

PUBLICIS GROUPE SA  
Form 20-F  
April 21, 2006

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**As filed with the Securities and Exchange Commission on April 21, 2006**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 20-F**

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

**OR**

**p ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

**OR**

**o 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-ÉLYSÉES  
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:**

**Title of Each Class:**

**Name of Each Exchange on Which Registered:**

American Depositary Shares (as evidenced by American Depositary Receipts), each American Depositary Share representing one Ordinary Share  
Ordinary shares, nominal value 0.40 per share\*

The New York Stock Exchange, Inc.

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:

Ordinary shares, nominal value 0.40 per share  
*(title of class)*

197,109,010(1)  
*(number of ordinary shares)*

(1) Including 13,039,764 ordinary shares held in treasury.

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

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**FORWARD-LOOKING STATEMENTS**

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

Many of the statements included in this Annual Report, as well as oral statements that may be made by Publicis or by its officers, directors or employees acting on behalf of Publicis related to such information, constitute or are 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 , proje expressions 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.

Among the factors that may influence Publicis actual results and cause them to differ materially from the implied or expected results as described in such 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 at short notice;

a significant portion of our revenues comes from a small number of large advertisers;

conflicts of interest between our clients who compete with each other in the same business sector may negatively impact our growth;

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;

internal controls may prove difficult to implement;

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;

currency exchange rate fluctuations and interest rate and market risk may negatively affect our financial results;

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;

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it may not be possible for shareholders to effect service of legal process, enforce judgments of courts outside of France or bring actions based on securities laws of jurisdictions other than France against Publicis, its executive officers or members of its supervisory or management boards;

the ability of holders of our ADSs to influence the governance of our company may be limited;

some provisions of French law and our *statuts* (by-laws) could have anti-takeover effects;

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

other matters not yet known to us or not currently considered material by us.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof.

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, the 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 1.18 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 30, 2005, the last business day prior to the date of Publicis' 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, 2005 and 2004 included elsewhere in this Annual Report on Form 20-F are referred to herein as the Consolidated Financial Statements. References to fiscal or financial year 2005 and fiscal year 2004 in this Annual Report on Form 20-F mean the fiscal years ending respectively on December 31, 2005 and 2004, 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 of this Annual Report on Form 20-F have been restated. 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**

Until 2004, we prepared our consolidated financial statements in accordance with French GAAP. As of 2005, all European listed companies are required to prepare their consolidated financial statements in accordance with the IFRS as adopted by the European Union. Thus, the 2005 consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and the comparative 2004 consolidated financial statements have been adjusted in accordance with the same

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principles. 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. A detailed explanation of the transition to IFRS and the impact on our consolidated financial statements is given in note 32 to the consolidated financial statements. We do not believe the differences between the IFRS as adopted by the European Union and the IFRS as issued by the International Accounting Standards Board had any impact on Publicis consolidated financial statements.

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 34 to our consolidated financial statements included in Item 18 of this annual report.

In accordance with General Instruction G of Form 20-F, we are omitting from this Annual Report the earliest of the three years of audited consolidated financial statements required by Item 8.A.2. and certain other financial information.

**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 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.

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**Table of Contents****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 following selected financial data prepared in accordance with IFRS, including the U.S. GAAP reconciliation thereof, as of and for the year ended December 31, 2005 are derived from the consolidated financial statements of Publicis included in this Annual Report, which have been audited by Ernst & Young Audit and Mazars & Guerard, our independent auditors. The following selected financial data prepared in accordance with IFRS, including the U.S. GAAP reconciliation thereof, as of and for the year ended December 31, 2004 are derived from the consolidated financial statements of Publicis included in this Annual Report, which have been audited by Ernst & Young Audit, our independent auditor. The following selected financial data prepared in accordance with U.S. GAAP as of and for each of the years ended December 31, 2003, 2002 and 2001 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 for the year ended December 31, 2005 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 34 to the Publicis Groupe audited consolidated financial statements included in this annual report.

In January 2006, Publicis Groupe recognized the need to restate certain financial statement information as of December 31, 2004, 2003 and 2002 and for the year ended December 31, 2003. See Item 5. Operating and Financial Review and Prospects - Restatement of Prior Period, for more information.

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,****2001      2002      2003      2004      2005****(In millions of euros, except per share data)****IFRS Income statement data:**

|                  |  |  |  |       |       |
|------------------|--|--|--|-------|-------|
| Revenue          |  |  |  | 3,832 | 4,127 |
| Operating income |  |  |  | 326   | 652   |
| Net income       |  |  |  | 304   | 414   |

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|  | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

**(In millions of euros, except per share data)**

|   |  |  |  |       |        |
|---|--|--|--|-------|--------|
| Earnings per share: basic(1)                              |  |  |  | 1.32  | 1.83   |
| Earnings per share: diluted(2)                            |  |  |  | 1.29  | 1.76   |
| Dividends per share(3)                                    |  |  |  | 0.30  | 0.36   |
| <b>IFRS Balance sheet data:</b>                           |  |  |  |       |        |
| Tangible and intangible assets, net                       |  |  |  | 4,132 | 4,377  |
| Total assets  |  |  |  | 9,855 | 11,744 |
| Bank borrowings and overdrafts (Short-term and long-term) |  |  |  | 1,765 | 2,137  |
| Shareholders' equity                                      |  |  |  | 1,629 | 2,085  |

- (1) Based on the weighted average number of shares outstanding in each period used to compute basic earnings per share, equal to 210.5 million shares in 2004 and 210.4 million shares in 2005.
- (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 and 2005.
- (3) Dividends per ADS in U.S. Dollars were \$0.35 in 2004 and \$0.42 in 2005. (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 30, 2005. This Noon Buying Rate may differ from the rate that may be used by the Depository to convert euros to U.S. dollars for purposes of making payments to holders of ADSs.)

