b>(130)</b>         | <b>(38)</b>         | <b>(168)</b> |
| Unrecognized past service cost   | -                          | (13)                | (13)         | -                    | -                   | -            | -                    | -                   | -            |
| <b>Net provision for defined benefit pension commitments and post-employment health cover.</b> | <b>(177)</b>               | <b>(37)</b>         | <b>(214)</b> | <b>(184)</b>         | <b>(45)</b>         | <b>(229)</b> | <b>(130)</b>         | <b>(38)</b>         | <b>(168)</b> |
| <b>Provision for other long-term benefits</b>  | <b>(42)</b>                | <b>-</b>            | <b>(42)</b>  | <b>(57)</b>          | <b>-</b>            | <b>(57)</b>  | <b>(87)</b>          | <b>-</b>            | <b>(87)</b>  |
| <b>Total provision for pension commitments and other post-employment benefits</b>              | <b>(219)</b>               | <b>(37)</b>         | <b>(256)</b> | <b>(241)</b>         | <b>(45)</b>         | <b>(286)</b> | <b>(217)</b>         | <b>(38)</b>         | <b>(255)</b> |

**Net periodic pension cost**

|   | <b>December 31,</b>        |                     |              |                      |                     |              |                      |                     |              |
|---|----------------------------|---------------------|--------------|----------------------|---------------------|--------------|----------------------|---------------------|--------------|
|   | <b>2006</b>                |                     |              | <b>2005</b>          |                     |              | <b>2004</b>          |                     |              |
|   | <i>(Millions of euros)</i> |                     |              |                      |                     |              |                      |                     |              |
|   | <b>Pension plans</b>       | <b>Health Cover</b> | <b>Total</b> | <b>Pension plans</b> | <b>Health cover</b> | <b>Total</b> | <b>Pension Plans</b> | <b>Health cover</b> | <b>Total</b> |
| Service cost  | (19)                       | -                   | (19)         | (17)                 | (1)                 | (18)         | (15)                 | (1)                 | (16)         |
| Interest expense on benefit obligation <sup>(1)</sup>                 | (20)                       | (2)                 | (22)         | (20)                 | (2)                 | (22)         | (20)                 | (2)                 | (22)         |
| Expected return on plan assets <sup>(1)</sup>                         | 17                         | -                   | 17           | 18                   | -                   | 18           | 17                   | -                   | 17           |
| Amortization of unrecognized past service cost                        | -                          | 1                   | 1            | -                    | -                   | -            | -                    | -                   | -            |
| Reductions in headcount and plan settlements                          | 3                          | -                   | 3            | -                    | -                   | -            | -                    | -                   | -            |
| <b>Defined benefit plan Expense</b>                                   | <b>(19)</b>                | <b>(1)</b>          | <b>(20)</b>  | <b>(19)</b>          | <b>(3)</b>          | <b>(22)</b>  | <b>(18)</b>          | <b>(3)</b>          | <b>(21)</b>  |
| <b>Expenses of other plans (including defined contribution plans)</b> | <b>(54)</b>                | <b>-</b>            | <b>(54)</b>  | <b>(45)</b>          | <b>-</b>            | <b>(45)</b>  | <b>(43)</b>          | <b>-</b>            | <b>(43)</b>  |
| <b>Net periodic pension cost</b>                                      | <b>(73)</b>                | <b>(1)</b>          | <b>(74)</b>  | <b>(64)</b>          | <b>(3)</b>          | <b>(67)</b>  | <b>(61)</b>          | <b>(3)</b>          | <b>(64)</b>  |

(1) Being a net financial cost of €5 million in 2006, classified in "Other financial income (expense)" (See Note 7)

**Actuarial assumptions (Weighted average rates)**

|   | <b>December 31, 2006</b> |               |                          |              |                                     |               |              |                    |
|---|--------------------------|---------------|--------------------------|--------------|-------------------------------------|---------------|--------------|--------------------|
|   | <b>Pension plans</b>     |               |                          |              | <b>Post-employment health cover</b> |               |              |                    |
|   | <b>North America</b>     | <b>Europe</b> | <b>Rest of the world</b> | <b>Total</b> | <b>North America</b>                | <b>Europe</b> | <b>Total</b> | <b>Group total</b> |
| Discount rate                                 | 5.75%                    | 4.77%         | 2.25%                    | 5.18%        | 5.75%                               | 5.00%         | 5.61%        | 5.20%              |
| Expected return on plan assets <sup>(1)</sup> | 7.70%                    | 6.85%         | n/a                      | 7.22%        | n/a                                 | n/a           | n/a          | 7.22%              |
| Future salary increases                       | n/a                      | 4.01%         | 2.25%                    | 3.99%        | 5.00%                               | n/a           | 5.00%        | 4.07%              |

|                          |     |       |     |       |     |     |     |       |
|--------------------------|-----|-------|-----|-------|-----|-----|-----|-------|
| Future pension increases | n/a | 2.86% | n/a | 2.86% | n/a | n/a | n/a | 2.86% |
|--------------------------|-----|-------|-----|-------|-----|-----|-----|-------|

**December 31,  
2005**

**Pension plans**

**Post-employment health  
cover**

|                                    | Pension plans |        |                   | Post-employment health cover |               |        | Group total |             |
|------------------------------------|---------------|--------|-------------------|------------------------------|---------------|--------|-------------|-------------|
|                                    | North America | Europe | Rest of the world | Total                        | North America | Europe | Total       | Group total |
| Discount rate                      | 5.50%         | 4.76%  | 2.00%             | 5.07%                        | 5.50%         | 5.00%  | 5.00%       | 5.10%       |
| Expected return on plan assets (1) | 7.50%         | 6.58%  | n/a               | 6.85%                        | n/a           | n/a    | n/a         | 6.85%       |
| Future salary increases            | n/a           | 3.85%  | 1.50%             | 3.82%                        | 5.00%         | n/a    | 5.00%       | 4.08%       |
| Future pension increases           | n/a           | 2.69%  | 1.00%             | 2.68%                        | n/a           | n/a    | n/a         | 2.69%       |

F-40

December 31,  
2004

|                                    | <b>Pension plans</b> |               |                          |              | <b>Post-employment health cover</b> |               |              | <b>Group total</b> |
|------------------------------------|----------------------|---------------|--------------------------|--------------|-------------------------------------|---------------|--------------|--------------------|
|                                    | <b>North America</b> | <b>Europe</b> | <b>Rest of the world</b> | <b>Total</b> | <b>North America</b>                | <b>Europe</b> | <b>Total</b> |                    |
| Discount rate                      | 6.00%                | 5.47%         | 3.00%                    | 5.70%        | 6.00%                               | 5.75%         | 5.98%        | 5.75%              |
| Expected return on plan assets (1) | 8.50%                | 7.50%         | n/a                      | 8.39%        | n/a                                 | n/a           | n/a          | 8.00%              |
| Future salary increases            | n/a                  | 3.68%         | 2.50%                    | 3.68%        | 5.00%                               | n/a           | 5.00%        | 3.75%              |
| Future pension increases           | n/a                  | 2.56%         | 1.00%                    | 2.56%        | n/a                                 | n/a           | n/a          | 2.50%              |

(1) The return on each portfolio of assets is calculated on the basis of the expected return and the weighting of each of its component categories of assets. The rate of return on each investment is based on the discount rate increased or decreased by a premium applied to each asset according to its risk profile.

#### Allocation of plan assets

|              | <b>2006</b> | <b>2005</b> | <b>2004</b>  |
|--------------|-------------|-------------|--------------|
| Shares       | 68.5%       | 60.6%       | 64.5 %       |
| Bonds        | 28.5%       | 37.0%       | 31.0 %       |
| Real estate  | 1.2%        | 0.2%        | 2.5 %        |
| Other        | 1.8%        | 2.2%        | 2.0 %        |
| <b>Total</b> | <b>100%</b> | <b>100%</b> | <b>100 %</b> |

#### Estimate of employer contributions and of future benefits payable

|   | <b>Pension plans</b> | <b>Health cover</b>      | <b>Total</b> |
|---|----------------------|--------------------------|--------------|
|   |                      |                          |              |
|   |                      | (Millions of euros)      |              |
| <b>Estimate of employer contributions</b> |                      |                          |              |
| 2007 estimated at 31 December 2006        | 24                   | -                        | 24           |
| 2006 estimated at 31 December 2005        | 21                   | -                        | 21           |
| 2005 estimated at 31 December 2004        | 27                   | -                        | 27           |
|   |                      | <b>December 31, 2006</b> |              |
|   | <b>Pension plans</b> | <b>Health cover</b>      | <b>Total</b> |
|   |                      |                          |              |
|   |                      | (Millions of euros)      |              |

#### Estimate of future benefits payable

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|   |            |           |            |
|---|------------|-----------|------------|
| 2007  | 34         | 2         | 36         |
| 2008  | 30         | 2         | 32         |
| 2009  | 31         | 2         | 33         |
| 2010  | 32         | 3         | 35         |
| 2011  | 32         | 3         | 35         |
| Years 2012 to 2016                                | 153        | 11        | 164        |
| <b>Total over the next 10 financial<br/>years</b> | <b>312</b> | <b>23</b> | <b>335</b> |

F-41

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**Breakdown between US and non-US plans****December 31,**

|  | <b>2006</b>                |               |              | <b>2005</b>  |               |              | <b>2004</b> |               |              |
|--|----------------------------|---------------|--------------|--------------|---------------|--------------|-------------|---------------|--------------|
|  | <i>(Millions of euros)</i> |               |              |              |               |              |             |               |              |
|  | <b>US</b>                  | <b>Non-US</b> | <b>Total</b> | <b>US</b>    | <b>Non-US</b> | <b>Total</b> | <b>US</b>   | <b>Non-US</b> | <b>Total</b> |
| Actuarial benefit obligation at end of year                  | (188)                      | (290)         | (478)        | (228)        | (262)         | (490)        | (185)       | (201)         | (386)        |
| Fair value of plan assets at year end                        | 113                        | 164           | 277          | 114          | 147           | 261          | 100         | 118           | 218          |
| <b>Surplus (deficit)</b>                                     | <b>(75)</b>                | <b>(126)</b>  | <b>(201)</b> | <b>(114)</b> | <b>(115)</b>  | <b>(229)</b> | <b>(85)</b> | <b>(83)</b>   | <b>(168)</b> |
| Unrecognized past service cost                               | (13)                       | -             | (13)         | -            | -             | -            | -           | -             | -            |
| <b>Net provision for defined benefit pension commitments</b> | <b>(88)</b>                | <b>(126)</b>  | <b>(214)</b> | <b>(114)</b> | <b>(115)</b>  | <b>(229)</b> | <b>(85)</b> | <b>(83)</b>   | <b>(168)</b> |

**December 31,**

|  | <b>2006</b>                |               |              | <b>2005</b> |               |              | <b>2004</b> |               |              |
|--|----------------------------|---------------|--------------|-------------|---------------|--------------|-------------|---------------|--------------|
|  | <i>(Millions of euros)</i> |               |              |             |               |              |             |               |              |
|  | <b>US</b>                  | <b>Non-US</b> | <b>Total</b> | <b>US</b>   | <b>Non-US</b> | <b>Total</b> | <b>US</b>   | <b>Non-US</b> | <b>Total</b> |
| Service cost   | (10)                       | (9)           | (19)         | (14)        | (4)           | (18)         | (13)        | (3)           | (16)         |
| Interest expense on benefit obligation                                   | (10)                       | (12)          | (22)         | (11)        | (11)          | (22)         | (11)        | (11)          | (22)         |
| Expected return on plan assets   | 7                          | 10            | 17           | 10          | 8             | 18           | 8           | 9             | 17           |
| Amortization of unrecognized past service cost                           | 1                          | -             | 1            | -           | -             | -            | -           | -             | -            |
| Reductions in headcount and plan settlements                             | -                          | 3             | 3            | -           | -             | -            | -           | -             | -            |
| <b>Defined benefit plan expense</b>                                      | <b>(12)</b>                | <b>(8)</b>    | <b>(20)</b>  | <b>(15)</b> | <b>(7)</b>    | <b>(22)</b>  | <b>(16)</b> | <b>(5)</b>    | <b>(21)</b>  |
| <b>Expenses under other plans (including defined contribution plans)</b> | <b>(26)</b>                | <b>(28)</b>   | <b>(54)</b>  | <b>(25)</b> | <b>(20)</b>   | <b>(45)</b>  | <b>(14)</b> | <b>(29)</b>   | <b>(43)</b>  |

**Net periodic pension  
cost**

**(38) (36) (74) (40) (27) (67) (30) (34) (64)**

F-42

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**Increase in medical expenses**

The rate of increase in medical expenses retained for 2006 is 9.61 % with a progressive reduction in the rate of increase to a rate of 4.83 % in 2007 and thereafter.

A change of 1 % in the estimated increase in medical expenses would have the following impacts:

|   | <b>Increase of 1%</b>      | <b>Decrease of 1%</b> |
|---|----------------------------|-----------------------|
|   | <i>(Millions of euros)</i> |                       |
| Impact on service cost and interest expense on the benefit obligation | -                          | -                     |
| Effect on the benefit obligation at year end                          | (1)                        | 1                     |

**22. FINANCIAL DEBT**

| Number of securities  | <b>2006</b>                | <b>2005</b>  | <b>2004</b>  |
|---|----------------------------|--------------|--------------|
|   | <i>(Millions of euros)</i> |              |              |
| <b>Bonds (excluding accrued interest) issued by Publicis Groupe S.A.:</b> |                            |              |              |
| 750,000 Eurobond 4.125% - January 2012 (Effective rate 4.30%)             | 742                        | 750          | -            |
| 5,484,334 Oceane 2.75% - - January 2018 (Effective rate 7.37%)            | 234                        | 278          | 692          |
| 23,172,413 Oceane 0.75% - July 2008 (Effective rate 6.61%)                | 615                        | 580          | 547          |
| 1,562,129 Oranes 0.82 % variable - September 2022 (Effective rate 8.50%)  | 33                         | 36           | 40           |
| 750 Bond convertible into IPG shares □ 2% □ January 2007                  | 7                          | 7            | 7            |
| <b>Other debt:</b>  |                            |              |              |
| Accrued interest  | 16                         | 15           | 12           |
| Other borrowings and lines of credit                                      | 38                         | 23           | 29           |
| Bank overdrafts   | 30                         | 95           | 172          |
| Debt related to finance leases  | 83                         | 112          | 97           |
| Debt related to acquisition of shareholdings                              | 140                        | 87           | 90           |
| Debt arising from commitments to purchase minority interests              | 176                        | 154          | 79           |
| <b>Total financial debt</b>   | <b>2,114</b>               | <b>2,137</b> | <b>1,765</b> |
| <b>Of which short-term</b>  | <b>203</b>                 | <b>224</b>   | <b>273</b>   |
| <b>Of which long-term</b>   | <b>1,911</b>               | <b>1,913</b> | <b>1,492</b> |

The bonds issued by Publicis Groupe S.A. are at fixed rates and are denominated in euros. Only the Eurobond is subject to foreign exchange rate and interest rate hedges.

A euro/dollar swap was put in place in January 2005, the time of issue of the Eurobond in order to hedge the Group's net dollar-denominated assets, and thus to significantly reduce sensitivity of Group shareholders' equity to future exchange rate fluctuations between the euro and the US dollar. Furthermore, following the changes made to the terms of the swap in 2006, the issue, originally in euros at fixed rate (interest rate 4.125%), is now swapped into variable rate. In this context, a balancing payment of □30 million was received and the corresponding income was recognized in shareholders' equity.

From the point of view of IAS 39, the swap from fixed rate euro to variable rate dollar was designated as:

- a net investment hedge, leading to the recognition of changes in the foreign exchange component of the derivative in shareholders' equity; and
- a hedge of the fair value of the Eurobond debt for the interest rate component. In this context, the portion of the Eurobond debt swapped into variable rate was remeasured at fair value at the balance sheet date.

F-43

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The impact on shareholders' equity at December 31, 2006, net of deferred taxes, is €1 million.

At December 31, 2006, the fair value of the swap is recognized in other receivables and other current assets for €8 million and in other creditors and other current liabilities for €33 million, being a net amount of €(25) million.

The principal sums due on the bonds were reduced in 2006 by contractually determined repayments and also by the partial early redemption, in January 2006, of 1,149,587 Oceane 2018 bonds for a total amount of €51 million (including accrued interest). This redemption had no impact on shareholders' equity or on the income statement.

In addition, the 750 outstanding bonds convertible into IPG shares were redeemed on their maturity date, January 2, 2007.

Commitments to purchase minority interests, as well as earn-out clauses, are identified on a centralized basis and are valued on the basis of contractual clauses and the most recent available data as well as on projections for the relevant figures over the period.

Changes in debt arising from commitments to purchase minority interests are presented hereafter:

|   | <b>Debt arising from<br/>commitments to<br/>purchase minority<br/>interests</b> |
|---|---|
|   | <i>(Millions of euros)</i>  |
| <b>At December 31, 2004</b>                         | <b>79</b>   |
| Debts contracted in the period                      | 93  |
| Buyouts exercised                                   | (10)  |
| Revaluation of the debt and translation adjustments | (8)   |
| <b>At December 31, 2005</b>                         | <b>154</b>  |
| Debts contracted in the period                      | 39  |
| Buyouts exercised                                   | (17)  |
| Revaluation of the debt and translation adjustments | -   |
| <b>At December 31, 2006</b>                         | <b>176</b>  |

**Analysis by date of maturity**

**December 31, 2006**

|                                 | <b>Maturity</b>            |             |             |             |             |             | <b>More than<br/>5 years</b> |
|---------------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
|                                 | <b>Total</b>               | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |                              |
|                                 | <i>(Millions of euros)</i> |             |             |             |             |             |                              |
| Bonds and other bank borrowings | 1,715                      | 87          | 625         | 3           | 3           | 3           | 994                          |
| Debt related to finance leases  | 83                         | -           | -           | -           | -           | -           | 83                           |
| Debt related to                 |                            |             |             |             |             |             |                              |

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|  |              |            |            |           |           |           |              |
|--|--------------|------------|------------|-----------|-----------|-----------|--------------|
| acquisition of<br>shareholdings                                    | 140          | 59         | 18         | 22        | 7         | 24        | 10           |
| Debt arising from<br>commitments to purchase<br>minority interests | 176          | 57         | 18         | 17        | 33        | 26        | 25           |
| <b>Total</b>   | <b>2,114</b> | <b>203</b> | <b>661</b> | <b>42</b> | <b>43</b> | <b>53</b> | <b>1,112</b> |

F-44

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**December 31, 2005**

|  | <b>Maturity</b>         |                     |                          |              |
|--|-------------------------|---------------------|--------------------------|--------------|
|  | <b>Less than 1 year</b> | <b>1 to 5 years</b> | <b>More than 5 years</b> |              |
| <b>Total</b>   |                         |                     |                          |              |
| <i>(Millions of euros)</i>                                   |                         |                     |                          |              |
| Bonds and other bank borrowings                              | 1,784                   | 173                 | 611                      | 1,000        |
| Debt related to finance leases                               | 112                     | -                   | -                        | 112          |
| Debt related to acquisition of shareholdings                 | 87                      | 29                  | 46                       | 12           |
| Debt arising from commitments to purchase minority interests | 154                     | 22                  | 93                       | 39           |
| <b>Total</b>   | <b>2,137</b>            | <b>224</b>          | <b>750</b>               | <b>1,163</b> |

**December 31, 2004**

|  | <b>Maturity</b>         |                     |                          |            |
|--|-------------------------|---------------------|--------------------------|------------|
|  | <b>Less than 1 year</b> | <b>1 to 5 years</b> | <b>More than 5 years</b> |            |
| <b>Total</b>   |                         |                     |                          |            |
| <i>(Millions of euros)</i>                                   |                         |                     |                          |            |
| Bonds and other bank borrowings                              | 1,499                   | 220                 | 564                      | 715        |
| Debt related to finance leases                               | 97                      | -                   | -                        | 97         |
| Debt related to acquisition of shareholdings                 | 90                      | 16                  | 43                       | 31         |
| Debt arising from commitments to purchase minority interests | 79                      | 37                  | 40                       | 2          |
| <b>Total</b>   | <b>1,765</b>            | <b>273</b>          | <b>647</b>               | <b>845</b> |

**Analysis by currency**

|                            | <b>December 31,</b> |              |              |
|----------------------------|---------------------|--------------|--------------|
|                            | <b>2006</b>         | <b>2005</b>  | <b>2004</b>  |
| <i>(Millions of euros)</i> |                     |              |              |
| Euros                      | 1,024               | 1 037        | 1 418        |
| US dollars                 | 913                 | 956          | 174          |
| Other currencies           | 177                 | 144          | 173          |
| <b>Total</b>               | <b>2,114</b>        | <b>2,137</b> | <b>1,765</b> |

For the reasons set out above, the Group swapped its €750 million Eurobond issued in January 2005 into \$977 million. As a result, the Eurobond is considered to be dollar denominated debt (see Note 26).