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

|  | 2001 | 2002(3)    | 2003       | 2004       | 2005 |
|--|------|------------|------------|------------|------|
|  |      | (Restated) | (Restated) | (Restated) |      |

**(In millions of euros, except per share data)**

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| <b>U.S. GAAP Income statement data:</b>                   |        |        |        |        |        |
| Revenues  | 2,434  | 2,969  | 3,863  | 3,825  | 4,127  |
| Operating profit (loss)                                   | (466)  | 353    | (585)  | 402    | 644    |
| Net income (loss)   | (647)  | (13)   | (777)  | 346    | 395    |
| Earnings (loss) per share: basic(1)                       | (4.76) | (0.09) | (4.25) | 1.90   | 2.16   |
| Earnings (loss) per share: diluted(2)                     | (4.76) | (0.09) | (4.25) | 1.51   | 1.63   |
| <b>U.S. GAAP Balance Sheet data:</b>                      |        |        |        |        |        |
| Tangible and intangible assets, net                       | 3,789  | 8,307  | 7,036  | 6,408  | 6,748  |
| Total assets  | 6,931  | 14,421 | 13,271 | 12,188 | 14,115 |
| Bank borrowings and overdrafts (short-term and long-term) | 1,052  | 3,540  | 3,975  | 2,911  | 3,153  |
| Shareholders' equity                                      | 1,866  | 3,755  | 2,302  | 2,402  | 3,074  |

(1)

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Based on the weighted average number of shares outstanding in each period used to compute basic earnings (loss) per share, equal to 139.0 million shares in 2001, 146.0 million shares in 2002, 182.8 million shares in 2003, 182.4 million in 2004, and 182.8 million in 2005.

- (2) Based on the weighted average number of shares outstanding in each period used to compute diluted earnings (loss) per share, equal to 139.7 million shares in 2001, 171.0 million shares in 2002, 239.5 million shares in 2003, 251.6 million in 2004, and 249.3 million in 2005.
- (3) 2002 amounts include the operations of Bcom3 Group, Inc. for the period between the acquisition date in September 2002 through December 31, 2002.

**Table of Contents****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.

|                            | <b>Period<br/>End(1)</b> | <b>Average<br/>Rate(2)</b> | <b>High</b> | <b>Low</b> |
|----------------------------|--------------------------|----------------------------|-------------|------------|
| 2001                       | 0.89                     | 0.89                       | 0.95        | 0.84       |
| 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       |
| October 2005               |                          |                            | 1.21        | 1.19       |
| November 2005              |                          |                            | 1.21        | 1.17       |
| December 2005              |                          |                            | 1.20        | 1.17       |
| 2006 (through March 31(3)) |                          |                            |             |            |
| January 2006               |                          |                            | 1.23        | 1.20       |
| February 2006              |                          |                            | 1.21        | 1.19       |
| March 2006                 |                          |                            | 1.22        | 1.19       |

(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 March 31, 2006 was 1.21.

**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 earnings and financial situation of the Group. 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.



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***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 businesses conducted by us, such as the so-called *Loi Sapin* in France, which prohibits agencies from buying advertising space for resale to their clients, and most of the countries in which we operate have regulations which tend to restrict the advertising of alcohol and tobacco. The adoption or changes in such laws, regulations and codes could have a negative impact on our business and earnings.

***Our contracts with clients may be terminated at short notice.***

Clients' commitment to their communications agencies is limited and client-agency contracts may be terminated on relatively short notice, generally between three and six months. Some clients 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 a small number of large advertisers.***

Our top five and ten clients represented approximately 26% and 34%, respectively, of our consolidated revenue in 2005. 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 growth.***

The Group has several different agency networks, which tends to limit potential conflicts of interest. However, unless the client's consent is obtained, a relationship with an existing client prevents an agency from offering 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.

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***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 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.***

Competition for management and certain other employees in the advertising and communications industry is highly competitive. 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 the skills of our creative, sales representative, media and account personnel, and 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, financial condition and results of operations could be materially 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 acquisitions and investments 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.

***Internal controls may prove difficult to implement.***

We operate on a decentralized basis with a large number of legal entities operating independently of one another, mostly for sales and client relationship reasons. As a result, the implementation of reliable, standardized procedures throughout our operations may take longer than in other companies or in other

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sectors. If we are unable to implement reliable, standardized procedures and internal controls in a timely manner, our ability to record, process, summarize and report financial information within the time periods specified in the rules and forms of the SEC may be adversely affected, which could have a material adverse impact on our business, financial condition and the market value of our securities.

***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<sup>1</sup>, 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 are subject to a number of risks and other factors, including, among other things, the risks described in this Item 3. Key Information Risk Factors.

***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, among other risks. 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.***

On December 14, 2005, we obtained our first ratings of BBB+ by Standard & Poor's, and Baa2 by Moody's Investors Service (Moody's). 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.

***Currency exchange rate fluctuations and interest rate and market risk may negatively affect our financial results.***

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 consolidated 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 consolidated 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. We are also subject to interest rate risk. See Item 5 Operating and Financial Review and Prospects, Item 11 Quantitative and Qualitative Disclosure About Market Risk and notes 22 and 26 of the notes to our consolidated financial statements included elsewhere herein for additional information related to our exposure to exchange rate and other market risks.

<sup>1</sup> The operating margin rate is defined as operating margin divided by revenue, in each case as determined under currently applicable IFRS.



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***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.***

Fluctuations in the exchange rate for converting euros into U.S. dollars may affect the value of our ADSs. Specifically, as the relative value of the euro against the U.S. dollar declines, each of the following values will also decline:

the U.S. dollar equivalent of the euro trading prices of our ordinary shares on Euronext, which may consequently cause the trading price of our ADSs in the United States to also decline;

the U.S. dollar equivalent of the proceeds that a holder of our ADSs would receive upon the sale in France of any of our ordinary shares withdrawn from the depositary arrangement; and

the U.S. dollar equivalent of cash dividends paid in euros on our ordinary shares represented by our ADSs.

***It may not be possible for shareholders to effect service of legal process, enforce judgments of courts outside of France or bring actions based on securities laws of jurisdictions other than France against Publicis, its executive officers or members of its supervisory or management boards.***

Publicis and a majority of its executive officers and members of its supervisory and management boards are residents of France and other countries other than the United States. In addition, many of the assets of Publicis and such persons are located in whole or in substantial part outside of the United States. As a result, it may not be possible for you to effect service of legal process within the United States upon us or most of such persons, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, judgments of U.S. courts, including those predicated on the civil liability provisions of the U.S. federal securities laws, may not be enforceable in French courts. As a result, our shareholders who obtain a judgment against us or such persons in the United States may not be able to require us or such persons to pay the amount of the judgment.

***The ability of holders of our ADSs to influence the governance of our company may be limited.***

Holders of our ADSs may not have the same ability to influence the governance of our company as shareholders in some U.S. companies would. For example, holders of our ADSs may not receive voting materials in time to ensure that they can instruct the depositary to vote their shares. In addition, the depositary's liability to holders of our ADSs for failing to carry out voting instructions or for the manner of carrying out voting instructions is limited by contract.

***Some provisions of French law and our statuts (by-laws) could have anti-takeover effects.***

French law requires any person who acquires more than 5%, 10%, 15%, 20%, 25%, one-third, one-half, two-thirds, 90% or 95% of our outstanding shares or voting rights to inform us within 5 days of crossing the threshold percentage. A person acquiring more than 10% or 20% of our share capital or voting rights must include in the report a statement of the person's intentions relating to future acquisitions or participation in the management of our company for the following 12-month period. Shareholders who fail to comply with these requirements may be deprived of voting rights for a period of up to five years and may, in some cases, be subject to criminal fines. In addition, our *statuts* (by-laws) provides double voting rights for shares owned by any shareholder in registered form for at least two years. Our *statuts* further provide that any person who acquires or disposes of more than 1% of our outstanding shares or voting rights must inform us within 15 days of crossing the threshold percentage and that we may require a corporate entity holding shares representing more than 2.5% of our share capital or voting rights to 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. Shareholders who fail to comply with these requirements may be deprived of voting rights. Finally, our shareholders have 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. Giving effect to the provisions of our *statuts* that gives double voting

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rights to shares owned by the same shareholder in registered form for at least two years, we estimate that the chairperson of our supervisory board, Ms. Elisabeth Badinter, owns approximately 17.2% of the voting power of our company.

*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*, a form of corporation. It was incorporated in France in 1938, pursuant to the French commercial code, for a term of 99 years. 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 to establish brands and became the exclusive representative for sales of advertising time on the French government-owned public broadcasting system. In 1934, following 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 and Sopad-Nestlé. Realizing the importance of qualitative research, he signed an agreement with survey specialist IFOP in 1948 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 Élysées 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.

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In 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!, France's number-four communications network, followed by its merger with BMZ to form our 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.

The U.S. was a prime focus from 1998 on, reflecting a strategic commitment to building our presence in the English-speaking world, particularly in the world's largest advertising market. At the same time, the pace of acquisitions accelerated, taking on an increasingly worldwide scope to cover Latin America and Canada, and subsequently the Asia-Pacific region, the Middle East and Africa. 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. This was a major milestone in its expansion in both Europe and the U.S.. In September that year, Publicis was listed on the New York Stock Exchange.

In 2001, Publicis Groupe set up 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 2005, 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 2004, Publicis Groupe became a member of the CAC 40 index, the main benchmark for the French stock market.

### **PRINCIPAL CAPITAL EXPENDITURES AND DIVESTITURES**

Historically, our principal capital expenditures had been associated with acquisitions of other advertising and communications firms as a result of our strategy of global expansion. Following our acquisition of Bcom3 in 2002, we adopted a more selective acquisition strategy.

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In 2003, the Group slowed its acquisitions strategy in order to focus on the integration of the Bcom3 acquisition and to conserve the Group's liquidity during a year when there were material charges related to restructuring transactions. Our capital expenditures in 2003 related primarily to the acquisition of a 25% interest in ZenithOptimedia, held by Cordiant, which amounted to 107 million. This transaction occurred following the acquisition of Cordiant by WPP in 2003. Thus, following the acquisition, Publicis held 100% of ZenithOptimedia, strengthening its position as a worldwide leader in advertising and communications, as it also held a 100% interest in Starcom MediaVest. Moreover, the Group re-acquired a minority interest in Starcom Motive, a U.K. entity of Starcom MediaVest group. There were no other material acquisitions in 2003. During 2003, other capital expenditures were limited to earnouts and the acquisition of the shares of minority shareholders in Publicis agencies.

Capital expenditures related to acquisitions, earnouts and minority interests were approximately 200 million in total in 2003. We invested an additional 118 million in other property, plant, equipment and intangible assets (net of disposals) in 2003. The Group acquired a few of its own shares in 2003 and spent 7 million for such purchases.

In 2004, we continued our strategy of making smaller and selective acquisitions in order to prioritize debt reduction and the improvement of our financial ratios. Our main acquisitions were Thompson Murray, a U.S. shopper-marketing agency (which employs a marketing technique that allows the client to reach the consumer at the point of purchase) 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 capital expenditures of approximately 104 million in total. We also invested an additional 104 million in other property, plant, equipment and intangible assets (net of disposal). The Group hardly acquired any of its own shares in 2004.

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 Promómetro, and 33% of Métrobus (France). As a result of the foregoing, proceeds, net of acquisitions, totaled 27 million in 2005. Total investments in tangible and intangible assets, net of divestments, were limited to 75 million in 2005. The Group did not acquire any of its own shares during the 2005 financial year.

In September 2005, Publicis announced the existence of exploratory talks with Aegis plc (Aegis), a U.K. group, and in October indicated that it did not intend to make an offer at that stage since it did not believe that an offer would be in the best interests of its shareholders. However, without having given any firm commitment Publicis reserved its right to reverse its position if a third party announced its intention to make an offer for Aegis or if the Aegis Board of Directors expressed agreement or made a recommendation.

In 2006, the Group acquired a 60% majority interest in Solutions Integrated Marketing Services, the leading marketing services agency in India. The Group also announced an agreement to acquire 80% of Betterway Marketing Solutions, one of the largest marketing services agencies in China. This transaction is subject to Chinese regulatory approval.

For information concerning our level of ownership in the foregoing acquired agencies, and our other subsidiaries as of December 31, 2005, see note 33 to our consolidated financial statements. We have made no material divestitures since the beginning of 2003, except as described above and in Item 5 Operating and

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Financial Review and Prospects Overview and Outlook for 2006 and there are no material divestitures currently in progress.

There have been no public takeover offers by third parties in respect of our shares since January 1, 2005, nor, except as described under Historical Background, have we made any public takeover offers in respect of other companies' shares since that date.

**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 196 cities in 104 countries on five continents and we had more than 38,000 employees as of December 31, 2005.

Publicis also holds a leadership 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, South America and Asia. In Japan, Publicis has access to the Japanese market through our strategic partnership with Dentsu, which we established in 2002.