**Analysis by interest rate category**

The Group's financial indebtedness is comprised of fixed rate loans (55 % of gross financial debt at December 31, 2006, excluding debt related to acquisition of shareholdings and debt arising from commitments to purchase minority interests) at an average interest rate for 2006 of 5.66 % (this rate takes account of the additional interest related to the separate recognition of the debt and equity components of both the Oceane convertible bonds and the Oranes). Variable rate indebtedness, (approximately 45 % of indebtedness at December 31, 2006) incurred an average interest rate of 5.58% in 2006.

F-45

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**Exposure to liquidity risk**

To manage its liquidity risk, Publicis has, firstly, substantial cash (cash and cash equivalents in an amount of €1,920 million at December 31, 2006) and, secondly, unused credit lines (amounting to €1,546 million at December 31, 2006). The main component of its credit lines is a five-year syndicated multicurrency loan facility of €1,035 million, put in place in December 2004 and expiring in 2009, which has not been drawn down at December 31, 2006. These amounts, that are available or can be accessed almost immediately, enable the Group to very comfortably meet the short-term portion (less than 1 year) of its financial debt.

In addition, in the context of financing the Digita acquisition which was then in progress, and with a view to accelerating the progress of the public takeover offer, Publicis Group negotiated a specific credit facility in December 2006, which could only be used in the context of this acquisition. This credit facility, with a duration of 364 days from the acquisition date, amounted to 1 billion dollars. The Group finally officially decided not to use this credit facility at the end of January 2007, as available cash and credit facilities were sufficient to finance the acquisition.

No other lines of credit were in the course of being negotiated either at December 31, 2006. This situation remains unchanged at the date of approval of the financial statements.

Most of the Group's debt consists of bonds which do not include specific covenants. They only include standard credit default event clauses (*i.e.*, liquidation, bankruptcy, or default, either on the debt itself or on repayment of another debt if higher than a given threshold) and are generally applicable above a threshold of €25 million. The only early redemption options exercisable by bondholders are in respect of the Oceane 2018 and are exercisable successively in January 2010 and 2014.

**23. OTHER CREDITORS AND OTHER CURRENT LIABILITIES**

|  | 2006         | December 31,<br>2005 (1)   | 2004(1)      |
|--|--------------|----------------------------|--------------|
|  |              | <i>(Millions of euros)</i> |              |
| Advances received                                  | 335          | 410                        | 267          |
| Liabilities to personnel                           | 316          | 312                        | 206          |
| Tax liabilities (except income taxes)              | 188          | 171                        | 156          |
| Derivatives hedging current assets and liabilities | 1            | 1                          | -            |
| Derivatives on intercompany loans and borrowings   | 2            | 3                          | 41           |
| Derivatives hedging net investment                 | 33           | 85                         | -            |
| Other current liabilities                          | 349          | 348                        | 546          |
| <b>Total</b>                                       | <b>1,224</b> | <b>1,330</b>               | <b>1,216</b> |

(1) At December 31, 2005 and December 31, 2004, all receivables and payables on media space transactions, including those in which the Group acts as an agent on behalf of its clients which were previously recorded in *Other receivables and other current assets* and *Other creditors and other current liabilities*, are henceforth recorded in *Accounts receivable* and *Accounts payable* (See Note 1.6).

Other creditors and other current liabilities fall due for payment within one year. However any creditor or liability whose maturity date was distant would be discounted.

**24. OFF-BALANCE SHEET  
COMMITMENTS**

**Operating lease  
commitments**

**December 31, 2006**

|                                 | <b>Maturity</b>            |             |             |             |             |             | <b>More<br/>than 5<br/>years</b> |
|---------------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
|                                 | <b>Total</b>               | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |                                  |
|                                 | <i>(Millions of euros)</i> |             |             |             |             |             |                                  |
| <b>Commitments given</b>        |                            |             |             |             |             |             |                                  |
| Operating lease commitments (1) | 1,325                      | 198         | 196         | 182         | 160         | 140         | 449                              |
| <b>Commitments received</b>     |                            |             |             |             |             |             |                                  |
| Sub-lease commitments (1)       | 73                         | 18          | 14          | 12          | 10          | 9           | 10                               |

(1) Lease rent expense (net of sub-lease income) was €193 million in 2006 as against €179 million in 2005 and €186 million in 2004.

**December 31, 2005**

|                             | <b>Maturity</b>            |             |             |             |             |             | <b>More<br/>than 5<br/>years</b> |
|-----------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
|                             | <b>Total</b>               | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |                                  |
|                             | <i>(Millions of euros)</i> |             |             |             |             |             |                                  |
| <b>Commitments given</b>    |                            |             |             |             |             |             |                                  |
| Operating lease commitments | 1,309                      | 290         | 199         | 184         | 160         | 133         | 343                              |
| <b>Commitments received</b> |                            |             |             |             |             |             |                                  |
| Sub-lease commitments       | 58                         | 10          | 10          | 9           | 8           | 7           | 14                               |

**December 31, 2004**

**Maturity**

|                                  | <u>Total</u>               | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>More<br/>than 5<br/>years</u> |
|----------------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
|                                  | <i>(Millions of euros)</i> |             |             |             |             |             |                                  |
| <b>Commitments given</b>         |                            |             |             |             |             |             |                                  |
| Operating lease commitments      | 1,375                      | 237         | 224         | 211         | 194         | 187         | 322                              |
| <b>Commitments received</b>      |                            |             |             |             |             |             |                                  |
| Sub-lease commitments            | 39                         | 8           | 6           | 6           | 4           | 4           | 11                               |
| <b>Finance lease commitments</b> |                            |             |             |             |             |             |                                  |

The reconciliation between future minimum payments required under finance lease contracts and the present value of net minimum payments under these leases is as follows:

|  | <u>December 31, 2006</u>   |             |             |             |             |             |                                  |
|--|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
|  | <u>Maturity</u>            |             |             |             |             |             |                                  |
|  | <u>Total</u>               | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>More<br/>than 5<br/>years</u> |
|  | <i>(Millions of euros)</i> |             |             |             |             |             |                                  |
| Minimum payments                         | 280                        | 8           | 8           | 9           | 9           | 9           | 237                              |
| Effect of discounting                    | (197)                      | (8)         | (8)         | (9)         | (9)         | (9)         | (154)                            |
| <b>Present value of minimum payments</b> | <b>83</b>                  | -           | -           | -           | -           | -           | <b>83</b>                        |

## December 31, 2005

|  | Maturity                   |      |      |      |      |      | More<br>than 5<br>years |
|--|----------------------------|------|------|------|------|------|-------------------------|
|  | Total                      | 2006 | 2007 | 2008 | 2009 | 2010 |                         |
|  | <i>(Millions of euros)</i> |      |      |      |      |      |                         |
| Minimum payments                         | 345                        | 10   | 10   | 10   | 10   | 11   | 294                     |
| Effect of discounting                    | (233)                      | (10) | (10) | (10) | (10) | (11) | (182)                   |
| <b>Present value of minimum payments</b> | <b>112</b>                 | -    | -    | -    | -    | -    | <b>112</b>              |

## December 31, 2004

|  | Maturity                   |      |      |      |      |      | More<br>than 5<br>years |
|--|----------------------------|------|------|------|------|------|-------------------------|
|  | Total                      | 2005 | 2006 | 2007 | 2008 | 2009 |                         |
|  | <i>(Millions of euros)</i> |      |      |      |      |      |                         |
| Minimum payments                         | 307                        | 10   | 9    | 9    | 8    | 9    | 262                     |
| Effect of discounting                    | (210)                      | (10) | (9)  | (9)  | (8)  | (9)  | (165)                   |
| <b>Present value of minimum payments</b> | <b>97</b>                  | -    | -    | -    | -    | -    | <b>97</b>               |

**Other commitments**

## December 31, 2006

|                                 | Maturity                   |                     |              |                      |
|---------------------------------|----------------------------|---------------------|--------------|----------------------|
|                                 | Total                      | Less than 1<br>year | 1 to 5 years | More than<br>5 years |
|                                 | <i>(Millions of euros)</i> |                     |              |                      |
| <b>Commitments given</b>        |                            |                     |              |                      |
| Commitments to sell investments | 8                          | 8                   | -            | -                    |
| Guarantees (1)                  | 180                        | 53                  | 44           | 83                   |
| Other commitments (2)           | 46                         | 24                  | 22           | -                    |
| <b>Total</b>                    | <b>234</b>                 | <b>85</b>           | <b>66</b>    | <b>83</b>            |
| <b>Commitments received</b>     |                            |                     |              |                      |
| Unutilized credit facilities    | 1,546                      | 511                 | 1,035        | -                    |

|  |              |              |              |          |
|--|--------------|--------------|--------------|----------|
| Credit facility dedicated to the acquisition of Digitas(3) | 759          | 759          | -            | -        |
| Other commitments  | 2            | 1            | 1            | -        |
| <b>Total</b>   | <b>2,307</b> | <b>1,271</b> | <b>1,036</b> | <b>-</b> |

- (1) *At December 31, 2006, guarantees include a guarantee of payment of real estate taxes and operating expenses relating to the Leo Burnett building in Chicago, for a total amount of €132 million over the period until 2019. They also include approximately €32 million of guarantee on media space purchase transactions.*
- (2) *These include, in an amount of €37 million, minimum royalties guaranteed in the context of operation of media space resources.*
- (3) *This credit facility amounted to \$1 billion at December 31, 2006. The Group finally officially decided not to use this credit facility at the end of January 2007, as available cash and credit facilities were sufficient to finance the acquisition.*

## December 31, 2005

|                                 | <b>Maturity</b>            |                             |                     |                              |
|---------------------------------|----------------------------|-----------------------------|---------------------|------------------------------|
|                                 | <b>Total</b>               | <b>Less than 1<br/>year</b> | <b>1 to 5 years</b> | <b>More than<br/>5 years</b> |
|                                 | <i>(Millions of euros)</i> |                             |                     |                              |
| <b>Commitments given</b>        |                            |                             |                     |                              |
| Commitments to sell investments | 8                          | 8                           | -                   | -                            |
| Guarantees                      | 113                        | 50                          | 42                  | 21                           |
| Other commitments               | -                          | -                           | -                   | -                            |
| <b>Total</b>                    | <b>121</b>                 | <b>58</b>                   | <b>42</b>           | <b>21</b>                    |
| <b>Commitments received</b>     |                            |                             |                     |                              |
| Unutilized credit facilities    | 1,609                      | 574                         | 1,035               | -                            |

## December 31, 2004

|                                 | <b>Maturity</b>            |                             |                     |                              |
|---------------------------------|----------------------------|-----------------------------|---------------------|------------------------------|
|                                 | <b>Total</b>               | <b>Less than 1<br/>year</b> | <b>1 to 5 years</b> | <b>More than<br/>5 years</b> |
|                                 | <i>(Millions of euros)</i> |                             |                     |                              |
| <b>Commitments given</b>        |                            |                             |                     |                              |
| Commitments to sell investments | 8                          | 8                           | -                   | -                            |
| Guarantees                      | 272                        | 209                         | 35                  | 28                           |
| Other commitments               | -                          | -                           | -                   | -                            |
| <b>Total</b>                    | <b>280</b>                 | <b>217</b>                  | <b>35</b>           | <b>28</b>                    |
| <b>Commitments received</b>     |                            |                             |                     |                              |
| Unutilized credit facilities    | 1,476                      | 441                         | 1,035               | -                            |

**Commitments related to bonds and to Oranes**

- **Bond convertible into IPG shares □ 2% January 2007**

The terms of this bond provide, since June 30, 2003, the option for bearers to request the exchange of their bonds for a number of shares of Interpublic Group representing a premium of 30% over the reference price (being a conversion price of \$36.74), on the basis of 244.3 shares per bond.

However, following the exercise of the □put option□ in February 2004, only 750 convertible bonds remain in circulation at December 31, 2006; thus Publicis Groupe S.A. is committed, in case of a request for exchange, to delivering a maximum of 183,223 Interpublic Group shares in redemption of the bond.

- **Oceane 2018 □ 2.75% actuarial January 2018**

With respect to the Oceane 2018, bondholders may request that bonds be converted, at the rate of one share for each bond (which bonds had a unit value of  $\square 39.15$  on issue), at any time as from January 18, 2002 until the seventh business day before the maturity date (January 2018). Taking account of the early redemptions made in February 2005 and in January 2006, Publicis Groupe S.A. has a commitment to deliver, if requests for conversion are made, 5,484,334 shares which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

In addition, the bondholders have the possibility of requesting early redemption in cash, of all or part of the bonds they own, on January 18, 2010 and 2014. The early redemption price is calculated in such a way as to provide a gross annual actuarial yield on the bond of 2.75% at the date of redemption.

● **Oceane 2008  $\square$  0.75% actuarial July 2008**

With respect to the Oceane 2008, the bondholders may request that bonds be converted, at the rate of one share for each bond (with a value of  $\square 29$  on issue), at any time as from August 26, 2003 until the seventh business day before the maturity date (July 2008). Publicis Groupe S.A. therefore has a commitment to deliver 23,172,413 shares which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

● **Oranes - Bonds redeemable in new or existing shares □ September 2022**

After the redemption of a first two tranches of the bond in September 2005 and 2006, each Orane gives a right to receive 16 new or existing Publicis Groupe S.A. shares, at the rate of one share per year until the twentieth anniversary of issuance of the bond. Publicis Groupe S.A. therefore has the obligation to deliver 1,562,129 shares each year from year 2007 to 2022, being 24,994,064 shares in total, which may, at Publicis Groupe S.A.'s discretion, be either new shares to be issued or existing shares held in its portfolio.

**Obligations related to equity warrants**

The exercise of the equity warrants, which can occur at any time between September 24, 2013 and September 24, 2022 □ would lead to an increase in Publicis Groupe S.A.'s capital stock. After cancellation of the equity warrants redeemed in 2005 and 2006, Publicis Groupe S.A. is committed to issuing (in the case where all equity warrants were to be exercised) 5,602,669 shares with a par value of □0.40 and a premium of □30.1.

At December 31, 2006 no material commitment such as a pledge, a guarantee or a mortgage or other security over assets, nor any other material off-balance sheet commitment as defined by current accounting standards, exists.

**25. FINANCIAL INSTRUMENTS**

**Fair value**

The table below sets out a comparison, by category of assets and liabilities, of the carrying amounts and the fair values of all the Group's financial instruments at December 31, 2006 (except for receivables and payables).

Financial assets belonging to the □held-for-trading□ and □available-for-sale□ categories are already valued at fair value in the financial statements.

Financial debts are valued at amortized cost in the financial statements, in accordance with the effective interest rate method.

|  | <b>December 31, 2006</b>   |                   | <b>December 31, 2005</b> |                   |
|--|----------------------------|-------------------|--------------------------|-------------------|
|  | <b>Carrying amount</b>     | <b>Fair value</b> | <b>Carrying Amount</b>   | <b>Fair value</b> |
|  | <i>(Millions of euros)</i> |                   |                          |                   |
| <b>Financial assets:</b>   |                            |                   |                          |                   |
| Cash and cash equivalents  | 1,920                      | 1,920             | 1,980                    | 1,980             |
| Available-for-sale assets (IPG and others)                         | 54                         | 54                | 48                       | 48                |
| Other financial assets   | 64                         | 64                | 70                       | 70                |
| Derivatives in asset position                                      | 9                          | 9                 | 39                       | 39                |
| <b>Financial liabilities:</b>                                      |                            |                   |                          |                   |
| Convertible bonds (Oceanes) □ debt component                       | 849                        | 852               | 858                      | 912               |
| Oranes □ debt component  | 33                         | 43                | 36                       | 48                |
| Eurobond   | 742                        | 776               | 750                      | 804               |
| Debt related to finance leases                                     | 83                         | 150               | 112                      | 184               |
| Commitments to purchase minority commitments and earn-outs payable | 316                        | 316               | 241                      | 241               |
| Other loans  | 91                         | 91                | 140                      | 140               |
| Derivatives in liability position                                  | 36                         | 36                | 89                       | 89                |



The fair value of the Eurobond and of the debt components of convertible bonds and Oranes has been calculated by discounting the expected future cash flows at market interest rates.

F-50

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*(Millions of euros)***Variable rate:**

|   |                |                |          |             |
|---|----------------|----------------|----------|-------------|
| Bank borrowings   | 38             | 31             | 7        | -           |
| Bank overdrafts   | 30             | 30             | -        | -           |
| Cash and cash equivalents                                       | (1,920)        | (1,920)        | -        | -           |
| Other financial assets  | (64)           | -              | (3)      | (61)        |
| <b>Net liability (asset) at variable rate before management</b> | <b>(1,916)</b> | <b>(1,859)</b> | <b>4</b> | <b>(61)</b> |

F-51

|  |                |                |          |            |
|--|----------------|----------------|----------|------------|
| Effect of swap on Eurobond                                     | 742            | -              | -        | 742        |
| <b>Net liability (asset) at variable rate after management</b> | <b>(1,174)</b> | <b>(1,859)</b> | <b>4</b> | <b>681</b> |

### Exposure to exchange rate risk

In order to hedge its net dollar-denominated assets, and thus to significantly reduce sensitivity of Group shareholders' equity to future exchange rate fluctuations between the euro and the US dollar, the Group, in January 2005, swapped its €750 million fixed rate Eurobond, issued on the same date, into \$977 million.