While internal management, reporting and compensation systems are not organized by discipline, Publicis Groupe does provide the financial markets with information concerning the relative weight of different business lines solely for the purpose of allowing sector comparisons. The Group's principal business lines consist of traditional advertising, SAMS and media services, which represented 46%, 28% and 26% of 2005 revenues, respectively, and 55%, 22% and 23% of our 2004 revenues, respectively, and which are described in greater detail below:

**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 units, such as Fallon, our 49% interest in Bartle Bogle Hegarty, a U.K.-based agency, Marcel and the Kaplan Thaler Group.

**Specialized agencies and marketing services.** In addition to traditional advertising services, we provide specialized communications services such as public relations, corporate and financial communications, healthcare communications (aimed to answer the specific needs of the pharmaceutical industry), direct marketing, sales promotion, CRM ( Customer Relationship Management ), interactive communications, events communications and design. Such services, collectively referred to herein as SAMS, are provided through various subsidiaries, including Publicis Dialog, ARC Worldwide, Publicis Healthcare Communications Group (PHCG), Publicis Public Relations and Corporate Communications Group (PRCC), and Publicis Events Worldwide. These specialized communications services are generally provided in conjunction with traditional advertising services.

**Media services.** We conduct media buying operations through PGM Publicis Groupe Media, Starcom MediaVest Group, ZenithOptimedia and Denuo, which was recently formed to advise on new media. Our media sales activities are conducted in France through Médias & Régies Europe.

**Strategy**

With our acquisition of Saatchi & Saatchi in 2000, and our acquisition of Bcom3 and formation of a partnership with Dentsu in 2002, we became a world leader in the advertising and communications industry in terms of geographical presence, array of services and flexibility. Our strategy is that of a top tier global advertising and communications group, rather than a small and specialized company. Our overall priority is to build and maintain a holistic relationship between our clients and us and to increase on a country-by-

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country basis our geographical presence and the scope of services we provide to clients, through both acquisitions and by creating new teams. The main components of our strategy are to:

***Expand our SAMS operations specialized agencies and marketing services***

We intend to grow our existing SAMS operations by making selective acquisitions and by providing direct marketing, sales promotion, CRM (Customer Relationship Management), corporate communications, financial communications, interactive communications and public relations services. We believe that providing these services will help us to build and maintain a holistic relationship between us and our clients and to take advantage of these trends.

***Increase our geographical presence and service offerings***

We rank among the top advertising and communications firms in most of the major countries in which we operate, and we believe this gives us a visibility that is useful in the competition for new clients. We may make selective acquisitions in order for us to strengthen our position of market leadership in these countries. In addition, we may expand our presence through acquisitions in emerging economies, which we believe are promising and where demand for advertising services is growing, such as Asia (China, India), South America (Brazil, Mexico) or Eastern Europe (Russia).

**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 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, sociological and psychological studies and creative insight. The creation of advertising includes the writing, design and development of concepts. When a concept has been approved by a client, we supervise the production of materials necessary to implement it, including film, video, radio, advertising in newspapers, internet or interactive media, including cell phones, print, audio and electronic materials. Our advertising programs involve all media, including television, magazines, newspapers, cinema, radio, outdoor, electronic and interactive media.

***Business Structure***

Our primary networks Publicis, Saatchi & Saatchi and Leo Burnett (each having different cultural backgrounds, methods and creative styles) provide traditional advertising services, but each has some SAMS operations as well.

*Publicis.* This network, headquartered in Paris, operates in 83 countries around the world, including Europe and the United States, and is comprised of agencies (including Publicis & Hal Riney, Burrell Communications and Bromley Communications), as well as Publicis Dialog with operations in 36 countries, in order to provide a holistic offering.

*Saatchi & Saatchi.* This network headquartered in New York, operating in 80 countries around the world, consists principally of Saatchi & Saatchi agencies, as well as Saatchi & Saatchi X, a worldwide marketing services network organization (shopper's marketing) operating mostly in the U.S. It also includes The Facilities Group, a U.K. group that provides a range of technical and creative services in the areas of design, audiovisual production and print.

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*Leo Burnett.* Headquartered in Chicago, the Leo Burnett network operates full service advertising agencies in 83 countries around the world. It also operates a number of SAMS units that focus primarily on direct, database and interactive marketing and sales promotion under ARC Worldwide.

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

*Fallon.* This network is headquartered in Minneapolis and has 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 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 our traditional advertising activities. Services provided by our SAMS operations include:

*Direct marketing/customer relationship management.* CRM focuses on building clients' relationships with individual customers through the use of direct marketing techniques and other means, as opposed to traditional advertising services which target groups of consumers or the public at large. 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.* Our sales promotion operations seek to increase sales and awareness of clients' products and consumer loyalty through point-of-sale promotions, coupon programs and similar means.

*Healthcare communications.* We have a network of agencies that work exclusively with clients in the healthcare industry to reach consumers and doctors and other medical professionals through advertising campaigns, medical conferences and symposia, and other means. These agencies also provide marketing services such as public relations, consulting and sales personnel recruitment and training.

*Multicultural and ethnic communications.* Some of our agencies 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 deliver their message to investors and the public 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 to improve a client's overall image with prospective applicants for companies seeking job applicants and recruiting firms. We also assist clients in developing internal communications programs.

*Public relations.* Our public relations services are designed to assist clients with the management of their ongoing relations with the press and the public. 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, and (iii) media relations services, which help clients enhance their brand recognition and image.



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*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 website and intranet design, Internet-related direct marketing and related services and 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.

*Sports marketing.* We plan and execute events and marketing programs for our clients around major sporting events to enable them to communicate with their consumers or their business partners (sponsorship, hospitality packages and marketing rights).

*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/digital communications.* ARC Worldwide, Publicis Dialog and Saatchi & Saatchi X.

*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.

*Sport marketing.* iSe International Sports & Entertainment AG (iSe), a joint venture with Dentsu Inc.

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

\* *Publicis announced in April 2005 the creation of Publicis Public Relations and Corporate Communications Group (PRCC) with 1,300 employees carrying out these services in 25 countries under the brands Publicis Consultants, Manning Selvage & Lee and Freud Communications. PRCC is not a new company, and did not result in the merger of agencies. It is a management board whose purpose is to improve the service offerings to clients, similar to PGM (Publicis Groupe Media).*

### **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



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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 sell advertising space in 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. ZenithOptimedia conducts media services operations in 53 countries around the world. It has a strong presence in the U.K., the U.S., Germany, France and Spain. Starcom MediaVest conducts media services operations in 71 countries around the world, with a particularly strong presence in the U.S.