The table below shows the Group's net assets at December 31, 2006 by main currency, before and after the effect of the swap on the Eurobond:

|                                     | <b>Total at<br/>December<br/>31, 2006</b> | <b>Euro(1)</b> | <b>US Dollar</b>           | <b>Pound<br/>Sterling</b> | <b>Other</b> |
|-------------------------------------|---|----------------|----------------------------|---------------------------|--------------|
|                                     |   |                | <i>(Millions of euros)</i> |                           |              |
| Assets                              | 11,627                                    | 2,781          | 5,428                      | 1,054                     | 2,364        |
| Liabilities                         | (9,520)                                   | (3,643)        | (3,587)                    | (765)                     | (1,525)      |
| <b>Net assets before management</b> | <b>2,107</b>                              | <b>(862)</b>   | <b>1,841</b>               | <b>289</b>                | <b>839</b>   |
| Effect of swap on Eurobond          | -   | 742            | (742)                      | -                         | -            |
| <b>Net assets after management</b>  | <b>2,107</b>                              | <b>(120)</b>   | <b>1,099</b>               | <b>289</b>                | <b>839</b>   |

(1) Functional currency.

In addition, changes in exchange rates against the euro, the reporting currency used in the Group's financial statements, can have an impact of the Group's consolidated balance sheet and consolidated income statement.

The breakdown of Group revenues by transaction currency is as follows:

|                      | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|----------------------|-------------|-------------|-------------|
| Euro                 | 24%         | 25%         | 27%         |
| US Dollar            | 41%         | 42%         | 42%         |
| Pound Sterling       | 10%         | 10%         | 10%         |
| Other                | 25%         | 23%         | 21%         |
| <b>Total revenue</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

The impact of a drop of 1% in the euro's exchange rate against the US Dollar and the Pound Sterling would be (favorable impact):

- €22 million on 2006 consolidated revenue
- €4 million on 2006 operating margin

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The majority of commercial transactions are denominated in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally hedged through foreign currency hedging contracts.

As regards intercompany loans and borrowings, these are subject to appropriate hedges if they present a significant net exposure to exchange rate risk. It should however be noted that, as most treasury needs of subsidiaries are financed at country level through cash pooling mechanisms, international financing operations are limited in number and in duration.

Derivatives used are generally forward foreign exchange contracts.

F-52

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The table below summarizes hedging contracts in place at December 31, 2006:

**I □ Intercompany receivables and payables**

| <b>Currency<br/>sold</b>                           | <b>Currency<br/>purchased</b> | <b>Amount of<br/>currency sold</b>       | <b>Amount of<br/>currency<br/>purchased</b> | <b>Fair value of the<br/>hedge</b> |
|--|-------------------------------|--|---|------------------------------------|
|  |                               | <i>(local currency, in<br/>millions)</i> | <i>(local currency, in<br/>millions)</i>    | <i>(Millions of euros)</i>         |
| AUD  | USD                           | (56.7)                                   | 44.4  | (0.2)                              |
| AUD  | EUR                           | (16.3)                                   | 9.7   | (0.1)                              |
| DKK  | EUR                           | (25.3)                                   | 3.4   |                                    |
| DKK  | USD                           | (31.1)                                   | 5.5   |                                    |
| EUR  | GBP                           | (15.8)                                   | 10.7  |                                    |
| EUR  | NOK                           | (1.2)                                    | 10.0  |                                    |
| EUR  | THB                           | (1.3)                                    | 61.3  |                                    |
| EUR  | USD                           | (61.1)                                   | 80.8  | 0.1                                |
| GBP  | EUR                           | (18.1)                                   | 26.4  | (0.4)                              |
| JPY  | EUR                           | (165.5)                                  | 1.1   |                                    |
| NOK  | EUR                           | (56.5)                                   | 6.9   | 0.1                                |
| NZD  | EUR                           | (21.9)                                   | 11.3  | (0.3)                              |
| SEK  | EUR                           | (55.4)                                   | 6.2   |                                    |
| SEK  | USD                           | (201.6)                                  | 29.6  | 0.1                                |
| THB  | EUR                           | (253.5)                                  | 5.1   | (0.1)                              |
| USD  | AUD                           | (5.2)                                    | 6.6   |                                    |
| USD  | CAD                           | (1.9)                                    | 2.2   |                                    |
| USD  | EUR                           | (88.4)                                   | 66.7  | (0.2)                              |
| USD  | GBP                           | (2.7)                                    | 1.4   |                                    |
| <b>Total intercompany receivables and payables</b> |                               |  |   | <b>(1.0)</b>                       |

**II □ Third party receivables and payables**

| <b>Currency sold</b>                              | <b>Currency purchased</b> | <b>Amount of currency sold</b>       | <b>Amount of currency purchased</b>  | <b>Fair value of the hedge</b> |
|---|---------------------------|--------------------------------------|--------------------------------------|--------------------------------|
|   |                           | <i>(local currency, in millions)</i> | <i>(local currency, in millions)</i> | <i>(Millions of euros)</i>     |
| EUR   | GBP                       | (5.2)                                | 3.5                                  | -                              |
| USD   | GBP                       | (3.0)                                | 1.5                                  | -                              |
| <b>Total third party receivables and payables</b> |                           |                                      |                                      | <b>0</b>                       |

**III □ Future flows (dividends and interest receivable, firm sales)**

| <b>Currency sold</b>         | <b>Currency purchased</b> | <b>Amount of currency sold</b>       | <b>Amount of currency purchased</b>  | <b>Fair value of the hedge</b> |
|------------------------------|---------------------------|--------------------------------------|--------------------------------------|--------------------------------|
|                              |                           | <i>(local currency, in millions)</i> | <i>(local currency, in millions)</i> | <i>(Millions of euros)</i>     |
| EUR                          | GBP                       | (6.5)                                | 4.4                                  |                                |
| GBP                          | AUD                       | (0.4)                                | 1.0                                  |                                |
| GBP                          | CAD                       | (1.0)                                | 2.1                                  | (0.1)                          |
| GBP                          | CHF                       | (0.3)                                | 0.7                                  |                                |
| GBP                          | EUR                       | (7.0)                                | 10.4                                 |                                |
| GBP                          | SEK                       | (0.2)                                | 3.2                                  |                                |
| GBP                          | USD                       | (0.4)                                | 0.8                                  |                                |
| SGD                          | EUR                       | (4.0)                                | 2.0                                  |                                |
| USD                          | GBP                       | (20.7)                               | 10.8                                 | 0.3                            |
| <b>Total future flows(1)</b> |                           |                                      |                                      | <b>0.2</b>                     |

(1) On account of their immaterial impact, Publicis did not apply hedge accounting but instead recognized changes in the fair value of the derivatives through income.

**TOTAL I + II + III** **(0.8)**

**Exposure to risks related to shareholdings**

The main shareholdings that are exposed to a significant market risk are treasury stock in Publicis and shares in Interpublic Group (IPG):

For treasury stock, a decline in its value would not have an impact on earnings as the carrying value of such treasury stock is deducted from shareholders' equity and any increases in provisions against treasury stock are cancelled.

For IPG shares, which are classified as available-for-sale assets, a 10% decrease in their market value would not have an impact on earnings but would have an impact on shareholders' equity at December 31, 2006.

Impact of a 10% fall in the market value of shareholdings owned by Publicis:

|                                | <u>Treasury stock</u> | <u>Other (IPG shares)</u> |
|--------------------------------|-----------------------|---------------------------|
| Effect on balance sheet assets | n/a                   | (5)                       |
| Effect on shareholders' equity | -                     | (5)                       |
| Effect on net income           | -                     | -                         |

## 27. SEGMENT REPORTING

### Information by geographical area

The information is calculated on the basis of location of the agencies.

|  | <u>Europe</u>              | <u>North<br/>America</u> | <u>Rest of the<br/>world</u> | <u>Total</u>   |
|--|----------------------------|--------------------------|------------------------------|----------------|
|  | <i>(Millions of euros)</i> |                          |                              |                |
| <b>2006</b>  |                            |                          |                              |                |
| <b>Income statement items</b>  |                            |                          |                              |                |
| Revenue (1)  | 1,747                      | 1,842                    | 797                          | <b>4,386</b>   |
| Depreciation and amortization expense (excluding intangibles arising on acquisition) | (43)                       | (46)                     | (18)                         | <b>(107)</b>   |
| Operating margin   | 277                        | 332                      | 104                          | <b>713</b>     |
| Amortization of intangibles arising on acquisition                                   | (6)                        | (15)                     | (1)                          | <b>(22)</b>    |
| Impairment   | (16)                       | (14)                     | (1)                          | <b>(31)</b>    |
| Equity in net income of non-consolidated companies                                   | 20                         | 2                        | -                            | <b>22</b>      |
| <b>Balance sheet items:</b>  |                            |                          |                              |                |
| Goodwill and intangible assets, net  | 1,176                      | 1,805                    | 552                          | <b>3,533</b>   |
| Property and equipment, net  | 292                        | 169                      | 50                           | <b>511</b>     |
| Deferred tax assets  | 42                         | 125                      | 19                           | <b>186</b>     |
| Investments accounted for by the equity method                                       | 27                         | 15                       | 2                            | <b>44</b>      |
| Other financial assets   | 30                         | 72                       | 16                           | <b>118</b>     |
| Current assets (liabilities) (2)   | (95)                       | (1,139)                  | (132)                        | <b>(1,366)</b> |
| Deferred tax liabilities   | (147)                      | (68)                     | (1)                          | <b>(216)</b>   |
| Long-term provisions   | (197)                      | (284)                    | (28)                         | <b>(509)</b>   |
| <b>Disclosures in respect of the cash flow statement:</b>                            |                            |                          |                              |                |
| Purchases of property and equipment and intangible assets                            | (38)                       | (27)                     | (16)                         | <b>(81)</b>    |
| Purchases of investments and other financial assets, net                             | 7                          | (7)                      | (3)                          | <b>(3)</b>     |
| Acquisitions of subsidiaries   | (31)                       | (2)                      | (25)                         | <b>(58)</b>    |
| Non-cash expenses on stock options and similar items                                 | 6                          | 7                        | 3                            | <b>16</b>      |
| Other non-cash income and expenses   | 3                          | 8                        | -                            | <b>11</b>      |





|  | <b>Europe</b>              | <b>North<br/>America</b> | <b>Rest of the<br/>world</b> | <b>Total</b> |
|--|----------------------------|--------------------------|------------------------------|--------------|
|  | <hr/>                      | <hr/>                    | <hr/>                        | <hr/>        |
|  | <i>(Millions of euros)</i> |                          |                              |              |

**2005****Income statement items:**

|  |       |       |      |              |
|--|-------|-------|------|--------------|
| Revenue (1)  | 1,647 | 1,763 | 717  | <b>4,127</b> |
| Depreciation and amortization expense (excluding intangibles arising on acquisition) | (49)  | (49)  | (18) | <b>(116)</b> |
| Operating margin*  | 250   | 307   | 92   | <b>649</b>   |
| Amortization of intangibles arising on acquisition                                   | (7)   | (13)  | (3)  | <b>(23)</b>  |
| Impairment   | (20)  | (11)  | (2)  | <b>(33)</b>  |
| Equity in net income of non-consolidated companies                                   | 9     | 1     | 1    | <b>11</b>    |

**Balance sheet items:**

|  |       |         |       |                |
|--|-------|---------|-------|----------------|
| Goodwill and intangible assets, net            | 1,209 | 1,890   | 547   | <b>3,646</b>   |
| Property and equipment, net                    | 299   | 225     | 56    | <b>580</b>     |
| Deferred tax assets **                         | 50    | 162     | 18    | <b>230</b>     |
| Investments accounted for by the equity method | 21    | 10      | 2     | <b>33</b>      |
| Other financial assets                         | 36    | 70      | 12    | <b>118</b>     |
| Current assets (liabilities) (2)               | (188) | (1,111) | (273) | <b>(1,572)</b> |
| Deferred tax liabilities                       | (104) | (75)    | (41)  | <b>(220)</b>   |
| Long-term provisions **                        | (202) | (375)   | (5)   | <b>(582)</b>   |

**Disclosures in respect of the cash flow statement:**

|   |      |      |      |             |
|---|------|------|------|-------------|
| Purchases of property and equipment and intangible assets | (38) | (30) | (15) | <b>(83)</b> |
| Purchases of investments and other financial assets, net  | 4    | 2    | 1    | <b>7</b>    |
| Acquisitions of subsidiaries                              | (46) | (12) | (13) | <b>(71)</b> |
| Non-cash expenses on stock options and similar items      | 8    | 8    | 4    | <b>20</b>   |
| Other non-cash income and expenses                        | 2    | 9    | -    | <b>11</b>   |

|  | <u>Europe</u> | <u>North<br/>America</u> | <u>Rest of the<br/>world</u> | <u>Total</u> |
|--|---------------|--------------------------|------------------------------|--------------|
|--|---------------|--------------------------|------------------------------|--------------|

(Millions of euros)

**2004****Income statement items:**

|  |       |       |      |              |
|--|-------|-------|------|--------------|
| Revenue (1)  | 1,584 | 1,633 | 615  | <b>3,832</b> |
| Depreciation and amortization expense (excluding intangibles arising on acquisition) | (53)  | (49)  | (17) | <b>(119)</b> |
| Operating margin *   | 232   | 280   | 68   | <b>580</b>   |
| Amortization of intangibles arising on acquisition                                   | (12)  | (13)  | (4)  | <b>(29)</b>  |
| Impairment   | (46)  | (129) | (40) | <b>(215)</b> |
| Equity in net income of non-consolidated companies                                   | -     | 2     | 4    | <b>6</b>     |

**Balance sheet items:**

|  |       |         |       |                |
|--|-------|---------|-------|----------------|
| Goodwill and intangible assets, net            | 1,068 | 1,803   | 492   | <b>3,363</b>   |
| Property and equipment, net                    | 352   | 206     | 51    | <b>609</b>     |
| Deferred tax assets **                         | 94    | 241     | 38    | <b>373</b>     |
| Investments accounted for by the equity method | 16    | -       | 1     | <b>17</b>      |
| Other financial assets                         | 82    | 33      | 28    | <b>143</b>     |
| Current assets (liabilities) (2)               | (137) | (1,042) | (180) | <b>(1,359)</b> |
| Deferred tax liabilities                       | (142) | (185)   | (38)  | <b>(365)</b>   |
| Long-term provisions **                        | (218) | (275)   | (57)  | <b>(550)</b>   |

**Disclosures in respect of the cash flow statement:**

|   |       |      |      |              |
|---|-------|------|------|--------------|
| Purchases of property and equipment and intangible assets | (42)  | (43) | (19) | <b>(104)</b> |
| Purchases of investments and other financial assets, net  | 472   | (3)  | (1)  | <b>468</b>   |
| Acquisitions of subsidiaries                              | (100) | (21) | (3)  | <b>(124)</b> |
| Non-cash expenses on stock options and similar items      | 8     | 8    | 4    | <b>20</b>    |
| Other non-cash income and expenses                        | 2     | 11   | -    | <b>13</b>    |

\* Amounts adjusted following review of the allocation of the stock option expense.

\*\* Amounts adjusted following the change in accounting policy described in note 1.6.

(1) As a result of the manner in which this indicator is calculated (difference between billings and cost of billings), no eliminations are required between the different zones.

(2) Current assets (liabilities) are comprised of the following balance sheet captions: inventories and costs billable to clients, accounts receivable, other receivables and other current assets, accounts payable, income taxes payable, short-term provisions and other creditors and other current liabilities.

**Segment reporting**

After performing detailed analysis of risks and profitability by area of business in accordance with IAS 14  Segment reporting, the Group considers that it operates in a single segment.

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The Group's operational structure does not correspond to a coherent configuration of companies by standard types of business or discipline. This structure, which has been in the making for several years, is designed to provide the Group's clients with a global, holistic service offering involving all disciplines.

Segmented presentation by standard types of business or discipline does not correspond to the current Group structure.

F-57

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## **28. PUBLICIS GROUPE S.A. STOCK OPTIONS**

### **Description of existing plans**

The stock option plans outstanding at December 31, 2006 have the following characteristics:

- Long Term Incentive Plan (LTIP) 2006-2008 (twenty second tranche in 2006):

Options granted under this plan have an exercise price equal to the average Publicis share price for the 20 days preceding the date of grant. Out of the total number of options granted, the number which can be exercised is contingent on the achievement of growth and profitability objectives over the entire period 2006-2008. The exercise period commences in 2009 when the number of options which may be exercised will have been determined. Half of the number of options declared to be exercisable may be exercised as of this date; the other half will be exercisable one year later in 2010. The options expire 10 years after the date of grant.

- Plan granted in 2006 (twenty first tranche):

Options granted under these plans provide a right to acquire one share for an exercise price equal to average Publicis share price for the 20 days preceding the date of grant. Options may be exercised after a period of four years and expire 10 years after the date of grant.

- Long Term Incentive Plan (LTIP) 2003-2005 (seventeenth tranche in 2003, nineteenth tranche in 2004, twentieth tranche in 2005):

Options granted under this plan have an exercise price equal to the average cost of treasury stock in portfolio at the date of grant. Out of the total number of options granted, the number which can be exercised was determined in April 2006 on the basis of achievement of growth and profitability objectives over the entire period 2003-2005. For half of the exercisable options, the exercise period commenced in 2006. The other half will be exercisable as from April 25, 2007. The options expire 10 years after the date of grant.

- Plan granted in 2004 (eighteenth tranche); Plan granted in 2003 (sixteenth tranche); Plans granted in 2002 (thirteenth tranche, fourteenth tranche and fifteenth tranche):

Options granted under these plans provide a right to acquire one share for an exercise price equal to the average cost of treasury stock in portfolio at the date of grant. Options may be exercised after a period of four years and expire 10 years after the date of grant.

- Plan granted in 2001 (eleventh tranche):

Options granted under this plan provide a right to acquire one share for an exercise price equal to the average Publicis share price for the 20 days preceding the date of grant. Options may be exercised after a period of four years and expire 10 years after the date of grant.

- Plan granted in 2000 (tenth tranche):

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Options granted under this plan provide a right to acquire one share for an exercise price equal to the average Publicis share price for the 20 days preceding the date of grant. Options may be exercised after a period of five years and expire 10 years after the date of grant.

- Ex Publicis Communication plans (sixth to ninth tranches):

Plans granted before 2000 were originally Publicis Communication plans. They became Publicis Groupe S.A. plans as a result of the merger between Publicis Communication and Publicis Groupe S.A. on December 11, 1998. Each option provides a right to acquire one share for an exercise price equal to the market value of the shares at the date of grant. Options may be exercised immediately and expire 10 years after the date of grant.

F-58

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**I. Stock options originated by Publicis**

Characteristics of Publicis stock option plans outstanding at 31/12/2006

| <b>Shares with 0.40<br/>euro par value</b> | <b>Type of<br/>option</b> | <b>Date of grant</b> | <b>Exercise<br/>price of<br/>options (€)</b> | <b>Outstanding<br/>options at<br/>31/12/06</b> | <b>Of which<br/>exercisable<br/>31/12/06</b> | <b>Expiry<br/>date</b> | <b>Remaining<br/>contractual<br/>life (in years)</b> |
|--|---------------------------|----------------------|--|--|--|------------------------|--|
| 7th tranche                                | Subscription              | 10/03/1997           | 5.63   | 17,510   | 17,510                                       | 2007                   | 0.21   |
| 8th tranche                                | Subscription              | 11/03/1998           | 8.66   | 27,000   | 27,000                                       | 2008                   | 1.19   |
| 9th tranche                                | Subscription              | 04/11/1998           | 10.24  | 266,000  | 266,000                                      | 2008                   | 1.84   |
| 10th tranche                               | Acquisition               | 07/09/2000           | 43.55  | 100,000  | 100,000                                      | 2010                   | 3.68   |
| 11th tranche                               | Acquisition               | 23/04/2001           | 33.18  | 367,000  | 367,000                                      | 2011                   | 4.31   |
| 13th tranche                               | Acquisition               | 18/01/2002           | 29.79  | 93,400   | 93,400                                       | 2012                   | 5.05   |
| 14th tranche                               | Acquisition               | 10/06/2002           | 32.43  | 5,000  | 5,000  | 2012                   | 5.44   |
| 15th tranche                               | Acquisition               | 08/07/2002           | 29.79  | 220,000  | 220,000                                      | 2012                   | 5.52   |
| 16th tranche                               | Acquisition               | 28/08/2003           | 24.82  | 496,067  | -  | 2013                   | 6.65   |
| 17th tranche(1)                            | Acquisition               | 28/08/2003           | 24.82  | 5,679,827                                      | 2,575,408                                    | 2013                   | 6.65   |
| 18th tranche                               | Acquisition               | 28/09/2004           | 24.82  | 11,000   | -  | 2014                   | 7.74   |
| 19th tranche(1)                            | Acquisition               | 28/09/2004           | 24.82  | 1,517,004                                      | 692,936                                      | 2014                   | 7.74   |
| 20th tranche(1)                            | Acquisition               | 24/05/2005           | 24.76  | 779,761  | 376,874                                      | 2015                   | 8.39   |
| 21st tranche                               | Acquisition               | 21/08/2006           | 29.27  | 100,000  | -  | 2016                   | 9.64   |
| 22nd tranche(2)                            | Acquisition               | 21/08/2006           | 29.27  | 10,097,850                                     | -  | 2016                   | 9.64   |
| <b>Total of all tranches</b>               |                           |                      |  | <b>19,777,419</b>                              | <b>4,741,128</b>                             |                        |  |
| Average exercise price                     |                           |                      |  | 27.21  | 25.21  |                        |  |

(1) *Conditional options whose exercise is subject to meeting objectives over the course of a 3 year plan (LTIP 2003-2005)*

(2) *Conditional options whose exercise is subject to meeting objectives over the course of a 3 year plan (LTIP 2006-2008)*

**Movements on Publicis stock option plans in 2006**

| <b>Shares with 0.40<br/>euro par value</b> | <b>Exercise<br/>price of<br/>options<br/>(euros)</b> | <b>Outstanding<br/>options at<br/>December 31,<br/>2005</b> | <b>Options<br/>granted in<br/>2006</b> | <b>Options<br/>exercised in<br/>2006</b> | <b>Options<br/>cancelled or<br/>lapsed in<br/>2006</b> | <b>Outstanding<br/>options at<br/>December<br/>31, 2006</b> |
|--|--|---|--|--|--|---|
| 6th tranche                                | 4.91   | 12,870  | -                                      | -  | (12,870)   | -   |
| 7th tranche                                | 5.63   | 25,600  | -                                      | (8,090)                                  | -  | 17,510  |
| 8th tranche                                | 8.66   | 40,500  | -                                      | (13,500)                                 | -  | 27,000  |
| 9th tranche                                | 10.24  | 282,500   | -                                      | (16,500)                                 | -  | 266,000   |
| 10th tranche                               | 43.55  | 100,000   | -                                      | -  | -  | 100,000   |
| 11th tranche                               | 33.18  | 380,000   | -                                      | -  | (13,000)   | 367,000   |
| 13th tranche                               | 29.79  | 104,600   | -                                      | -  | (11,200)   | 93,400  |

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|                              |       |                   |                   |                  |                    |                   |
|------------------------------|-------|-------------------|-------------------|------------------|--------------------|-------------------|
| 14th tranche                 | 32.43 | 5,000             | -                 | -                | -                  | 5,000             |
| 15th tranche                 | 29.79 | 220,000           | -                 | -                | -                  | 220,000           |
| 16th tranche                 | 24.82 | 517,067           | -                 | -                | (21,000)           | 496,067           |
| 17th tranche                 | 24.82 | 7,010,200         | -                 | (688,879)        | (641,494)          | 5,679,827         |
| 18th tranche                 | 24.82 | 11,000            | -                 | -                | -                  | 11,000            |
| 19th tranche                 | 24.82 | 1,832,186         | -                 | (138,542)        | (176,640)          | 1,517,004         |
| 20th tranche                 | 24.76 | 887,975           | -                 | (54,538)         | (53,676)           | 779,761           |
| 21st tranche                 | 29.27 | -                 | 100,000           | -                | -                  | 100,000           |
| 22nd tranche                 | 29.27 | -                 | 10,256,050        | -                | (158,200)          | 10,097,850        |
| <b>Total of all tranches</b> |       | <b>11,429,498</b> | <b>10,356,050</b> | <b>(920,049)</b> | <b>(1,088,080)</b> | <b>19,777,419</b> |

|                           |  |       |       |       |       |       |
|---------------------------|--|-------|-------|-------|-------|-------|
| Average exercise price    |  | 24.92 | 29.27 | 24.15 | 25.38 | 27.21 |
| Average price on exercise |  | -     | -     | 30.72 | -     | -     |

F-59

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Movements on Publicis stock option plans in 2005

| <b>Shares with 0.40 euro<br/>par value</b> | <b>Exercise<br/>price of<br/>options<br/>(euros)</b> | <b>Outstanding<br/>options at<br/>December 31,<br/>2004</b> | <b>Options<br/>granted in<br/>2005</b> | <b>Options<br/>exercised in<br/>2005</b> | <b>Options<br/>cancelled or<br/>lapsed in 2005</b> | <b>Outstanding<br/>options at<br/>December 31,<br/>2005</b> |
|--|--|---|--|--|--|---|
| 5th tranche                                | 6.63   | 34,220  | -                                      | (9,880)                                  | (24,340)   | -   |
| 6th tranche                                | 4.91   | 27,420  | -                                      | (14,550)                                 | -  | 12,870  |
| 7th tranche                                | 5.63   | 44,990  | -                                      | (19,390)                                 | -  | 25,600  |
| 8th tranche                                | 8.66   | 58,500  | -                                      | (18,000)                                 | -  | 40,500  |
| 9th tranche                                | 10.24  | 296,500   | -                                      | (14,000)                                 | -  | 282,500   |
| 10th tranche                               | 43.55  | 100,000   | -                                      | -  | -  | 100,000   |
| 11th tranche                               | 33.18  | 380,000   | -                                      | -  | -  | 380,000   |
| 13th tranche                               | 29.79  | 104,600   | -                                      | -  | -  | 104,600   |
| 14th tranche                               | 32.43  | 5,000   | -                                      | -  | -  | 5,000   |
| 15th tranche                               | 29.79  | 220,000   | -                                      | -  | -  | 220,000   |
| 16th tranche                               | 24.82  | 517,067   | -                                      | -  | -  | 517,067   |
| 17th tranche                               | 24.82  | 8,014,000   | -                                      | -  | (1,003,800)  | 7,010,200   |
| 18th tranche                               | 24.82  | 11,000  | -                                      | -  | -  | 11,000  |
| 19th tranche                               | 24.82  | 1,959,086   | -                                      | -  | (126,900)  | 1,832,186   |
| 20th tranche                               | 24.76  | -   | 935,192                                | -  | (47,217)   | 887,975   |
| 21st tranche                               | 29.27  | -   | -                                      | -  | -  | -   |
| 22nd tranche                               | 29.27  | -   | -                                      | -  | -  | -   |
| <b>Total of all tranches</b>               |  | <b>11,772,383</b>   | <b>935,192</b>                         | <b>(75,820)</b>                          | <b>(1,202,257)</b>                                 | <b>11,429,498</b>   |
| Average exercise price                     |  | 24.77   | 24.76                                  | 7.19                                     | 24.45  | 24.92   |
| Average price on exercise                  |  | -   | -                                      | 25.52                                    | -  | -   |

Movements on Publicis stock option plans in 2004

| <b>Shares with 0.40 euro<br/>par value</b> | <b>Exercise<br/>price of<br/>options<br/>(euros)</b> | <b>Outstanding<br/>options at<br/>December 31,<br/>2003</b> | <b>Options<br/>granted in<br/>2004</b> | <b>Options<br/>exercised in<br/>2004</b> | <b>Options<br/>cancelled or<br/>lapsed in 2004</b> | <b>Outstanding<br/>options at<br/>December 31,<br/>2004</b> |
|--|--|---|--|--|--|---|
| 4th tranche                                | 6.37   | 28,760  | -                                      | -  | (28,760)   | -   |
| 5th tranche                                | 6.63   | 45,290  | -                                      | (11,070)                                 | -  | 34,220  |
| 6th tranche                                | 4.91   | 51,670  | -                                      | (24,250)                                 | -  | 27,420  |
| 7th tranche                                | 5.63   | 59,550  | -                                      | (14,560)                                 | -  | 44,990  |
| 8th tranche                                | 8.66   | 58,500  | -                                      | -  | -  | 58,500  |
| 9th tranche                                | 10.24  | 301,500   | -                                      | (5,000)                                  | -  | 296,500   |
| 10th tranche                               | 43.55  | 100,000   | -                                      | -  | -  | 100,000   |
| 11th tranche                               | 33.18  | 380,000   | -                                      | -  | -  | 380,000   |
| 12th tranche                               | 29.79  | 2,943,135   | -                                      | -  | (2,943,135)  | -   |
| 13th tranche                               | 29.79  | 104,600   | -                                      | -  | -  | 104,600   |
| 14th tranche                               | 32.43  | 5,000   | -                                      | -  | -  | 5,000   |

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|                              |       |                   |                  |                 |                    |                   |
|------------------------------|-------|-------------------|------------------|-----------------|--------------------|-------------------|
| 15th tranche                 | 29.79 | 220,000           | -                | -               | -                  | 220,000           |
| 16th tranche                 | 24.82 | 517,067           | -                | -               | -                  | 517,067           |
| 17th tranche                 | 24.82 | 9,498,000         | -                | -               | (1,484,000)        | 8,014,000         |
| 18th tranche                 | 24.82 | -                 | 11,000           | -               | -                  | 11,000            |
| 19th tranche                 | 24.82 | -                 | 1,959,086        | -               | -                  | 1,959,086         |
| 20th tranche                 | 24.76 | -                 | -                | -               | -                  | -                 |
| <b>Total of all tranches</b> |       | <b>14,313,072</b> | <b>1,970,086</b> | <b>(54,880)</b> | <b>(4,455,895)</b> | <b>11,772,383</b> |
| Average exercise price       |       | 25.66             | 24.82            | 5.93            | 27.94              | 24.77             |
| Average price on exercise    |       | -                 | -                | 24.50           | -                  | -                 |

F-60

## 2. Stock options plans originally put in place by Nelson

On the acquisition of Nelson, these plans were converted into Publicis share purchase option plans.

| Type of option                  | Exercise price of options | Outstanding options at December 31, 2003 | Options exercised in 2004 | Options cancelled or lapsed in 2004 | Outstanding options at December 31, 2004 | Options exercised in 2005 | Outstanding options at December 31, 2005 | Options exercised 2006 |
|---------------------------------|---------------------------|--|---------------------------|-------------------------------------|--|---------------------------|--|------------------------|
| Purchase                        | \$24.40                   | 137,034                                  | (16,546)                  | (12,620)                            | 107,868                                  | (60,245)                  | 47,623                                   | (32,950)               |
| Average exercise price          |                           | \$24.40                                  | \$24.40                   |                                     | \$24.40                                  | \$24.40                   | \$24.40                                  | \$24.40                |
| Average share price on exercise |                           |  | €24.50                    |                                     |  | €25.52                    |  | €30.72                 |

### Determination of the fair value of options granted in the year

The table below summarizes the principal assumptions and calculations pertaining to the 21st and 22nd tranches, which were granted on August 21, 2006.

|  | 21st tranche | 22nd tranche |           |
|--|--------------|--------------|-----------|
|  |              | (a)          | (b)       |
| Number of options granted during the year          | 100,000      | 5,128,025    | 5,128,025 |
| Initial valuation of the option granted (in euros) | 7.25         | 6.25         | 7.09      |
| Assumptions:                                       |              |              |           |
| Share price at the date of grant (in euros)        | 29.27        | 29.27        | 29.27     |
| Exercise price (in euros)                          | 29.27        | 29.27        | 29.27     |
| Volatility of the Publicis share                   | 24.00%       | 24.00%       | 24.00%    |
| Average duration of the option (in years)          | 5            | 3.8          | 4.8       |
| Rate of return on dividends                        | 1.23%        | 1.23%        | 1.23%     |
| Risk free rate                                     | 3.75%        | 3.64%        | 3.72%     |

(a) Conditional options whose exercise is subject to meeting objectives over the course of a 3 year plan, exercisable as from May 2009

(b) Conditional options whose exercise is subject to meeting objectives over the course of a 3 year plan, exercisable as from May 2010

### Impact of stock option plans on the 2006 income statement

The rate of achievement of the objectives of the Long Term Incentive Plan 2003-2005 (tranches 17, 19 and 20) was calculated in April 2006 on the basis of the published results of the Groupe and of its three main competitors for the years 2003, 2004 and 2005. This rate was 98.92% and, in consequence, the number of options initially granted was reduced by application of this rate.

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In the context of the new Long Term Incentive Plan 2006-2008, a first tranche was granted (22nd tranche) in August 2006. A probability of 75% of achievement of the objectives was retained for the calculation of the 2006 expense.

The impact of Publicis stock option plans on the 2006 income statement amounts to €16 million before tax and social security (see note 3 - Personnel expenses).

F-61

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**29. RELATED PARTY DISCLOSURES**

The following transactions were carried out with related parties in 2006:

|        | 2006                             |   | 2005                            |   |
|--------|----------------------------------|---|---------------------------------|---|
|        | Revenue with related parties (1) | Increase in provision for doubtful accounts | Revenue with related parties(1) | Increase in provision for doubtful accounts |
|        | <i>Millions of euros</i>         |   |                                 |   |
| Dentsu | 5                                | -   | (27)                            | -   |

(1) This is the difference between purchases and sales made by the Group with Dentsu .These transactions were carried out at market prices.

**December 31,**

|                | 2006                                      |                                       |                             | 2005                                      |                                       |                             |
|----------------|---|---------------------------------------|-----------------------------|---|---------------------------------------|-----------------------------|
|                | Receivables /loans due by related parties | Provisions against receivables /loans | Payables to related parties | Receivables /loans due by related parties | Provisions against receivables /loans | Payables to related parties |
|                | <i>Millions of euros</i>                  |                                       |                             |   |                                       |                             |
| Dentsu         | 23  | -                                     | 6                           | 9   | -                                     | 9                           |
| iSe            | 1   | -                                     | -                           | -   | -                                     | -                           |
| Onspot Digital | -   | -                                     | 7                           | -   | -                                     | -                           |

**Terms and conditions of transactions with related parties**

On November 30, 2003, Publicis Groupe S.A. and Dentsu concluded an agreement consecutive to the commitments taken in connection with the merger agreement dated March 7, 2002, between Publicis Groupe S.A. and its subsidiaries Philadelphia Merger Corp. and Philadelphia Merger LLC on one hand, and Bcom3 Group, Inc. on the other hand, which resulted in Philadelphia Merger Corp absorbing by way of merger, Bcom3. The main provisions of these commitments were described in the prospectus (note d'opération) with regard to the merger with Bcom3 granted visa number 02-564 by the COB on May 16, 2002.

The agreement includes clauses concerning the management of Publicis Groupe S.A. (composition of the Supervisory Board, change of the legal form and representation of Dentsu on the Audit Committee), clauses concerning the transfer of shares and equity warrants of Publicis Groupe S.A. held by Dentsu including, in particular, a limitation of the participation of Dentsu to 15 % of the voting rights of Publicis Groupe S.A. Moreover, it includes an anti-dilution clause in favor of Dentsu and a clause concerning the upholding of the accounting of Dentsu's investment in the Publicis Group under the equity method. This agreement will expire on July 12, 2012 unless it is renewed for ten years by agreement between the parties. This was the object of a Decision and Information (Décisions et Informations) of the AMF on January 9, 2004 under the number 204C0036.

**Remuneration of Supervisory Board and Management Board members**

Remuneration of individuals who were members of the Supervisory Board or the Management Board at the balance sheet date, or during the financial year then ended, is as follows.

|   | <u>2006</u> | <u>2005</u>              | <u>2004</u> |
|---|-------------|--------------------------|-------------|
|   |             | <i>Millions of euros</i> |             |
| Overall gross remuneration (1)              | 11          | 9                        | 16          |
| Post employment benefits (2)                | 1           | (1)                      | 2           |
| Termination or end-of-contract payments (3) | -           | -                        | -           |
| Other long-term benefits (4)                | 4           | -                        | 2           |
| Share-based payment (5)                     | 2           | 2                        | 1           |

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(1) Remuneration, bonuses, indemnities, directors' fees and benefits in kind paid during the year.

- (2) *Change in pensions provisions (net impact on the income statement). In 2005, the impact is a net reversal, taking account of amounts paid which are included in line (1).*
- (3) *Expense recognized in the income statement in respect of provisions for termination or end of contract payments.*
- (4) *Expense recognized in the income statement in respect of provisions for deferred conditional remuneration and bonuses.*
- (5) *Expense recognized in the income statement in respect of Publicis Groupe S.A. stock option plans*

Furthermore, the overall provision for post-employment benefits and other long-term benefits of Supervisory Board and Management Board members at December 31, 2006 is €20 million (this amount was €16 million at December 31, 2005 and €18 million at December 31, 2004).

### **30. POST-BALANCE SHEET EVENTS**

In December 2006, Publicis Group made a friendly public takeover offer for Digitas Inc. (USA), a leader in the area of marketing services and digital and interactive communications. As a result of this offer, which expired on January 29, 2007, the Group, through one of its American subsidiaries, acquired more than 90% of the share capital of Digitas.

This transaction was followed by a merger, following which MMS USA Holdings now holds 100% of Digitas for a total cost of nearly \$1.3 billion. The allocation of the purchase price is in the course of being performed.

This acquisition was financed, as a first step, through using the available cash of the Group's American subsidiaries.

### **31. RECONCILIATION WITH US GAAP**

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) applicable at December 31, 2006 as approved by the European Union which differ from generally accepted accounting principles in the United States (U.S. GAAP). The effects on the Group's consolidated net income and consolidated shareholders' equity of the application of U.S. GAAP are presented in Note 33.

### **32. LIST OF MAIN PRINCIPAL COMPANIES AT DECEMBER 31, 2006**

The companies listed below are the operating companies with revenue in excess of €5 million.