*Media sales.* We conduct media sales activities through Médias & Régies Europe and its subsidiaries, including Métrobus (poster 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.).

**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 to all of the operating entities of the Group amounted to 50 million in 2005, which was allocated to the operating entities of the Group on the basis of their relative revenues. The holding company holds the medium and long term debt of the Group.

**Markets**

We conduct operations in 104 countries and 196 cities around the world. Our primary markets are Europe and the U.S. Below, we show the contribution of selected geographical markets to our revenue for the years ended December 31, 2005 and 2004\* (in millions of euros):

| Year* | Europe | North America | Rest of the World | Total |
|-------|--------|---------------|-------------------|-------|
| 2005  | 1,647  | 1,763         | 717               | 4,127 |
| 2004  | 1,584  | 1,633         | 615               | 3,832 |

\* 2003 data is not shown as it has not been adjusted for the application of IFRS and is therefore not readily comparable.

**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 whose accounts are managed in more than five countries. Our largest single client, Procter & Gamble, accounted for approximately 10% of our consolidated revenues in 2005, while our five largest clients together accounted for approximately 26% of our consolidated revenues in 2005 and our ten largest clients accounted for approximately 34% of our consolidated revenues in 2005.

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



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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.

Our largest clients in 2005 were as follows:

**Publicis**

|                   |                   |
|-------------------|-------------------|
| Cadbury,          |                   |
| Coca-Cola,        | Procter & Gamble, |
| Deutsche Telekom, | Renault,          |
| Fidelity,         | Sanofi-Aventis,   |
| Hewlett-Packard,  | Sprint,           |
| L'Oréal,          | Telefonica,       |
| Nestlé,           | UBS,              |
| Pernod Ricard,    | Zurich Financial  |

**Leo Burnett**

|                    |                     |
|--------------------|---------------------|
| Allstate,          | Nintendo,           |
| ConAgra,           | Philip Morris,      |
| Fiat,              | Procter & Gamble,   |
| General Motors,    | Samsung,            |
| Hallmark,          | Visa International, |
| Kellogg's/Keebler, | Walt Disney         |
| McDonald's,        |                     |

**Saatchi & Saatchi**

|                  |                   |
|------------------|-------------------|
| Bel Group,       | Novartis,         |
| Carlsberg,       | Procter & Gamble, |
| Diageo/Guinness, | T-Mobile,         |
| General Mills,   | Toyota/Lexus,     |
| Mead Johnson,    | Visa              |

**Starcom MediaVest Group**

|                    |                   |
|--------------------|-------------------|
| Allstate,          | Morgan Stanley,   |
| Coca-Cola,         | Philip Morris,    |
| General Motors,    | Procter & Gamble, |
| Kellogg's/Keebler, | Sara Lee,         |
| Kraft,             | Sun Microsystems, |
| Mars,              | Walt Disney       |
| Miller Beer,       |                   |

**ZenithOptimedia**

|                  |                 |
|------------------|-----------------|
| Hewlett-Packard, | Puma,           |
| JP Morgan Chase, | Richemont,      |
| Kingfisher,      | Sanofi-Aventis, |
| L'Oréal,         | Toyota,         |
| Nestlé,          | Verizon         |

**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

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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; The Brand Belief System 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. In media consultancy, ZenithOptimedia uses Zoom and Touchpoints tool sets, and Starcom MediaVest uses, among others, Tardiis, Innovest, Media Pathways, the Media Scopes range, BattleField, Brand Contact Audit and Consumer Contact Audit, Market Contact Audit under license from Integration, Passion Groups, and The Brand Library and Brand Impactor together with Wear-out. Finally, MarketForward offers clients Siren and BroadGuard systems.

Our group policy in this area is described in note 1.2 of the consolidated financial statements.

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

**Competition**

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.

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 a very limited number of firms.

**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.

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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 typically fluctuate in response to actual or expected changes in consumer spending. Because consumer spending in many of our major 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.

### **Raw Materials**

Our business is not typically affected in any material respect by changes in the availability or prices of any raw materials.

### **Marketing Channels**

We market our services primarily by analyzing the communications needs of our clients and prospective clients and by demonstrating to such clients and prospective clients how we propose to meet those needs. Our strong brands and reputation are key elements of our marketing strategy.

### **Organizational Structure**

We conduct our operations through approximately 850 direct and indirect subsidiaries. Information concerning our principal consolidated subsidiaries is provided in note 33 to our consolidated financial statements.

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

We conduct operations in 196 cities around the world. In general, we lease, rather than own, the office properties we use. As of December 31, 2005, we owned real property assets with a net book value of \$198 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 expiring in 2007 for the two other floors in this building. Following the acquisition of Saatchi & Saatchi, we also own 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 which is for the most part occupied by us.

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

The net book value of assets under capital leases in the consolidated balance sheet is \$103 million at December 31, 2005. 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. Leo Burnett's capital lease contract is in respect of assets valued at \$109 million (gross value), depreciable over 30 years, which has been valued by an independent expert. The office building is located at 35 West Wacker Drive in Chicago, Illinois, United States.



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**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 Key Information Risk Factors.*

**OVERVIEW AND OUTLOOK FOR 2006**

Our company grew dramatically in the 2001-2003 period, becoming one of the fourth largest advertising and communications groups in the world based on reported revenues. This growth resulted primarily from acquisitions. Although market conditions were generally weak over much of the period, improvement in the performance of our existing businesses made some contribution to our growth as well. Overall market conditions improved significantly in 2004 and 2005, such that, when combined with strong new business performance, Publicis Groupe was able to generate strong organic growth.

We believe our prospects for 2006 are favorable. Part of the growth in 2006 is expected to be driven by the scale of new business booked in 2005. In addition, stronger growth in France and Germany, as well as the effect of sporting events (e.g. Soccer World Cup Football Championship and Winter Olympics) is expected to support stronger European operations.

On December 14, 2005, Publicis Groupe adjusted its objective of a 17% operating margin rate set under French GAAP for 2008 to reflect the application of IFRS. As a result, the target for operating margin rate in 2008 has now been set at 16.7%. This target is based on the following hypotheses:

revenues in line with market trends

savings and improvement in operating income representing 80 million, including:

54% from improvements in operating margin rates in certain countries, geographical regions and areas of business;

37% from new initiatives to control costs, in particular pooling of administration and related resources on emerging markets, savings through centralized purchasing of services and equipment, and more efficient use of production resources;

9% from optimization of administrative expense with the implementation of Shared Service Centers, which provide service support for Group entities.