#### **(A) Fully consolidated companies**

| <b>Company name</b>             | <b>% control</b> | <b>% interest</b> | <b>Country</b> |
|---------------------------------|------------------|-------------------|----------------|
| Publicis Conseil                | 99.61%           | 99.61%            | France         |
| Publicis Constellation (a)      | 99.84%           | 99.45%            | France         |
| Global Event Management         | 100.00%          | 99.61%            | France         |
| Publicis Dialog                 | 100.00%          | 99.61%            | France         |
| Publicis Consultants France (b) | 99.97%           | 99.97%            | France         |
| Saatchi & Saatchi France        | 100.00%          | 100.00%           | France         |
| Leo Burnett                     | 100.00%          | 100.00%           | France         |
| SCAP (c)                        | 100.00%          | 99.54%            | France         |
| Medicus Paris                   | 99.97%           | 99.97%            | France         |
| Starcom Worldwide               | 100.00%          | 100.00%           | France         |

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|                          |         |         |         |
|--------------------------|---------|---------|---------|
| Groupe ZenithOptimedia   | 100.00% | 100.00% | France  |
| Metrobus                 | 67.00%  | 67.00%  | France  |
| Mediavision              | 66.63%  | 66.63%  | France  |
| Régie 1                  | 49.00%  | 49.00%  | France  |
| Drugstore Champs Elysées | 100.00% | 100.00% | France  |
| Challenger House         | 100.00% | 100.00% | France  |
| Marcel                   | 100.00% | 99.61%  | France  |
| Publicis Net             | 99.31%  | 98.92%  | France  |
| Publicis Frankfurt       | 100.00% | 100.00% | Germany |
| Publicis Hamburg         | 100.00% | 100.00% | Germany |

F-63

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| <b>Company name</b>                          | <b>% control</b> | <b>% interest</b> | <b>Country</b> |
|--|------------------|-------------------|----------------|
| BMZ + more                                   | 100.00%          | 100.00%           | Germany        |
| Publicis Kommunikations agentur Erlangen     | 100.00%          | 100.00%           | Germany        |
| Saatchi & Saatchi                            | 100.00%          | 100.00%           | Germany        |
| Leo Burnett                                  | 100.00%          | 100.00%           | Germany        |
| Zenithmedia GmbH Dusseldorf                  | 100.00%          | 100.00%           | Germany        |
| Optimedia Gesellschaft für Media-Services    | 100.00%          | 100.00%           | Germany        |
| Arc Worldwide                                | 100.00%          | 100.00%           | Germany        |
| Publicis Berlin                              | 51.00%           | 51.00%            | Germany        |
| Publicis Communication                       | 100.00%          | 100.00%           | Australia      |
| Optimedia Australia                          | 100.00%          | 100.00%           | Australia      |
| Saatchi & Saatchi Communications Australia   | 100.00%          | 100.00%           | Australia      |
| Leo Burnett                                  | 100.00%          | 100.00%           | Australia      |
| Starcom Worldwide Australia                  | 100.00%          | 100.00%           | Australia      |
| Publicis Loyalty                             | 100.00%          | 100.00%           | Australia      |
| Publicis Groupe Austria                      | 100.00%          | 100.00%           | Austria        |
| Leo Burnett Worldwide                        | 100.00%          | 100.00%           | Belgium        |
| Duval Guillaume Brussels NV                  | 100.00%          | 100.00%           | Belgium        |
| Publicis Brasil Comunicaçao                  | 100.00%          | 100.00%           | Brazil         |
| Finance Nazca Publicidade                    | 51.00%           | 51.00%            | Brazil         |
| Leo Burnett Publicidade                      | 100.00%          | 100.00%           | Brazil         |
| Salles Chemistri Publicidade                 | 100.00%          | 100.00%           | Brazil         |
| Publicis Canada                              | 70.00%           | 70.00%            | Canada         |
| Saatchi & Saatchi Advertising                | 100.00%          | 100.00%           | Canada         |
| Leo Burnett Company                          | 100.00%          | 100.00%           | Canada         |
| TMG MacManus Canada                          | 100.00%          | 100.00%           | Canada         |
| ZenithOptimedia Canada                       | 100.00%          | 100.00%           | Canada         |
| Nerf Optique Art & Design                    | 100.00%          | 70.00%            | Canada         |
| Saatchi & Saatchi Great Wall Advertising Co  | 70.00%           | 70.00%            | China          |
| Leo Burnett                                  | 100.00%          | 100.00%           | China          |
| Leo Burnett Shanghai Advertising co          | 70.00%           | 70.00%            | China          |
| Publicis Advertising                         | 50.00%           | 50.00%            | China          |
| Saatchi & Saatchi (Hong Kong)                | 100.00%          | 100.00%           | China          |
| Leo Burnett Colombiana                       | 100.00%          | 100.00%           | Colombia       |
| Welcomm Publicis Worldwide                   | 80.00%           | 80.00%            | South Korea    |
| Leo Burnett                                  | 100.00%          | 100.00%           | South Korea    |
| Publicis Comunicacion Espana                 | 100.00%          | 100.00%           | Spain          |
| Vitruvio-Leo Burnett                         | 100.00%          | 100.00%           | Spain          |
| Group K/Arc                                  | 100.00%          | 100.00%           | Spain          |
| Starcom Worldwide Media Estrategia           | 74.00%           | 74.00%            | Spain          |
| Optimedia                                    | 99.73%           | 99.73%            | Spain          |
| Zenith Media                                 | 100.00%          | 100.00%           | Spain          |
| Publicis Healthcare Communications Group (d) | 100.00%          | 100.00%           | Spain          |
| Publicis USA                                 | 100.00%          | 100.00%           | United States  |
| Publicis & Hal Riney                         | 100.00%          | 100.00%           | United States  |
| Publicis NY                                  | 96.69%           | 96.69%            | United States  |
| Lionel Sosa                                  | 49.00%           | 49.00%            | United States  |

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|                                  |         |         |               |
|----------------------------------|---------|---------|---------------|
| Saatchi & Saatchi North America  | 100.00% | 100.00% | United States |
| Conill Advertising               | 100.00% | 100.00% | United States |
| Thompson Murray                  | 100.00% | 100.00% | United States |
| Leo Burnett USA                  | 100.00% | 100.00% | United States |
| Leo Burnett Detroit              | 100.00% | 100.00% | United States |
| Martin Retail Group              | 70.00%  | 70.00%  | United States |
| Arc worldwide                    | 100.00% | 100.00% | United States |
| Fallon Group                     | 100.00% | 100.00% | United States |
| Williams Labadie                 | 100.00% | 100.00% | United States |
| The Kaplan Thaler Group          | 100.00% | 100.00% | United States |
| Manning Selvage & Lee            | 100.00% | 100.00% | United States |
| Publicis Events USA              | 100.00% | 100.00% | United States |
| Capps Digital                    | 100.00% | 100.00% | United States |
| Nelson Communications            | 100.00% | 100.00% | United States |
| Medicus Group International      | 100.00% | 100.00% | United States |
| Saatchi & Saatchi Healthcare Com | 100.00% | 100.00% | United States |
| Publicis Selling Solutions       | 100.00% | 100.00% | United States |
| Science Oriented Solutions       | 100.00% | 100.00% | United States |
| Starcom MediaVest Group          | 100.00% | 100.00% | United States |

F-64

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| <b>Company name</b>  | <b>% control</b> | <b>% interest</b> | <b>Country</b>  |
|--|------------------|-------------------|---|
| Media Vest Worldwide   | 100.00%          | 100.00%           | United States   |
| Relay  | 100.00%          | 100.00%           | United States   |
| Optimedia International U.S.   | 100.00%          | 100.00%           | United States   |
| Zenith Media Services  | 100.00%          | 100.00%           | United States   |
| Discovery Institute of Medical Education   | 100.00%          | 100.00%           | United States   |
| Winner & Associates LLC, a Publicis Consultants Company                            | 100.00%          | 100.00%           | United States   |
| ZenithDirect   | 57.50%           | 57.50%            | United States   |
| Publicis Helsinki  | 90.39%           | 90.39%            | Finland   |
| European Advertising Organisation SA of Advertisements<br>Promotion & Publications | 100.00%          | 100.00%           | Greece  |
| Publicis Hellas Advertising  | 99.99%           | 99.99%            | Greece  |
| Leo Burnett Budapest   | 100.00%          | 100.00%           | Hungary   |
| Black Pencil Advertising (e)   | 99.50%           | 87.13%            | India   |
| Publicis Ariely Advertising 2000   | 75.00%           | 75.00%            | Israel  |
| Publicis   | 100.00%          | 100.00%           | Italy   |
| Saatchi & Saatchi  | 100.00%          | 100.00%           | Italy   |
| Leo Burnett Company  | 100.00%          | 100.00%           | Italy   |
| Starcom Mediavest Group Italia   | 100.00%          | 100.00%           | Italy   |
| ZenithOptimedia Group  | 100.00%          | 100.00%           | Italy   |
| Arc  | 100.00%          | 100.00%           | Italy   |
| Mundocom Italy   | 100.00%          | 100.00%           | Italy   |
| Republic   | 100.00%          | 100.00%           | Italy   |
| Beacon Communications KK   | 66.00%           | 66.00%            | Japan   |
| Medicus KK   | 100.00%          | 100.00%           | Japan   |
| Fallon Tokyo   | 51.00%           | 51.10%            | Japan   |
|  |                  |                   | Lebanon, Jordan,<br>Bahrain, Egypt, UAE,<br>Saudi Arabia, Kuwait, |
| Publicis Graphics  | 60.00%           | 60.00%            | Turkey  |
| Star Reacher Advertising (f)   | 100.00%          | 100.00%           | Malaysia  |
| Publicis Arredondo de Haro   | 69.00%           | 69.00%            | Mexico  |
| Leo Burnett Mexico   | 100.00%          | 100.00%           | Mexico  |
| Starcom Worldwide  | 100.00%          | 100.00%           | Mexico  |
| Olabuenaga/Chemistri   | 75.00%           | 75.00%            | Mexico  |
| Publicis Mojo  | 100.00%          | 100.00%           | New Zealand   |
| Saatchi & Saatchi  | 100.00%          | 100.00%           | New Zealand   |
| Jimenez Basic Advertising  | 53.99%           | 57.25%            | Philippines   |
| Publicis Amsterdam   | 100.00%          | 100.00%           | Netherlands   |
| Saatchi & Saatchi Advertising  | 100.00%          | 100.00%           | Netherlands   |
| Publicis Van Sluis Consultants   | 100.00%          | 100.00%           | Netherlands   |
| NME Media  | 100.00%          | 100.00%           | Netherlands   |
| Leo Burnett  | 100.00%          | 100.00%           | Poland  |
| Starcom  | 100.00%          | 100.00%           | Poland  |
| Zenith Optimedia Group   | 100.00%          | 100.00%           | Poland  |
| Publicis Publicidade   | 83.00%           | 83.00%            | Portugal  |
| Badillo Nazca S&S  | 100.00%          | 100.00%           | Puerto Rico   |

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|  |         |         |                |
|--|---------|---------|----------------|
| Leo Burnett Worldwide                    | 100.00% | 100.00% | Puerto Rico    |
| Publicis                                 | 100.00% | 100.00% | United Kingdom |
| Publicis Dialog                          | 100.00% | 100.00% | United Kingdom |
| Publicis Blue Print                      | 100.00% | 100.00% | United Kingdom |
| Zed Media                                | 100.00% | 100.00% | United Kingdom |
| Publicis Productif                       | 100.00% | 100.00% | United Kingdom |
| Saatchi & Saatchi Group                  | 100.00% | 100.00% | United Kingdom |
| The Facilities Group                     | 70.00%  | 70.00%  | United Kingdom |
| Leo Burnett                              | 100.00% | 100.00% | United Kingdom |
| Arc Integrated Marketing                 | 100.00% | 100.00% | United Kingdom |
| Fallon London                            | 100.00% | 100.00% | United Kingdom |
| Publicis Consultants UK (g)              | 100.00% | 100.00% | United Kingdom |
| Manning Selvage & Lee                    | 100.00% | 100.00% | United Kingdom |
| Publicis Healthcare Communications Group | 100.00% | 100.00% | United Kingdom |
| Starcom Motive                           | 100.00% | 100.00% | United Kingdom |
| ZenithOptimedia                          | 100.00% | 100.00% | United Kingdom |
| Zenith Optimedia International           | 100.00% | 100.00% | United Kingdom |
| Freud Communications                     | 100.00% | 50.01%  | United Kingdom |
| Leo Burnett Moscow                       | 100.00% | 100.00% | Russia         |

F-65

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| <b>Company name</b>                  | <b>% control</b> | <b>% interest</b> | <b>Country</b> |
|--------------------------------------|------------------|-------------------|----------------|
| Publicis United                      | 100.00%          | 100.00%           | Russia         |
| Rodnaya Rech                         | 99.00%           | 99.00%            | Russia         |
| MediaVest                            | 99.00%           | 99.00%            | Russia         |
| Publicis Singapore                   | 98.80%           | 98.80%            | Singapore      |
| Saatchi & Saatchi                    | 100.00%          | 100.00%           | Singapore      |
| TLG Communications                   | 100.00%          | 100.00%           | Singapore      |
| JKL Stockholm                        | 100.00%          | 100.00%           | Sweden         |
| Starcom Sweden                       | 93.74%           | 93.74%            | Sweden         |
| Publicis Werbeagentur (h)            | 100.00%          | 100.00%           | Switzerland    |
| Optimedia Holding                    | 100.00%          | 75.00%            | Switzerland    |
| Saatchi & Saatchi Simko              | 100.00%          | 100.00%           | Switzerland    |
| Leo Burnett Company                  | 100.00%          | 100.00%           | Taiwan         |
| Star Reachers Group                  | 100.00%          | 100.00%           | Thailand       |
| Markom/Leo Burnett Reklam Hizmetleri | 100.00%          | 100.00%           | Turkey         |
| Leo Burnett                          | 100.00%          | 100.00%           | UAE            |
| Starcom MediaVest Group              | 100.00%          | 100.00%           | UAE            |
| Publicis Venezuela                   | 60.00%           | 60.00%            | Venezuela      |
| Leo Burnett Venezuela                | 100.00%          | 100.00%           | Venezuela      |

**(B) Equity accounted companies**

| <b>Company name</b>          | <b>% control</b> | <b>% interest</b> | <b>Country</b> |
|------------------------------|------------------|-------------------|----------------|
| BBH Communications           | 49.00%           | 49.00%            | United Kingdom |
| iSe-Hospitality              | 45.00%           | 45.00%            | Switzerland    |
| Burrell Communications Group | 49.00%           | 49.00%            | United States  |

Key:

(1) *Change of company name:*

|     | <b>Company name in 2006</b>              | <b>Company name in 2005</b> |
|-----|--|-----------------------------|
| (a) | Publicis Constellation                   | Publicis Régions            |
| (b) | Publicis Consultants France              | Publicis Consultants        |
| (c) | SCAP                                     | Mundocom                    |
| (d) | Publicis Healthcare Communications Group | Pharma Consult Services     |
| (e) | Black Pencil Advertising                 | TLG India                   |
| (f) | Star Reacher Advertising                 | Leo Burnett Advertising     |
| (g) | Publicis Consultants UK                  | Masius UK                   |
| (h) | Publicis Werbeagentur                    | Publicis Zürich             |

(2) *Companies included in the list in 2005 which are no longer included in the list in 2006:*

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- Mergers: Fisch Meier Direkt, Chow Communications, Mediasystem, Carré Noir, Leo Burnett Amsterdam, Leo Burnett Services, Starlink Services
- Entities which have fallen below the threshold for publication:  
Eventive Altenhuber Riha, Buhler and Partners, Saatchi & Saatchi Hungary, JKL Oslo, Publicis Dialog Group (Netherlands), The Triangle Group, Saatchi & Saatchi Thailand, Publicis Ad Link Group, TKM Starcom Frankfurt

(3) *Companies acquired in 2006: Duval Guillaume Brussels NV*

F-66

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**33. SUMMARY OF DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (U.S. GAAP).**

**Reconciliation of consolidated net income and consolidated shareholders' equity**

Publicis's consolidated financial statements as of and for each of the years ended December 31, 2006, 2005 and 2004 have been prepared in accordance with IFRS, as adopted by the European Union and effective as of that date, which differ in certain significant respects from U.S. GAAP. There are no differences, as applied to the Group, between IFRS and IFRS as adopted by the European Union.

The effects of the application of U.S. GAAP on consolidated net income, net of minority interest, for each of the years ended December 31, 2006, 2005 and 2004 are set out in the table below:

|   | Notes | December 31, |            |            |
|---|-------|--------------|------------|------------|
|   |       | 2006         | 2005       | 2004       |
| <i>(in millions of euro, except share and per-share data)</i>       |       |              |            |            |
| <b>Net income (group share), as determined under IFRS</b>           |       | <b>443</b>   | <b>386</b> | <b>278</b> |
| <b>U.S. GAAP adjustments:</b>                                       |       |              |            |            |
| OCEANEs 2008  | 1     | 33           | 31         | 29         |
| OCEANEs 2018  | 1     | -            | 21         | 30         |
| ORANEs  | 2     | (5)          | (4)        | (3)        |
| Stock-based compensation  | 3     | 1            | (12)       | 20         |
| Pensions and postretirement benefits                                | 4     | (7)          | (2)        | (2)        |
| Revaluation of tangible fixed assets                                | 5     | 1            | 1          | 1          |
| Sale-leaseback transaction  | 6     | (1)          | 2          | 2          |
| Business combinations: Saatchi & Saatchi                            | 7.1   | (51)         | (44)       | (46)       |
| Business combinations: Bcom3  | 7.2   | -            | -          | 24         |
| Business combinations: Other  | 7.3   | -            | -          | -          |
| Goodwill  | 8     | 23           | 1          | 88         |
| Other   | 14    | (3)          | 9          | -          |
| Deferred income taxes on above adjustments                          | 15    | 7            | 6          | (75)       |
| <b>Net income, as determined under U.S. GAAP</b>                    |       | <b>441</b>   | <b>395</b> | <b>346</b> |
| <b>Earnings per share, as determined under U.S. GAAP (in euro):</b> | 9     |              |            |            |
| Basic   |       | 2.40         | 2.16       | 1.90       |
| Diluted   |       | 1.89         | 1.63       | 1.51       |
| <b>Weighted average common shares outstanding (in millions):</b>    | 9     |              |            |            |
| Basic   |       | 184          | 183        | 182        |
| Diluted   |       | 240          | 249        | 251        |

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The effects of the application of U.S. GAAP on consolidated shareholders' equity as of December 31, 2006, 2005 and 2004 are set out in the table below:

F-67

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|  | Notes | December 31, |              |              |
|--|-------|--------------|--------------|--------------|
|  |       | 2006         | 2005         | 2004         |
| <i>( Millions of euros )</i>   |       |              |              |              |
| <b>Shareholders equity (group share) as determined under IFRS</b>              |       | <b>2,080</b> | <b>2,056</b> | <b>1,621</b> |
| Reversal of IAS 19 adjustment on actuarial gains and losses                    |       | -            | 29           | 8            |
| <b>Shareholders equity (group share) as determined under IFRS as published</b> |       | <b>2,080</b> | <b>2,085</b> | <b>1,629</b> |
| <b>U.S. GAAP adjustments:</b>  |       |              |              |              |
| OCEANEs 2008   | 1     | (55)         | (88)         | (120)        |
| OCEANEs 2018   | 1     | -            | 2            | (28)         |
| ORANEs   | 2     | (350)        | (402)        | (455)        |
| Stock-based compensation   | 3     | 3            | -            | -            |
| Pensions and postretirement benefits   | 4     | 13           | (23)         | (7)          |
| Revaluation of tangible fixed assets   | 5     | (156)        | (157)        | (158)        |
| Sale-leaseback transaction   | 6     | (81)         | (60)         | (49)         |
| Business combinations: Saatchi & Saatchi                                       | 7.1   | 1,366        | 1,480        | 1,430        |
| Business combinations: Bcom3   | 7.2   | 342          | 389          | 325          |
| Business combinations: Other   | 7.3   | (154)        | (154)        | (154)        |
| Goodwill   | 8     | 300          | 277          | 276          |
| Other  | 14    | (5)          | 5            | (4)          |
| Deferred income taxes on above adjustments                                     | 15    | (228)        | (280)        | (283)        |
| <b>Shareholders' equity as determined under U.S. GAAP</b>                      |       | <b>3,075</b> | <b>3,074</b> | <b>2,402</b> |

## 1. OCEANEs 2008 and 2018

In January 2002, the Group issued 17,624,521 convertible bonds at par value of €39.15 per bond for aggregate cash consideration, excluding transaction-related expenses, of €690 million (the "OCEANE 2018"). In July 2003, the Group issued 23,172,413 convertible bonds at par value of €29.00 per bond for aggregate cash consideration, excluding transaction-related expenses, of €672 million (the "OCEANE 2008"). The OCEANE 2018 bear interest at a face rate of 1% per year and mature 16 years from the date of issuance and the OCEANE 2008 bear interest at a face rate of 0.75% per year and mature five years from the date of issuance. The OCEANE 2008 and OCEANE 2018 (collectively, the "Bonds") are each redeemable at the option of the Group and of the holder under certain circumstances and are convertible into Publicis ordinary shares at the option of the holder. If not redeemed or converted earlier, each of the OCEANE 2008 and OCEANE 2018 will be fully redeemed at their respective maturities for an amount equal to par value plus accrued and unpaid interest, if any.

In accordance with IAS 32, "Financial Instruments - Disclosure and Presentation," and IAS 39 "Financial Instruments - Recognition and Measurement," the Bonds are a compound financial instrument as they are convertible by the holder into a fixed number of Publicis ordinary shares. From the perspective of Publicis, the Bonds comprise two components - a financial liability (a contractual arrangement to deliver cash or another financial asset) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of Publicis). The value of the equity component is determined at the date of issuance of the Bonds as the difference between the fair value of the Bonds and the fair value of the debt component of the Bonds. The value assigned to the conversion option (equity component) at the date of issuance is not revised during subsequent periods. The fair value of the debt component of the Bonds at

issuance is determined by discounting the future contractual cash flows using the market interest rate that would have been applicable had Publicis issued a similar bond without a conversion option. The debt component is subsequently accounted for at amortized cost. Transaction-related expenses are allocated between the debt component and the equity component on the basis of their respective carrying amounts at the date of issuance.

Under U.S. GAAP, the hybrid instrument is accounted for as a single compound instrument in accordance with Accounting Principles Board (APB) Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants." In accordance with APB Opinion No. 14, the Bonds are recorded on the balance sheet at issuance at their fair value. The amount received from investors of €690 million and €672 million, respectively,

F-68

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represents the fair value of the Bonds at issuance. Transaction-related expenses are accounted for in their entirety as debt issuance costs and are amortized to expense by the effective interest method over the term of the Bonds.

Under U.S. GAAP, the fair value of the equity component of the OCEANEs 2008 and OCEANEs 2018 (€164 million and €109 million respectively at the issuance date) and the related issuance costs have been reclassified from shareholders' equity to financial debt. In addition, the excess interest expense recorded under IFRS has been reversed from the U.S. GAAP income statement (and from retained earnings for the cumulative amount). For each of the twelve-month periods ended December 31, 2006, 2005 and 2004, the excess interest expense recognized under IFRS for OCEANE 2008 amounted to €33 million, €31 million and €29 million before income tax, respectively and €0 million, €14 million and €30 million before income tax, respectively, for the OCEANEs 2018.

In February 2005, the Group redeemed 62.36% of its outstanding OCEANE 2018. In connection with the redemption, the Group recognized a loss before income taxes of €16 million and €22 million for the twelve-month period ended December 31, 2005 under U.S. GAAP and IFRS, respectively. Under U.S. GAAP, the recognized loss has been accounted for as financial expense. Under IFRS, the recognized loss of €22 million has been accounted for as an operating expense. In January 2006, the Group redeemed an additional 6.52% of the OCEANE 2018. This redemption had no impact on shareholders' equity and income statement.

## 2. ORANEs

On September 24, 2002, the Group issued 1,562,500 convertible bonds known as ORANEs (the "ORANEs") redeemable for 28,125,000 Publicis ordinary shares. The ORANEs have a maturity of 20 years, with a nominal value of €549, thus representing a total nominal amount of €858 million. The ORANEs were issued to Bcom3 shareholders as part of the consideration they received in exchange for their Bcom3 shares in connection with Publicis' acquisition of Bcom3.

In accordance with IAS 32, "Financial Instruments - Disclosure and Presentation," and IAS 39 "Financial Instruments - Recognition and Measurement," the ORANEs are a compound financial instrument comprising:

- (i) an equity component representing the fact that they may only be settled by Publicis for a fixed number of its own ordinary shares and the instrument includes no contractual obligation to deliver cash or to exchange financial assets or liabilities that are potentially unfavorable to Publicis and
- (ii) a debt component representing the right of the holder to receive periodic payments from Publicis based on the higher of a minimum contractual rate per annum or a rate per annum determined on the basis of historical dividend payments of Publicis.

The value of the equity component is determined at the date of issuance of the ORANEs as the difference between the fair value of the ORANEs and the fair value of the debt component of the ORANEs. The value assigned to the equity component at the date of issuance is not revised during subsequent periods. The fair value of the debt component of the ORANEs at issuance is determined by discounting the future contractual cash flows using a market interest rate for a similar instrument. The debt component is subsequently accounted for at amortized cost.

Under U.S. GAAP, the hybrid instrument is accounted for as a single compound instrument in accordance with Accounting Principles Board ("APB") Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants" and is reflected as long-term debt in the consolidated balance sheet. The ORANEs are classified as long-term debt under U.S. GAAP following the legal determination that the ORANEs contract indicates that the holder has rights that rank higher than those of a holder of the ordinary shares of Publicis underlying the contract.

Under IFRS, the fair value of the ORANEs has been determined at the date of the acquisition of Bcom3 and amounted to €495 million. Of this amount, €47 million was assigned to the debt component of the ORANEs and the remaining €448 million was assigned to the equity component. Under U.S. GAAP, the fair value of the ORANEs amounted to €1,024 million due to the fact that the determination of fair value under U.S. GAAP is done as of a different date than under IFRS. See note 7.2 for a discussion of the accounting for the acquisition of Bcom3, including a discussion of the impact that the difference in fair value described above had on the calculation of



goodwill under IFRS and U.S. GAAP. The amounts reclassified from shareholders' equity to long-term debt were \$350 million, \$402 million and \$455 million as of December 31, 2006, 2005 and 2004, respectively.

The reconciliation of consolidated shareholders' equity reflects the reclassification of \$448 million, which is recorded in shareholders' equity under IFRS, to long-term debt under U.S. GAAP as of each of the dates presented and interest expense has been increased by \$5 million, \$4 million and 3 million before income tax for the twelve month periods ended December 31, 2006, 2005 and 2004, respectively.

The redemption of the first bracket and the second bracket of the ORANes, in September 2005 and September 2006, led Publicis to recognize an increase of its total shareholders' equity for \$57 million under U.S. GAAP in each year. Such redemption did not have any impact on the total shareholders' equity under IFRS, since it only results in a reclassification within equity components.

### **3. Stock-based compensation**

Under IFRS, the fair value of stock options is determined in accordance with IFRS 2 and recognized as personnel expenses over the vesting period. In accordance with IFRS 1, the group opted for the exception to retrospective application of IFRS 2 and, accordingly, has only accounted for option grants made subsequent to November 7, 2002 in accordance with IFRS 2. For option grants made prior to November 7, 2002, Publicis retained its historical accounting treatment and, accordingly, no compensation expense has been recognized for those grants. Aggregate compensation expense before tax related to stock options for the years ended December 31, 2006, 2005 and 2004 amounted to \$17 million, \$20 million and \$20 million.

Effective January 1, 2006 the Company adopted SFAS 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS 123R. Under SFAS 123R, compensation expense associated with stock-based compensation awards granted prior to the adoption of SFAS 123R is recognized over the remaining vesting period (post-adoption) as if SFAS 123R had always been applied based on the fair value measurements previously used to calculate pro forma stock-based compensation expense under SFAS 123. For stock-based awards granted on or after January 1, 2006, the Company will amortize stock-based compensation expense on a straight-line basis over the requisite service period. For the year ended December 31, 2006, the Company recorded stock-based compensation expense of \$16 million before tax under U.S. GAAP.

Publicis has elected to use the transition election of FSP FAS 123R-3 ("short method") to determine the pool of windfall tax benefits as of adoption of FAS 123R. No tax benefits having been recognised prior to this adoption, the pool determined has a zero balance as of January 1, 2006.

For the years ended December 31, 2005 and 2004, Publicis accounted for its stock based compensation plans using the "intrinsic value" method under the guidelines of APB Opinion No. 25, which required that companies recognize compensation expense equal to the excess, if any, of the market price of the share over the exercise price of the option on the measurement date. The measurement date is defined as the first date on which both the number of shares the employee is entitled to receive and the exercise price are known. Option grants for which both the number of share an employee is entitled to receive and the exercise price are known at the date of grant are referred to as "fixed" stock option grants. All other grants are referred to as "variable" stock option grants. For fixed stock option grants, total compensation expense is measured only once, on the date of grant. For variable stock option grants, this excess is estimated periodically at interim dates and final measurement occurs on the measurement date. Compensation expense for both fixed and variable stock option grants is recognized over the vesting period. For Publicis' stock option plans, compensation expense before tax amounting to \$32 million and \$0 million, which relates principally to stock option plans with performance requirements that are considered variable plans under U.S. GAAP, was recognized for the year ended December 31, 2005 and 2004 respectively.

### **4. Pensions and postretirement benefits**

The aggregate adjustment included as "Pensions and postretirement benefits" in the reconciliations of consolidated net income and shareholders' equity consists of:

|  | Net Income (For the Year<br>Ended December 31) |            |            | Shareholders' Equity (As<br>of December 31) |             |            |
|--|--|------------|------------|---|-------------|------------|
|  | 2006   | 2005       | 2004       | 2006  | 2005        | 2004       |
|  | <i>(Millions of euros)</i>                     |            |            |   |             |            |
| <b>U.S. GAAP adjustments:</b>                              |  |            |            |   |             |            |
| Deferred actuarial gains and losses and past service costs | (7)  | (2)        | (2)        | 13  | 21          | 23         |
| Minimum pension liabilities                                | n/a  | -          | -          | n/a   | (44)        | (30)       |
| <b>Total adjustment, before income taxes</b>               | <b>(7)</b>                                     | <b>(2)</b> | <b>(2)</b> | <b>13</b>                                   | <b>(23)</b> | <b>(7)</b> |

### ***Deferred actuarial gains and losses***

In accordance with the option provided by IFRS 1, the Group's deferred actuarial gains and losses as at January 1, 2004 were recognized directly as a reduction of equity in an amount of €23 million. Actuarial gains and losses generated from January 1, 2004 have been amortized using the corridor method over the expected average residual working lives of the beneficiaries up to the end of 2005. Since January 1, 2006, the Group has opted for the recognition of all actuarial gains and losses in equity (as part of the SORIE) as allowed under revised IAS 19.

Under U.S. GAAP, in accordance with FAS 87, "Employer's Accounting for Pensions," the Group recognizes amortization of the unrecognized net actuarial gain or loss if, as of the beginning of the year, the unrecognized net actuarial gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the amortization is computed as that excess divided by the average remaining service period of active employees expected to receive benefits under the pension plan. With the adoption of FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans," as at December 31, 2006, the Group has recognized all unamortized actuarial gains and losses as well as past service costs as a component of Other Comprehensive Income ("OCI"). Amounts recognized in Accumulated OCI ("AOCI") will be "recycled" to the income statement based on current amortization and recognition criteria in FAS 87 and 106.

As of December 31, 2005 and 2004, the unamortized balance of deferred actuarial gains and losses recorded as a reduction of shareholders' equity as part of the transition to IFRS amounted to €21 million and €23 million before taxes. Incremental amortization of these deferred actuarial gains and losses resulted in additional pension expense under US GAAP of €2 million for the years ended December 31, 2005 and 2004.

As of December 31, 2006, the balance of actuarial gains and losses recorded in the SORIE as a reduction of shareholders' equity amounted to €37 million before taxes. Under US GAAP, the amount of AOCI as of December 31, 2006 was a reduction of equity of €39 million before taxes. After giving effect to income taxes the pension and post-retirement benefits amounts recorded in the SORIE and in AOCI as of December 31, 2006 both amounted to €26 million. The amortization of these deferred actuarial gains and losses in the US GAAP income statement amounted to €7 million compared to nil under IFRS.

### ***Past service costs***

In IFRS, past service cost should be recognized on a straight-line basis over the average period until the benefits become vested. To the extent benefits are vested at the time of a plan amendment, the cost of those benefits should be recognized immediately in the income statement. Unrecognized past service costs remain off balance sheet.

In US GAAP, pursuant to SFAS 158, prior service costs or credits are recognized in accumulated OCI and "recycled" to the income statement based on current amortization and recognition criteria in FAS 87 and 106.



As of December 31, 2006, the amount of past service credits recognised in AOCI amounted to €13 million before tax and related to a 2006 amendment of a post-employment medical benefit plan in the United States. Amortization of past service costs amounted to €1 million under both IFRS and US GAAP for the year ended December 31, 2006.

### **Minimum pension liabilities**

Under U.S. GAAP prior to December 31, 2006, a minimum pension liability was required to be recognized when the accumulated benefit obligation exceeded the fair value of plan assets by an amount in excess of accrued or prepaid pension cost as calculated by actuarial methods. The additional minimum liability was offset by an intangible asset up to the amount of any unrecognized prior service cost, and the excess was recorded in comprehensive income, net of income taxes. Under IFRS, minimum pension liabilities are not required to be recorded.

Under U.S. GAAP, the additional minimum pension liability recorded by Publicis in shareholders' equity as of December 31, 2005 and 2004 amounted to €44 million and €30 million.

The newly issued US GAAP standard SFAS 158, which was applicable to Publicis as of December 31, 2006, requires the recognition of the funded status of defined benefit post-retirement plans in the statement of financial position. The funded status is measured as the difference between plan assets at fair value and the benefit obligation. This requirement has superseded the minimum pension liability test but the test remains required for disclosure purposes in 2006.

## **5. Revaluation of tangible fixed assets**

Under IFRS 1, companies were permitted to recognize adjustments to all or some of their existing assets to record them at their estimated fair values as of January 1, 2004. Subsequently, the assets are accounted for based on their revised carrying amounts as of January 1, 2004 (i.e., the fair value of the asset as of January 1, 2004 becomes the asset's new historical cost under IFRS). Publicis elected to re-value its corporate headquarters (land and building) pursuant to IFRS 1. The revaluation adjustment amounted to €159 million for land and buildings as of January 1, 2004. The additional depreciation expense associated with the portion of the revaluation related to the corporate headquarters buildings was €1 million before tax for each of the years ended December 31, 2006, December 31, 2005 and December 31, 2004. The portion of the revaluation adjustment related to land has no impact on annual depreciation expense as land is not depreciated for accounting purposes.

Under U.S. GAAP, the historical cost of the Group's assets was not adjusted upon adoption of IFRS. Accordingly, the amount of re-valuation adjustment, net of accumulated amortization, is reversed under U.S. GAAP. As of December 31, 2006, 2005 and 2004, the adjustment before tax effect, net of accumulated amortization, amounted to €156 million, €157 million and €158 million, respectively.

## **6. Sale-leaseback transaction**

Under IFRS, Bcom3's 1997 sale-leaseback transaction related to the Leo Burnett office building in Chicago is treated as a finance lease. The related assets are capitalized at their fair value at the acquisition date for the portion of the building leased-back by the Group and the related debt consists of the present value of the minimum lease payments over the lease term discounted at the internal borrowing rate of the Group.

Under U.S. GAAP, this transaction is accounted for as a financing, with the building and the related financing obligation continuing to be reflected in the Group's financial statements at their fair value at the acquisition date of Bcom3.

## **7. Business combinations**

In accordance with IFRS 1, Publicis opted for the possibility not to restate prior classification and methods used for business combinations that took place before the transition date (January 1, 2004). Therefore, the treatment accorded to business combinations historically by Publicis under generally accepted accounting principles in France (€French GAAP) has been retained in IFRS.





## 7.1 Business combinations: Saatchi & Saatchi

Under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1), the business combination with Saatchi & Saatchi was accounted for in accordance with the alternative method under Article 215 of Rule 99-02 of the Comité de Réglementation Comptable ( CRC ) as follows:

- Assets and liabilities are recorded at historical cost less accumulated depreciation at the combination date; and
- The results of operations and cash flows are combined from the acquisition date to year-end.

Under U.S. GAAP, the acquisition did not qualify as a pooling of interests. Consequently, the transaction must be accounted for using purchase accounting principles, with Publicis Groupe, S.A. being the acquirer on September 8, 2000. Under U.S. GAAP, the assets and liabilities were recorded at fair value at the date of acquisition.

The aggregate adjustment included as "Business combinations: Saatchi & Saatchi" in the reconciliations of consolidated net income and shareholders' equity consists of:

|  | Net Income (for the Year<br>Ended December 31) |             |             | Shareholders' Equity (as of<br>December 31) |              |              |
|--|--|-------------|-------------|---|--------------|--------------|
|  | 2006   | 2005        | 2004        | 2006  | 2005         | 2004         |
|  | <i>(Millions of euros)</i>                     |             |             |   |              |              |
| <b>U.S. GAAP adjustments:</b>                |  |             |             |   |              |              |
| Goodwill and intangible assets               | (19)   | (22)        | (29)        | 2,049                                       | 2,131        | 2,059        |
| Impairment of goodwill                       | -  | -           | -           | (570)                                       | (570)        | (570)        |
| Impairment of intangible assets              | -  | -           | -           | (223)                                       | (223)        | (223)        |
| Contingent value rights                      | -  | -           | -           | 49  | 49           | 49           |
| Stock-based compensation                     | -  | -           | -           | 148   | 148          | 148          |
| Net operating loss carry-forwards            | (32)   | (22)        | (17)        | (87)  | (55)         | (33)         |
| <b>Total adjustment, before income taxes</b> | <b>(51)</b>                                    | <b>(44)</b> | <b>(46)</b> | <b>1,366</b>                                | <b>1,480</b> | <b>1,430</b> |

### 7.1.1 Goodwill and intangible assets

Goodwill has been calculated under U.S. GAAP by comparing the fair value of the identifiable assets acquired and liabilities assumed with the fair value of the consideration given, including transaction-related costs. Such goodwill was amortized over 40 years until January 1, 2002. Since then, goodwill is no longer amortized due to the Group's adoption of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill is no longer amortized, but rather is reviewed at least annually for impairment. Other intangible assets include principally trademarks with indefinite useful lives and major client relationships amortized over their estimated useful lives, which range from 12 to 40 years. Goodwill was not recorded for the Saatchi & Saatchi acquisition under French GAAP, as described above.