Overall, this program is expected to entail reorganization costs amounting to a total of 40 million and investments totaling 20 million, principally for information systems, over the implementation period. Implementation began in 2005.

Also on December 14, 2005, Publicis Groupe announced a series of optimum financial ratio targets established on an IFRS basis, including:

Average net debt(1)/ operating margin before amortization and depreciation: below 1.5

Net debt(2)/ shareholders equity: below 0.5

Interest cover (i.e., operating margin before amortization and depreciation/cost of net financial debt): over 7

(1) Average net debt is the annual average of monthly average net debt.

(2) A table showing the elements of net debt can be found in note 22 of the consolidated financial statements.

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Publicis intends to focus future investments and acquisitions in the following areas: specialized communications, in particular direct marketing, public relations, event marketing, Customer Relationship Management, interactive communications, healthcare communications and databases. Publicis believes that acquisitions of businesses operating in these fields will provide a strong base to expand its holistic offerings and make them generally available to its clients. Geographically, targeted acquisitions are expected to focus on high-growth markets such as China, India and other parts of Asia, Latin America and Russia.

2005 was a year of record new business and marked acceleration in growth for Publicis Groupe. Management believes that the current pace of growth results from the implementation of its strategy and the creation of appropriate organizational structures to deal with the acquisitions made at the beginning of the decade. Management believes that its offering matches the strategic needs of advertisers. The transformation of 1996, when Publicis became a single worldwide network, followed by the acquisition of Saatchi & Saatchi in 2000 and Bcom3 in 2002, have radically changed the shape of our group, giving us the capacity to meet all of our clients' advertising and communications needs. It was an essential objective of our strategic plan, and we can today confirm that this plan has become a reality. We have the resources necessary to help advertisers deal effectively with a radically new media environment marked by constant change and create ties to increasingly elusive consumers. We believe that our 2005 performance reflects the leverage that results from the breadth, depth and quality of our offering.

During the year, trends remained positive in North America, the Asia-Pacific region, Latin America and the Middle East. In Europe, overall moderate growth continued in the U.K., France, Germany, Spain and Italy, although growth rates varied from country to country. The Netherlands were an exception to the general trend.

Against a backdrop of favorable market trends, Publicis Groupe turned in a satisfactory performance in terms of both revenue growth and new business. Organic growth showed what we consider to be a significant shift from earlier trends, holding well above the levels of previous years. It reached 6.8% for the full 2005 financial year. Momentum was mainly from major new accounts booked at the end of 2004 and in early 2005, in particular by media and healthcare communications agencies, although advertising also contributed to the growth. Net new business<sup>2</sup> remained at exceptional levels, with Publicis Groupe setting a new record of \$9.8 billion (€ 7.8 billion) in 2005. This performance has been one of the best in the market, with the Group listed as first and second worldwide in net New Business in the rankings by Bear Stearns and Lehman Brothers (New Business Scorecard), respectively.

The significant accounts we won in 2005 include the following:

*Publicis* Rogers Communications in Canada; Voyages-sncf.com and sncf.com in France; Fidelity in Asia; Playtex/ Wonderbra and Hewlett-Packard (marketing services) in Europe; Wellpoint and TUMI in the U.S.; Jacob & Co., Nobel Biocare and VisitLondon in the U.K.; Nestlé Waters/ Acqua Panna in Italy; and Nestlé multibrand promotion 2006 in Brazil.

*Leo Burnett* ConAgra/ Egg Beaters, Reddi-Whip, Turner Classic Movies and Western Union in the U.S., Samsung (global branding) and Washington Mutual in the U.S.; and Monster.co.uk in the U.K.

*Saatchi & Saatchi* Ameriprise in the U.S.; Dr. Martens in the U.K.; Toyota/ Prius and Hybrid Synergy Drive in China; Bacardi/ Dewar's worldwide; P&G/ Millstone Coffee and Novartis/ Excedrin in the U.S.; and Standard Life in the U.K.

*Other advertising networks and agencies* Fallon's new accounts included KitchenAid Home Appliances, Sony, Vanguard and NBC Universal in the U.S.; Volkswagen/ Jetta and Passat in Japan; and More Than in the U.K. The Kaplan Thaler Group (U.S.)'s new accounts included Revlon and Office Depot in the U.S.

<sup>2</sup> Net new business is the estimated annualized media advertising expenditure on accounts won (net of losses) from new or existing clients. This information does not originate from our financial reporting, but is rather an estimate from trade publications.



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*Starcom MediaVest Group* LG in Europe; General Motors, Mattel and Simmons in the U.S.; P&G/ Gillette worldwide; and Washington Mutual in the U.S.

*ZenithOptimedia* JP Morgan Chase and L Oréal/ Maybelline in the U.S.; Richemont in Europe and the U.S.; L Oréal CPD in Greater Europe; Nestlé in Spain, France and Russia; L Oréal in Canada; DaimlerChrysler in Spain; and Lloyds TSB in the U.K.

The most important accounts lost during the year were:

Schering-Plough+GsK/ Levitra in the U.S.; BMW, Dyson, U.S. Army and Morgan Stanley in advertising

the COI (Central Office of Information) in the U.K. in media consultancy and media buying.

Publicis Groupe also consolidated its reputation for creative flair, once again placing second at the Cannes International Advertising Festival, with 66 Lions. While all of Publicis' main networks won awards, the top scorer was Saatchi & Saatchi with 22 Lions. The Gunn Report ranks the Group second worldwide for awards not only in 2005 but also over the seven years from 1999 to 2005.

At the operational level, highlights for the year included the creation in April of Publicis Public Relations and Corporate Communications Group, or PRCC, a management board for all our public relations entities, which include Publicis Consultants and Manning Selvage & Lee. PRCC's main purpose is to offer clients the best possible resources in this area, making the most of synergies between entities that had previously operated separately. In September 2005, PRCC was joined by Freud Communications, a major U.K. public relations agency in which Publicis acquired a 50.1% interest. The Group also launched Marcel, a new agency concept within the Publicis network, to expand its offering and better meet the needs of certain clients. The Group sold to JC Decaux its full 50% interests in each of JC Decaux Netherlands, VKM and SOPACT, as well as 33% of Métrobus, in which Publicis Groupe remains the majority shareholder. At the end of the year, Publicis Groupe announced the strategic SAMS acquisitions of Solutions Integrated Marketing Services, India's number-one marketing services agency, which closed in 2006, and eventive, a major agency in events communications on the Austrian and German markets. Lastly, in March 2006 Publicis Groupe announced that it had agreed to acquire 80% of Betterway Marketing Solutions, one of the largest marketing services agencies in China, subject to regulatory approval.