Upon the acquisition of Saatchi & Saatchi in September 2000, the intangible assets were valued at  1,378 million, and goodwill was recorded for  1,232 million.

As of December 31, 2006, the carrying value of the goodwill and intangible assets balances amounted to €2,049 million, net of accumulated depreciation, amortization and foreign currency translation adjustments, but before impairment. The impacts of the impairments recorded on goodwill and intangible assets are discussed below. For each of the years ended December 31, 2006, 2005 and 2004, the Group recorded additional amortization expense before tax associated with its recognized intangible assets under U.S. GAAP of €19 million, €22 million and €29 million, respectively.

F-73

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### **7.1.2. Impairment of goodwill**

Under U.S. GAAP, goodwill in the amount of approximately €570 million was written off through a charge to income in 2001. That write-off, which relates to goodwill associated with the acquisition of Saatchi & Saatchi in 2000, represents the amount necessary to write-down the carrying value of goodwill for those businesses to the Company's best estimate of its fair value, as of December 31, 2001, based on the Company's accounting policy.

### **7.1.3. Impairment of intangible assets**

Under U.S. GAAP, the Group completed its initial impairment test for intangible assets as of January 1, 2002, upon adoption of SFAS 141 and 142, by comparing the fair value of their indefinite-lived intangible assets to their carrying amounts. Prior to adoption of SFAS 141 and 142, the Group assessed the recoverability of intangible assets with indefinite lives for each entity by comparing the undiscounted projected future earnings before interest and after taxes over its economic life to its carrying amount. As a result of the transitional impairment test, the Group recorded a charge of €223 million (before tax) on January 1, 2002 in relation to Saatchi & Saatchi intangibles with indefinite useful lives, namely trademarks. These trademarks were not recorded for the Saatchi & Saatchi business combinations under French GAAP, as discussed above.

### **7.1.4. Contingent value rights**

In connection with the acquisition of Saatchi & Saatchi, the Company issued contingent value rights (CVRs) to the former shareholders of Saatchi & Saatchi. Under French GAAP, the CVRs were originally considered to be an off-balance sheet commitment, and were not recorded until payment was considered to be highly probable. The CVRs were not recorded under French GAAP until December 31, 2001. Under U.S. GAAP, the fair value of the CVRs at the acquisition date (2000) was included in the cost of acquisition, and reflected as a liability in purchase accounting, with an offset to goodwill.

In March 2002, all outstanding CVRs matured and were settled in cash. The remaining unamortized portion of goodwill related to CVRs under U.S. GAAP amounts to €49 million.

### **7.1.5. Stock-based compensation**

In connection with the acquisition of Saatchi & Saatchi, the Group agreed to exchange options to purchase Publicis ordinary shares for Saatchi & Saatchi shares obtained through the exercise of outstanding stock options of Saatchi & Saatchi at the acquisition date. Under French GAAP, stock options were not recorded in shareholders' equity until they are exercised.

Under U.S. GAAP, to the extent options are granted by the acquiring company for outstanding vested options or options that vest upon a change of control of the acquired company, the fair value of the new options is included as part of the purchase price and allocated to the assets acquired. The fair value of options exchanged for outstanding unvested options is also included as part of the purchase price, and a portion of the unvested intrinsic value is allocated to unearned compensation cost and amortized over the remaining vesting period. The amount of unearned compensation cost is deducted from the fair value of the options in determining the purchase price.

The fair value of options that was capitalized as part of the purchase under U.S. GAAP amounted to €148 million.

### **7.1.6 Net operating loss carry-forwards**

In connection with the acquisition of Saatchi & Saatchi, Publicis acquired approximately €503 million in net operating loss carry forwards related to former Saatchi & Saatchi operations. In the French GAAP financial statements, deferred taxes with respect to all net operating loss carry forwards have not been recognized due to the uncertainty of their recoverability.

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For U.S. GAAP purposes, deferred tax assets have been recorded and a 100% valuation allowance has been provided because the recoverability of the deferred tax assets was not considered to satisfy the applicable "more likely than not" standard.

In the period from 2002 to 2006, under IFRS, Publicis realized tax benefits by using Saatchi & Saatchi loss carry forwards to offset taxable income and recorded a tax benefit in the income statement (€32 million, €22 million and €17 million for each of the years ended December 31, 2006, 2005 and 2004, respectively). Under U.S. GAAP, any tax benefit realized by using these loss carry forwards reduces the recorded goodwill with no effect on income tax expense in the income statement.

As of December 31, 2006, 2005 and 2004, the cumulative reduction of goodwill related to the use of these net operating loss carry-forwards amounted to €87 million, €55 million and €33 million, respectively.

## 7.2 Business combinations: Bcom3

The aggregate adjustment included as "Business combinations: Bcom3" in the reconciliations of consolidated net income and shareholders' equity consists of:

|  | Net Income (for the Year<br>Ended December 31) |          |           | Shareholders' Equity<br>(as of December 31) |            |            |
|--|--|----------|-----------|---|------------|------------|
|  | 2006   | 2005     | 2004      | 2006  | 2005       | 2004       |
|  | <i>(Millions of euros)</i>                     |          |           |   |            |            |
| <b>U.S. GAAP adjustments:</b>                |  |          |           |   |            |            |
| Determination of purchase price              | -  | -        | 24        | 1,334                                       | 1,334      | 1,334      |
| Deferred tax liabilities                     | -  | -        | -         | 131   | 131        | 131        |
| Goodwill impairment and amortization         | -  | -        | -         | (934)                                       | (934)      | (934)      |
| Currency translation adjustments             | -  | -        | -         | (189)                                       | (142)      | (206)      |
| <b>Total adjustment, before income taxes</b> | <b>-</b>                                       | <b>-</b> | <b>24</b> | <b>342</b>                                  | <b>389</b> | <b>325</b> |

### 7.2.1 Determination of purchase price

Under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1), the purchase price of the Bcom3 shares equals the fair value of the securities issued in the acquisition as of the date of its consummation, September 24, 2002. Under U.S. GAAP, the value of the securities issued to effect the Bcom3 acquisition is based on the average of Publicis' ordinary share price for two days before and after the day the terms of the acquisition were agreed to announced (March 7, 2002). A summary of the components of the purchase price, excluding transaction-related expenses, as determined in accordance with French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1) and U.S. GAAP, is set out in the table below:

|  | French GAAP<br>(retained in IFRS<br>under IFRS 1) | U.S. GAAP | Difference in<br>Purchase Price<br>Goodwill |
|--|---|-----------|---|
|  | <i>(in millions of euros)</i>                     |           |   |

**Value of securities issued as consideration for BCom3:**

|  |              |              |             |
|--|--------------|--------------|-------------|
| Publicis ordinary shares   | 990          | 2,048        | 1,05        |
| ORANEs:  | 495          | 1,024        | 52          |
| OBSAs (hybrid instrument):   |              |              |             |
| Amount before tax effect   | 642          | 858          | 21          |
| Tax effect   | 73           | 133          | 6           |
| <b>Total OBSA</b>  | <b>715</b>   | <b>991</b>   | <b>27</b>   |
| <b>Aggregate value of securities issued as consideration for Bcom3</b> | <b>2,200</b> | <b>4,063</b> | <b>1,86</b> |

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F-75

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As a result of the above differences, the gross goodwill recorded in connection with the original purchase price allocation under U.S. GAAP was approximately €1,863 million higher than the gross goodwill recorded under French GAAP. Excluding the impact on shareholders' equity of the difference related to the classification of the ORANEs between IFRS and U.S. GAAP, which is described and included elsewhere in the reconciliation (See note 2), the impact of the above measurement differences on the consolidated balance sheet at the date of acquisition was to increase gross goodwill by approximately €1,863 million, increase shareholders' equity by approximately €1,334 million (€1,058 million related to Publicis ordinary shares and €276 million related to the OBSAs), increase long-term debt by approximately €529 million related to the ORANEs.

In September 2004, the Group redeemed the debt component of the OBSA. The difference of €24 million of the debt value between IFRS and U.S. GAAP was recognized as an adjustment to the income statement in computing net income in accordance with U.S. GAAP.

### 7.2.2 Deferred tax liabilities

In connection with the adoption of IFRS, Publicis recorded deferred tax liabilities related to trade names acquired in conjunction with the acquisition of Bcom3, which were not required to be recorded under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1), with a counterpart as a reduction of equity under IFRS.

Under U.S. GAAP, the deferred tax liability balance is recorded as an offset to the Bcom3 goodwill balance, and the reduction of equity recorded under IFRS for €131 million is reversed under U.S. GAAP.

### 7.2.3. Goodwill impairment and amortization

Upon the adoption of IFRS as of January 1, 2004, the gross value of goodwill at the transition date is deemed to be equal to the net value of such goodwill under French GAAP. Under French GAAP, goodwill was amortized on a straight-line basis over a period varying from 10 to 40 years. Subsequent to the adoption, the goodwill, under IFRS 3, is not amortized but is rather subject to impairment tests performed annually. Impairment tests are performed for the cash generating unit(s) to which the goodwill was allocated by comparing the recoverable value and the carrying amount of the cash generating unit(s). The Group considers that agencies or combinations of agencies are cash generating units.

Under U.S. GAAP and in accordance with SFAS 142 as of January 1, 2002 goodwill is not amortized but is subject to an annual impairment test. The recoverability of goodwill is evaluated at a reporting unit level. For its U.S. GAAP goodwill impairment tests, eight reporting units have been identified -- seven of them are based on brands and the eighth reporting unit is for "other activities." As of December 31, 2004, the incremental goodwill recognized under U.S. GAAP in connection with the Bcom3 acquisition (principally as a result of the differences described in Note 7.2.1) was impaired for a total amount of €934 million. There were no impairments for either of the years ended December 31, 2006, 2005 or 2004.

### 7.3 Business combinations: Other

The aggregate adjustment included as "Business combinations: Other" in the reconciliations of consolidated net income and consolidated shareholders' equity consists of:

|                               | Net Income (For the Year<br>Ended December 31) |      |      | Shareholders' Equity<br>(As of December 31) |       |       |
|-------------------------------|--|------|------|---|-------|-------|
|                               | 2006   | 2005 | 2004 | 2006  | 2005  | 2004  |
|                               | <i>(Millions of euros)</i>                     |      |      |   |       |       |
| <b>U.S. GAAP adjustments:</b> |  |      |      |   |       |       |
| Zenith Optimedia Group        | -  | -    | -    | (77)  | (77)  | (77)  |
| FCA Group                     | -  | -    | -    | 44  | 44    | 44    |
| Compensation arrangements     | -  | -    | -    | (15)  | (15)  | (15)  |
| Restructuring costs           | -  | -    | -    | (106)                                       | (106) | (106) |

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F-76

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**Total adjustment, before income taxes**

|       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|
| -     | -     | -     | (154) | (154) | (154) |
| _____ | _____ | _____ | _____ | _____ | _____ |

**7.3.1 Zenith Optimedia Group**

In connection with the acquisition of Saatchi & Saatchi, Publicis acquired 50% of Zenith Optimedia in 2000. Because the acquisition was made in connection with the acquisition of Saatchi & Saatchi, the Zenith Optimedia acquisition was also accounted for in a manner similar to a pooling of interests (see note 7.1 above) under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1). The subsequent acquisition of an additional 25% in Zenith Optimedia in 2001 and the formation of the Zenith Optimedia Group resulted, in French GAAP, in the revaluation of the 50% of the net assets acquired in conjunction with Saatchi & Saatchi acquisition in 2000 based on fair value in 2001.

Under U.S. GAAP, the Saatchi & Saatchi acquisition was accounted for using the purchase method. As such, the revaluation of intangible assets of €77 million recorded in 2001 in conjunction with the formation of the Zenith Optimedia Group has been reversed under U.S. GAAP.

**7.3.2 FCA Group**

In 1993, under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1), the goodwill arising from the acquisition of the FCA Group paid for by issuing new ordinary shares was written off directly to shareholders' equity.

Under U.S. GAAP, such goodwill has been capitalized and was being amortized over 40 years through December 31, 2001. Beginning January 1, 2002, upon the adoption of FAS 142, goodwill is no longer amortized, but rather reviewed annually for impairment.

As of December 31, 2006, 2005 and 2004, the carrying amount of goodwill under U.S. GAAP amounted to €44 million.

**7.3.3 Compensation arrangements**

Under IFRS pursuant to the exemption permitted by IFRS 1, certain compensation arrangements with employees of companies acquired before January 1, 2004 have been accounted for as an element of purchase price in purchase accounting (increase to goodwill).

Under U.S. GAAP, to the extent that the compensation is related to continuing employment with the Group, it is recorded as compensation expense in the periods in which it is earned.

For each of the years ended December 31, 2006, 2005 and 2004, no compensation expense was required to be recorded under U.S. GAAP pursuant to these arrangements. As of December 31, 2006, 2005 and 2004, the cumulative amount of compensation expense recorded under U.S. GAAP pursuant to such arrangements amounted to €15 million.

**7.3.4 Restructuring costs**

Under French GAAP, restructuring costs and costs related to vacant properties of the acquiring entity are included in the liabilities assumed to the extent they relate to excess capacity, whereas under U.S. GAAP, these costs are excluded from the liabilities assumed. Additionally, in accordance with U.S. GAAP, restructuring plans related to acquired businesses must be finalized and quantified within one year of acquisition, and under French GAAP, the plans must be finalized within the fiscal year end following an acquisition.

As such, under French GAAP (retained in IFRS pursuant to the exemption permitted by IFRS 1), approximately €106 million was capitalized as part of the purchase price of several acquisitions made in 2003, 2002 and 2001 that was disallowed under U.S. GAAP.

## **8. Goodwill impairment and amortization**

Upon the adoption of IFRS as of January 1, 2004, the gross value of goodwill at the transition date is deemed to be equal to the net value of such goodwill under French GAAP. Under French GAAP, goodwill was amortized on a straight-line basis over a period varying from 10 to 40 years. Subsequent to the adoption, the goodwill, under IFRS 3, is not amortized but is rather subject to impairment tests performed annually. Impairment tests are performed for the cash generating unit(s) to which the goodwill was allocated by comparing the recoverable value and the carrying amount of the cash generating unit(s). The Group considers that agencies or combinations of agencies are cash generating units.

Under U.S. GAAP and in accordance with SFAS 142 as of January 1, 2002 goodwill is not amortized but is subject to an annual impairment test. The recoverability of goodwill is evaluated at a reporting unit level. For its U.S. GAAP goodwill impairment tests, eight reporting units have been identified - seven of them are based on brands and the eighth segment is for other activities. As such, the €277 million of amortization and depreciation expense recorded, under French GAAP and IFRS, from January 1, 2002 up to December 31, 2004 has been reversed under US GAAP. Under IFRS, an impairment was recorded in the year ended December 31, 2006 for an amount of €23 million. It was reversed under US GAAP.

## **9. Basic earnings per share and diluted earnings per share**

Under IFRS, ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.

Under U.S. GAAP, basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period, which exclude any shares that would be issued upon the conversion of any mandatorily convertible instruments. The effect of the ORANEs is considered on an "as if converted" basis in the calculation of diluted earnings-per-share under US GAAP.

Accordingly, under IFRS, shares to be issued upon redemption of the ORANEs (26,035,483 shares) were taken into account in the computation of basic earnings per share.

## **10. Written put options related to minority interests**

Publicis has conditional obligations to shareholders of certain fully consolidated subsidiaries to purchase their minority shareholdings at prices determined using multiples of earnings that approximate fair value.

Under IFRS, the following accounting treatment has been adopted:

- On issuance, these conditional obligations are recognized as financial debt at the present value of the future purchase commitment, with the counterpart recorded as a reduction of minority interests (to the extent of the historical cost of the minority interest) and the excess, if any, is recorded as goodwill.
- Subsequent changes in the present value of the conditional obligations are recognized by adjusting the amount of goodwill.
- On expiration of the conditional obligation, if the purchase does not take place, the entries previously recognized are reversed. If the purchase is completed, the amount recognized in financial debt is debited against the cash outflows related to the purchase of the minority shareholdings.

Under U.S. GAAP, these conditional obligations to purchase minority interests are generally accounted for at the fair value of the option itself. Because the exercise price of the put option is based on the fair value of the underlying



shares at the date of eventual exercise, the fair value of the put options has been estimated to be zero and, accordingly, these conditional obligations have been treated as off-balance sheet items for U.S. GAAP. The conditional obligation recorded in financial debt under IFRS for €176 million as of December 31, 2006 is reversed under U.S. GAAP.

This adjustment has no impact on consolidated net income (group share) or consolidated shareholders' equity (group share).

**11. Classification of pension costs (interest cost and return on plan assets)**

Under IFRS, the interest and expected return on plan asset components of net periodic pension cost are recorded as an element of financial expense. Under U.S. GAAP, the interest and expected return on plan asset components of net periodic pension cost are recorded, along with the other components of net periodic pension cost, within operating expenses.

**12. Deferred income taxes**

In accordance with IAS 1 (revised), deferred income taxes have been classified as non-current in the balance sheet. Under U.S. GAAP, deferred taxes are classified as current or non-current items depending on the classification of the item giving rise to the temporary difference.

**13. Cumulative translation adjustments**

As allowed by IFRS 1, Publicis opted to not identify and reconstitute, as a separate component of shareholders' equity, cumulative translation adjustments at the date of transition to IFRS. Cumulative translation adjustments resulting from the translation of the accounts of foreign companies were, thus, cancelled at the date of transition to IFRS and any gains and losses on future disposals of these foreign entities will only take account of translation adjustments generated after the IFRS transition date. The cumulative translation adjustments balance that was cancelled under IFRS at the date of transition amounts to €154 million.

Under U.S. GAAP, the accounting treatment retained upon adoption of IFRS had no impact on the historical cumulative translation adjustment.

**14. Other**

The aggregate adjustment included as "Other" in the reconciliations of consolidated net income and shareholders' equity as of and for the years ended December 31, 2006, 2005 and 2004 consists mainly of differences between IFRS and U.S. GAAP relating to asset retirement obligations, insignificant tangible asset revaluations and insignificant adjustments related certain provisions that impacted the income statement under IFRS but goodwill under US GAAP.

**15. Deferred income tax on above adjustments**

This adjustment reflects the tax effects of the adjustments reflected in the reconciliations of consolidated shareholders' equity and consolidated net income.

In 2006, the Group was in a net deferred tax liability position under U.S. GAAP. The reversal of these deferred tax liabilities would have allowed the Group to realize the benefit of certain deferred tax assets under U.S. GAAP. Therefore, this adjustment also included the recognition of certain deferred tax assets under U.S. GAAP for an amount of €13 million.

**Condensed U.S. GAAP financial statements**

The consolidated statement of operations prepared under U.S. GAAP reflecting all of the above reconciling items is presented as follows:

|  | <b>Period ended December 31,</b> |              |              |
|--|----------------------------------|--------------|--------------|
|  | <b>2006</b>                      | <b>2005</b>  | <b>2004</b>  |
|  | <i>(Millions of euros)</i>       |              |              |
| <b>Revenues</b>                                    | <b>4,386</b>                     | <b>4,127</b> | <b>3,825</b> |
| Salaries and related expenses                      | (2,636)                          | (2,468)      | (2,199)      |
| Office and general expenses                        | (941)                            | (908)        | (924)        |
| Depreciation and amortization (1)                  | (149)                            | (193)        | (300)        |
| Other operating income (loss)                      | 25                               | 86           | -            |
| <b>Operating income (loss)</b>                     | <b>685</b>                       | <b>644</b>   | <b>402</b>   |
| Net financial income (loss)                        | (16)                             | (61)         | (41)         |
| Other income (expense), net                        | -                                | -            | 17           |
| <b>Income (loss) before income taxes</b>           | <b>669</b>                       | <b>583</b>   | <b>378</b>   |
| Income taxes                                       | (224)                            | (171)        | (12)         |
| <b>Income (loss) after income taxes</b>            | <b>445</b>                       | <b>412</b>   | <b>366</b>   |
| Equity in net income of non-consolidated companies | 22                               | 11           | 6            |
| Minority interest                                  | (26)                             | (28)         | (26)         |
| <b>Net income (loss)</b>                           | <b>441</b>                       | <b>395</b>   | <b>346</b>   |

Following the U.S. GAAP adjustments described above, the consolidated balance sheets as presented under U.S. GAAP at December 31, 2006, 2005 and 2004 are summarized as follows:

|                                 | <b>December 31,<br/>2006</b> | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|---------------------------------|------------------------------|------------------------------|------------------------------|
|                                 | <i>(Millions of euros)</i>   |                              |                              |
| <b>Assets</b>                   |                              |                              |                              |
| Cash and cash equivalents       | 1,920                        | 1,980                        | 1,128                        |
| Accounts receivable             | 4,214                        | 4,014                        | 3,282                        |
| Other current assets            | 1,143                        | 1,207                        | 1,033                        |
| <b>Current assets</b>           | <b>7,277</b>                 | <b>7,201</b>                 | <b>5,443</b>                 |
| Goodwill                        | 4,468                        | 4,624                        | 4,324                        |
| Intangible assets               | 1,345                        | 1,466                        | 1,412                        |
| Property and Equipment, net     | 458                          | 507                          | 511                          |
| Other non current assets        | 397                          | 317                          | 498                          |
| <b>Total non current assets</b> | <b>6,668</b>                 | <b>6,914</b>                 | <b>6,745</b>                 |
| <b>Total assets</b>             | <b>13,945</b>                | <b>14,115</b>                | <b>12,188</b>                |

**Liabilities and shareholders' equity**

|  |              |              |              |
|--|--------------|--------------|--------------|
| Current portion of long-term debt, capital lease obligations and short-term borrowings | 260          | 292          | 277          |
| Accounts payable   | 5,192        | 4,605        | 3,694        |
| Accrued expenses and other liabilities   | 1,501        | 2,102        | 1,943        |
| <b>Current liabilities</b>   | <b>6,953</b> | <b>6,999</b> | <b>5,914</b> |
| Long-term debt and capital lease obligations, less current portion                     | 2,827        | 2,861        | 2,634        |
| Other non-current liabilities  | 1,019        | 1,116        | 1,192        |
| Minority interest  | 71           | 65           | 46           |
| <b>Non current assets</b>  | <b>3,917</b> | <b>4,042</b> | <b>3,872</b> |
| Capital stock  | 79           | 79           | 78           |
| Additional paid-in-capital   | 5,594        | 4,827        | 4,752        |
| Retained earnings (deficit)  | (1,661)      | (745)        | (1,094)      |

F-80



|              |              |            |              |
|--------------|--------------|------------|--------------|
| <b>Total</b> | <u>2,118</u> | <u>706</u> | <u>1,412</u> |
|--------------|--------------|------------|--------------|

\*Includes impairment of €358 million, €357 million and €346 million in 2006, 2005 and 2004 respectively.

Consolidated amortization expense related to intangible assets, subject to amortization, for 2006, 2005 and 2004 was €59 million, €63 million and €68 million respectively.

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at December 31, 2006, for each of the next five fiscal years is as follows:

| <b>Year ending December 31,</b> | <b>(Millions of euros)</b> |
|---------------------------------|----------------------------|
| 2008                            | 58                         |
| 2009                            | 55                         |
| 2010                            | 42                         |





The incremental effect of FAS 158 is nil before applicable income tax in the Accumulated Other Comprehensive Income as at December 31, 2006.

The amounts in Accumulated Other Comprehensive Income that are expected to be recognized as components of net periodic benefit cost/(credit) during the next fiscal year are as follows:

| <b>Amount include in AOCI that will be recognized as a component of net periodic benefit cost over the next fiscal year (i.e. in 2007)</b> | <b>Pension benefits</b> | <b>Other Postretirement Benefits</b> | <b>Total</b> |
|--|-------------------------|--------------------------------------|--------------|
|  |                         | <i>(Millions of euros)</i>           |              |

F-82

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|  |          |            |          |
|--|----------|------------|----------|
| Estimated portion of prior service costs/(credits)                   | -        | (2)        | (1)      |
| Estimated portion of net (gain)/loss                                 | 4        | -          | 4        |
| <b>Total amount include in AOCI that will be recycled in P&amp;L</b> | <b>4</b> | <b>(2)</b> | <b>2</b> |

F-83

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## Amounts recognized in OCI before applicable income tax after applying FAS 158

|  | <b>Pension benefits</b> |             |             | <b>Other Postretirement benefits</b> |             |             | <b>Total</b>        |             |             |
|--|-------------------------|-------------|-------------|--------------------------------------|-------------|-------------|---------------------|-------------|-------------|
|  | <b>December 31,</b>     |             |             | <b>December 31,</b>                  |             |             | <b>December 31,</b> |             |             |
|  | <b>2006</b>             | <b>2005</b> | <b>2004</b> | <b>2006</b>                          | <b>2005</b> | <b>2004</b> | <b>2006</b>         | <b>2005</b> | <b>2004</b> |
| Amount of transition (asset)/obligation recognized as an adjustment to OCI | -                       | N/A         | N/A         | -                                    | N/A         | N/A         | -                   | N/A         | N/A         |
| Unamortized Prior Service Costs/(Credits) recognized in OCI                | 2                       | N/A         | N/A         | (13)                                 | N/A         | N/A         | (11)                | N/A         | N/A         |
| Unamortized Net (Gain)/Loss recognized in OCI                              | 49                      | N/A         | N/A         | 1                                    | N/A         | N/A         | 50                  | N/A         | N/A         |
| <b>Amount included in AOCI at end of year before applicable income tax</b> | <b>51</b>               | <b>N/A</b>  | <b>N/A</b>  | <b>(12)</b>                          | <b>N/A</b>  | <b>N/A</b>  | <b>39</b>           | <b>N/A</b>  | <b>N/A</b>  |

| <b>Pension benefits</b> |             |             | <b>Other Postretirement benefits</b> |             |             |
|-------------------------|-------------|-------------|--------------------------------------|-------------|-------------|
| <b>December 31,</b>     |             |             | <b>December 31,</b>                  |             |             |
| <b>2006</b>             | <b>2005</b> | <b>2004</b> | <b>2006</b>                          | <b>2005</b> | <b>2004</b> |

(Millions of euros)

|                                      |       |       |       |     |     |     |
|--------------------------------------|-------|-------|-------|-----|-----|-----|
| Accumulated Benefit Obligation (ABO) | (438) | (420) | (334) | N/A | N/A | N/A |
|--------------------------------------|-------|-------|-------|-----|-----|-----|

**Balance sheet Classifications as at December 31, 2006**

| Balance sheet as at December 31, 2006 | Pension benefits | Other Postretirement benefits |
|---------------------------------------|------------------|-------------------------------|
| Current Liability                     | (9)              | (2)                           |
| Non-Current Liability                 | (167)            | (22)                          |

□ **Employees stock option plans**

The employees stock-option plans disclosures required under IFRS are included in Note 28 to the financial statements. Additional information required for U.S. GAAP purposes is as follows:

The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model, with the following assumptions for 2006, 2005 and 2004: dividend yields of 1.23% in 2006, 1.22% in 2005 and 1.12% in 2004; expected implied volatility of 24.0% for 2006, 21.0% for 2005 and 24% for 2004; risk-free interest rate ranging between 3.64% and 3.75%, depending on the maturity date, in 2006, between 2.17% and 2.39% in 2005 and between 2.63% and 3.47% in 2004; and expected term of 3.8 for the first half of the long term incentive plan and 4.8 for the second half in 2006, 1.9 for the first half of the long term incentive plan and 2.9 years for the second half in 2005 and 2.6 for the first half of the long term incentive plan and 3.6 years for the second half in 2004. The weighted average estimated fair values of employee stock options granted during fiscal 2006, 2005 and 2004 were □6.57, □2.42 and □3.59, respectively.

|   | Numbers                    | Weighted Average Fair Value |
|---|----------------------------|-----------------------------|
|   | 2006                       | 2006                        |
|   | <i>(Millions of euros)</i> |                             |
| Non vested at the beginning of the year | 10,588,028                 | 6.31                        |
| Non vested at the end of the year       | 15,036,291                 | 6.65                        |
| Granted during the year                 | 10,356,050                 | 6.68                        |
| Vested during the year                  | 4,914,212                  | 6.01                        |
| Forfeited during the year               | 1,075,210                  | 6.37                        |

The total intrinsic value of options exercised for the periods ending December 31, 2006, 2005 and 2004 respectively amount to □6.0 million, □1.4 million and □1.0 million.

The total fair value of shares vested for the periods ending December 31, 2006 respectively amount to □29.6 million (old plans 1997 and 1998, with a fair value close to zero, therefore nothing disclosed for 2005).

The total compensation cost related to non vested awards not yet recognized amounts to □45.7 millions as of December 31, 2006. The weighted average period over which the expense is expected to be recognized amounts to 2.8 years.

Cash received from the option exercises and purchases under the purchase plan for the year ended December 31, 2006 was □22.2 million. The group policy for issuing new shares is either to use treasury shares or the purchase shares on the market.

Total tax benefit attributable to option exercised for the year ended December 31, 2006 was □3.6 million.

As of December 31, 2005 and 2004 and in accordance with SFAS 123, Publicis had elected to continue to account for stock-based compensation using the □intrinsic value□ method under the guidelines of APB 25, as opposed to the



fair value method in SFAS 123. For the Publicis plans, under APB 25, compensation expense amounting to 32 million and 0 million, respectively, which related principally to stock option plans with performance requirements that are considered variable plans under U.S. GAAP, was recognized.

SFAS 148, Accounting for Stock-Based Compensation Transition and Disclosure requires companies that continue to account for stock-based compensation in accordance with APB 25 to disclose certain information using tabular presentation as presented below. If the Group had elected to recognize compensation expense based upon the fair value method of SFAS 123, pro forma net earnings and earnings per common share would be as follows (for purposes of pro-forma disclosures, the estimated fair value of the options granted is amortized to expense over the vesting period of the options):

|  | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|
| <b>Net earnings U.S. GAAP</b>  |             |             |
| Net income (loss) as reported  | 395         | 346         |
| Add: Stock-based employee compensation expense, net of tax, included in reported net income (loss)     | 25          | -           |
| Deduct: Stock-based compensation expense determined under fair value method for all awards, net of tax | (17)        | (15)        |
| Pro forma net income (loss)  | 403         | 331         |
| <b>Basic earnings per common share</b>   |             |             |
| As reported  | 2.16        | 1.90        |
| Pro forma  | 2.20        | 1.81        |
| <b>Diluted earnings per common share</b>   |             |             |
| As reported  | 1.63        | 1.51        |
| Pro forma  | 1.66        | 1.45        |

#### **Income taxes**

The income tax disclosures required under IFRS are included in Note 8 to the financial statements. Additional information required for U.S. GAAP purposes is as follows:

|   | <u>2006</u> | <u>December 31,</u><br><u>2005</u> | <u>2004</u> |
|---|-------------|------------------------------------|-------------|
|   |             | <i>(Millions of euros)</i>         |             |
| Net income before taxes and minority interests: |             |                                    |             |
| France  | 52          | 40                                 | (88)        |
| Foreign   | 609         | 531                                | 306         |
| Total   | 661         | 571                                | 218         |
| Income tax expense:                             |             |                                    |             |
| France  | (9)         | 15                                 | (199)       |
| Foreign   | (183)       | (172)                              | 113         |
| Total   | (192)       | (157)                              | (86)        |

*Expiration dates of net operating loss carry forwards*

In connection with the business combination with Saatchi & Saatchi, Publicis acquired approximately €500 million in net operating loss carryforwards related to former Saatchi & Saatchi operations. At December 31, 2006, the remaining net loss carryforwards related to these operations amounted to €55 million, which will expire between 2007 and 2010. The Company has not recognized these operating loss carryforwards in the financial statements prepared under IFRS due the uncertainty of their realizability. For U.S. GAAP purposes, the deferred tax assets acquired in connection with this business combination has been 100% reserved.

Additionally, under IFRS, at December 31, 2006, the Group had approximately €305 million of operating loss carryforwards, of which €42 million will expire between 2007 and 2011 and €10 million will expire between 2012

F-86

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and 2020. The remaining €253 million have no expiration. The Group has not recognized these operating loss carry forwards in the financial statements prepared under IFRS due to the uncertainty of their realizability.

□ Earnings per share

The following table sets forth the computation of basic and diluted earnings per common share under U.S. GAAP:

|   | <u>2006</u>                            | <u>2005</u> | <u>2004</u> |
|---|--|-------------|-------------|
|   | <i>(in millions except share data)</i> |             |             |
| Numerator:  |  |             |             |
| Earnings from continuing operations (U.S. GAAP)   | €441                                   | €395        | €346        |
| Earnings available to shareholders □ for basic earnings per share                                     | €441                                   | €395        | €346        |
| Earnings from continuing operations (U.S. GAAP)   | €441                                   | €395        | €346        |
| After-tax saving of OCEANEs and ORANEs interest if converted  | €13                                    | €11         | €34         |
| Earnings available to shareholders □ for diluted earnings per share                                   | €454                                   | €406        | €380        |
| Denominator:  |  |             |             |
| Denominator for basic earnings per share - weighted-average shares                                    | 184                                    | 183         | 182         |
| Potential dilutive common shares □ employee stock options   | 1                                      | 9           | 1           |
| Potential dilutive common shares □ OCEANEs  | 29                                     | 30          | 40          |
| Potential dilutive common shares □ ORANEs   | 26                                     | 28          | 28          |
| Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions | 240                                    | 249         | 251         |
| Basic earnings available to shareholders per common share   | €2.40                                  | €2.16       | €1.90       |
| Earnings available to shareholders per common share - assuming dilution .                             | €1.89                                  | €1.63       | €1.51       |

□ New accounting pronouncements

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statement in accordance with FAS 109. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Group is currently assessing what impact, if any, this new interpretation will have when adopted.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"). Due to diversity in practice among registrants, SAB 108 expresses SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006. The group has adopted this standard for the current period ended and its adoption had no effect on our consolidated financial statements for the year ended December 31, 2006 or for any prior period presented.

In September 2006, the FASB issued FAS 157, "Fair Value Measurement" ("FAS 157"). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Group has not yet estimated the impact, if any, of the new interpretation.

In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FAS 115" ("FAS 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by

providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for

F-87

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financial statements issued for fiscal years beginning after November 15, 2007. The Group has not yet estimated the impact, if any, of the new interpretation.

In March 2006, EITF 06-03: "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation)" was issued. EITF 06-03 provides guidance on how to account for any tax assessed by a governmental authority that is imposed concurrent with a revenue producing transaction between a seller and a customer. EITF 06-03 is effective for the first interim reporting period beginning after December 15, 2006. EITF 06-03 is not expected to have a material impact on the group's financial position, results of operations or cash flows.

F-88

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**Item 19. Exhibits**

The following exhibits are included herein:

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>   |
|-----------------------|---|
| 1                     | <i>Statuts</i> (by-laws) of Publicis Groupe S.A. (unofficial English translation) (incorporated by reference from Exhibit 1 to the Annual Report of Publicis Groupe S.A. on Form 20-F for the fiscal year ended December 31, 2001).   |
| 2                     | We agree to furnish a copy of an English translation of any instrument defining the rights of holders of our long term indebtedness to the SEC upon its request.  |
| 4.1                   | Agreement, dated as of November 3, 2005, by and between Saatchi & Saatchi North America, Inc. and Kevin Roberts (incorporated by reference from Exhibit 4.8 to the Annual Report of Publicis Groupe S.A. on Form 20-F/A for the fiscal year ended December 31, 2004).                             |
| 4.2                   | Agreement, dated as of November 3, 2005, by and among Saatchi & Saatchi North America, Inc., Saatchi & Saatchi Limited and Red Rose Limited (incorporated by reference from Exhibit 4.9 to the Annual Report of Publicis Groupe S.A. on Form 20-F/A for the fiscal year ended December 31, 2004). |
| 4.3                   | Annuity Agreement, dated as of November 3, 2005, by and among Saatchi & Saatchi North America, Inc. and Kevin Roberts (incorporated by reference from Exhibit 4.10 to the Annual Report of Publicis Groupe S.A. on Form 20-F/A for the fiscal year ended December 31, 2004).                      |
| 8                     | List of Subsidiaries. See note 32 to our financial statements.  |
| 11                    | Code of Ethics (incorporated by reference from Exhibit 11 to the Annual Report of Publicis S.A. on Form 20-F for the fiscal year ended December 31, 2004).  |
| 12.1                  | Certification by Maurice Lévy, Chairman of the Management Board and Chief Executive Officer, required by Section 302 of the Sarbanes-Oxley Act of 2002.   |
| 12.2                  | Certification by Jean-Michel Etienne, Chief Financial Officer, required by Section 302 of the Sarbanes-Oxley Act of 2002.   |
| 13.1                  | Certification by Maurice Lévy, Chairman of the Management Board and Chief Executive Officer, and Jean-Michel Etienne, Chief Financial Officer, required by Section 906 of the Sarbanes-Oxley Act of 2002.   |
| 15.1                  | Report of the Supervisory Board Chairman on the Preparation and Organization of the Supervisory Board Work and the International Control Procedures (English translation).  |
| 100                   |   |

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**Publicis Groupe S.A.**

By: /s/ Maurice Lévy

Name: Maurice Lévy

Title: Chief Executive Officer and  
Chairman of the Management Board

Dated: April 6, 2007

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