At the end of the year Publicis won investment-grade status from the world's two leading ratings agencies with ratings of BBB+ from Standard & Poor's and Baa2 from Moody's. Both rated the outlook stable. These ratings mean that Publicis Groupe is among the best-placed European businesses in its industry. They reward dedicated efforts to reduce debt, generate more cash and enhance balance-sheet transparency. A major focus of 2005 was a continued drive to simplify and refinance the balance sheet. This involved an offer for the early redemption of Publicis OCEANE convertible bonds maturing in 2018, which led to the redemption of 62.36% of the nominal amount of the issue and thus eliminated the potential for future dilution associated with the possible issue of approximately eleven million shares. We also made our first-ever straight bond issue for an aggregate amount of 750 million maturing in seven years. This issue was over-subscribed three times. The proceeds were used to finance the early redemption of a large part of the OCEANE convertible bonds. At the beginning of 2006, holders of these bonds exercised a part of their put options, eliminating a further 6.5% of the issue and thus the potential for the issue of 1.1 million shares.

In January 2006, Publicis also made a public offer to purchase all 27,709,748 outstanding equity warrants, which were issued in connection with the Bcom3 acquisition in 2002. This offer, which closed on February 14, 2006, resulted in the purchase and cancellation of 22,107,049 equity warrants, representing almost 80% of the outstanding equity warrants, for a total amount of 199 million. As of March 31, 2006, there were 5,602,699 issued and outstanding equity warrants.

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**Other Factors**

Among the factors that could cause our results of operations to differ materially from our expectations are those described under Key Information Risk Factors.

**BASIS OF PRESENTATION**

**Presentation of Financial Information**

Until 2004, we prepared our consolidated financial statements in accordance with French GAAP. As of 2005, all European listed companies are required to prepare their consolidated financial statements in accordance with IFRS as adopted by the European Union. Thus, the 2005 consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and the comparative 2004 numbers have been adjusted to reflect the application of IFRS. A detailed explanation of the transition to IFRS and the impact on our financial statements is given in note 32 to the consolidated financial statements. We do not believe the differences between the IFRS as adopted by the European Union and the IFRS as issued by the International Accounting Standards Board had any impact on Publicis' consolidated financial statements. In accordance with General Instruction G of Form 20-F, the discussion below is based on Publicis' audited financial statements prepared in accordance with IFRS for the years ended December 31, 2005 and 2004.

**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. 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 estimates and assumptions about future events and other uncertainties related to end-of-period estimates that we believe have the greatest risk of causing a material adjustment to the carrying amounts of assets and liabilities in a future financial year are described below. In addition, our financial statements contain a summary of our significant accounting policies (See note 1 to the consolidated financial statements).

***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 of doubtful debtors and other factors that include ability to pay, bankruptcy and payment history. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

***Business Combination and Impairment of Goodwill and Other Long Term Intangible Assets***

Under French GAAP, business combinations were generally accounted for as purchases. However, the acquisition of Saatchi & Saatchi in 2000 was accounted for in accordance with the alternative method called Pooling of interests. In accordance with the exemption permitted by IFRS 1, Publicis elected to not restate the prior classification and methods used for business combinations that took place before the IFRS transition date.

Under IFRS all of our business combinations are accounted for as purchases. The cost of an acquired company is assigned to the assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make

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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 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. Our goodwill impairment tests include judgements regarding assumptions relating to the level of testing, future cash flow and discount rates. The level we identify for impairment testing and the criteria we use to determine which groups should be aggregated also require judgement. A difference in testing levels 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 of testing in future periods. 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 recognised. We also use significant judgement 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. If the total of the expected future discounted cash flows is less than the carrying value of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset in the period the impairment is identified.

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 judgements 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 will reduce taxable income in future periods. We recognise deferred tax assets to the extent that it is probable 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.

***Revenue Recognition***

Revenue recognition of advertising and communications services is made at the date of communication and publication. A written agreement with the client (purchase order, letter or contract) indicating the nature and the amount of work to be performed is a prerequisite for any recognition of revenue. The Group's revenue recognition policies are summarized below:

For commission based customer arrangements (excluding production), revenue from advertising creation and media buying services is recognized at the date of publication or broadcast.

For other customer arrangements, including project based arrangements, fixed fee arrangements and time-based arrangements: revenue is recognized in the accounting period in which the service is rendered. Revenues under fixed fee arrangements are recognized on a straight-line basis which reflects

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the nature and the scope of services rendered. Revenues under time-based arrangements are recognized on the basis of work performed.

For fees based on performance criteria, revenue is recognized when the performance criteria have been met and the customer has confirmed that this is the case.

***Contingent Purchase Price Payments Related to Acquisitions***

The majority of our acquisitions include an initial payment at the time of closing and provide for additional contingent purchase price payments over a specified time. The contingent payments, or earnouts are calculated based on estimates of the future financial performance of the acquired entity, the timing of the exercise of these rights, changes in foreign currency exchange rates and other factors. Earn-out payments are either recorded as an increase to goodwill or expensed as compensation based on the acquisition agreement and the terms of employment for the former owners of the acquired businesses. Earn-out payments are recorded within the financial statements once the contingent acquisition obligations have been met and the consideration is distributable.

***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 and cash flows 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 stock options are valued using the intrinsic value method as prescribed by APB Opinion No. 25 Accounting for Stock Issued to Employees (APB 25). This has resulted in a difference in the deferred compensation expense between IFRS and U.S. GAAP.

***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 be reflected as an additional profit or expense in our statement of income, in accordance with IAS 19.

***Restructuring Reserves***

When appropriate, we establish restructuring reserves for severance and termination costs and lease termination and other exit costs related to our restructuring programs. We have established reserves for restructuring programs initiated mainly in connection with Bcom3 and Saatchi & Saatchi acquisitions. The reserves reflect our best estimates for the costs of the plans. However, actual results may differ from the estimated amounts. Comparison of actual results to estimates may materially impact the amount of the restructuring charges

***Contingent Liabilities***

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against us. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex legal issues. We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

**Table of Contents****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 changes 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.

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

|   | <b>Total</b>       |
|---|--------------------|
|   | <b>( millions)</b> |
| <b>2004 IFRS</b>  | 3,832              |
| 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(1)   | 263                |
| <b>2005</b>   | <b>4,127</b>       |

(1) in percentage terms, organic growth was 6.82%, calculated by dividing 263 million by 3,864 million (2004 revenue at comparable exchange rates and scope of consolidation).

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, organic growth 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.

**RESTATEMENT OF PRIOR PERIOD**

In 2005, Publicis Groupe became aware that, under U.S. GAAP, deferred tax liabilities had not been recorded with respect to the trade names recognized in conjunction with the Bcom3 acquisition. Accordingly, the Group computed the effect on goodwill, deferred tax liabilities and cumulative translation adjustments as if the deferred tax liabilities had been properly recorded upon the acquisition of Bcom3 in 2002. For U.S. GAAP purposes, the recognition of the deferred tax liabilities (for an amount of 131 million, before cumulative translation adjustments, as at December 31, 2003) and corresponding increase in goodwill caused the Group to re-calculate its historical goodwill impairments and to record an additional goodwill impairment



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charge related to Leo Burnett for the year ended December 31, 2003 in the amount of 87 million. The following table sets forth the effects of the restatement on our shareholders' equity and net income in 2004.

**As of December 31, 2004  
(and for the year then ended)**

|  | <b>As Previously<br/>Reported</b> | <b>Impact of<br/>Restatement</b> | <b>Restated</b> |
|--|-----------------------------------|----------------------------------|-----------------|
| <b>(In millions of euros)</b>          |                                   |                                  |                 |
| Goodwill                               | 4,281                             | 44                               | 4,325           |
| Deferred tax liabilities (non-current) | 542                               | 126                              | 668             |
| Total shareholders' equity             | 2,484                             | (82)                             | 2,402           |
| Net income                             | 346                               |                                  | 346             |

**CONSOLIDATED OPERATIONS 2005 COMPARED TO 2004**

**Statement of Income****Revenues**

Consolidated revenues of Publicis for the year ended December 31, 2005 was 4,127 million, an increase of 7.7% from 3,832 million in the year ended December 31, 2004. The principal reason for the increase was organic growth (6.8%), with additional revenue contributions attributable to acquisitions net of disposals limited to 5 million, while the impact of conversion of revenues of companies outside the euro zone into euros was slightly positive for the first time since the first half of 2002, contributing 27 million. The dollar average exchange rate against the euro remained stable from 2004 to 2005.

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

The 6.8% overall growth included organic growth of 3.8% in Europe, 8.0% in North America and 11.2% in the rest of the world.

**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 euros in 2004 to 908 million euros in 2005, due in large part to cost-cutting measures undertaken by the Group during previous periods. Shared resource centers are now in operation in eleven countries, 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 over 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



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(Publicis Healthcare Communications Group) and progress towards optimization of operations and organization.

***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 10 million.

***Other Income Statement Items******Cost of Net Financial Debt and Other Financial Expense***

Total interest expense, consisting of the cost of net financial debt 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 Taxes***

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 after full dilution, which reflected increases from the previous year of 38.6% and 36.4%, respectively. On the basis of Headline earnings per share (before amortization of intangibles related to acquisitions, impairment and capital gains (or losses) related to the disposal of JC Decaux Netherlands, VKM and SOPACT, the disposal of 33% of Métrobus and to the 2018 OCEANES), the diluted net earnings per share was 1.62, 30% more than in 2004. Headline earnings per share is considered by us and our investors to be a key measure of overall earnings performance. It 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. See note 9 of the consolidated financial statements for a reconciliation of Headline earnings per share.

***Review 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.

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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. Operating margin rate also increased in all three regions in 2005.

*Europe*

Organic growth in Europe as a whole reached 3.8% in 2005, resulting in revenues of 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.

Operating margin rate on business in Europe as a whole increased 50 basis points primarily due to reduced operational costs and optimization of organization.

*North America*

Organic growth reached a robust 8.0% in 2005, with revenue up 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.

Operating margin rate in North America rose 30 basis points, benefiting in particular from more efficient use of office space.

*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.

This geographical division improved operating margin rate 170 basis points as a result of effective leveraging of additional revenues and optimization of administration.

**LIQUIDITY**

We meet our need for liquidity primarily through a combination of cash generated from operations and bank loans.

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Net cash flow from operating activities reflects funds generated from operations and changes in operating assets and liabilities. Net cash from operating activities amounted to 620 million in 2005 compared with 777 million in 2004. Working capital requirement showed a further improvement of 74 million after a 264 million improvement achieved in 2004. This rewards continued efforts to enhance the efficiency of cash management that have been deployed since 2003 under the Focus on Cash program. Other significant items included 30 million in restructuring expense, down from 79 million in 2004. Tax paid rose from 114 million in 2004 to 167 in 2005 as a result of higher income, while the difference with the amount appearing in the statement of income is partly due to the utilization of earlier loss carryforwards. Interest paid amounted to 93 million in 2005 compared with 73 million in 2004, a rise principally due to the reimbursement amounted to 23 million related to the 62% replacement of the 2018 OCEANE in February 2005.

Net cash from investing activities includes the acquisition and disposal of tangible and intangible assets, net investment in financial securities, and the acquisition and disposal of businesses. Net cash outflows related to investing activities were 41 million in 2005, compared with 243 million in 2004. Net capital expenditure was limited to 75 million compared with 101 million in 2004 1.8% of 2005 revenues compared with 2.6% in 2004. Acquisitions net of disposals generated a net cash balance of 27 million. Transactions during the period included the acquisition of a majority interest in Freud Communications in the U.K., the acquisitions of eventive in Austria and Germany and of Pharmaconsult in Spain, increased interests together with earn-out and buyout payments in a number of agencies and divestment of interests held by Médias & Régies Europe in JC Decaux Netherlands, VKM, SOPACT and Promométo together with 33% of Métrobus.

Net cash from financing activities includes dividends, changes in debt position, share repurchase programs and warrants issued. Financing activities resulted in a cash inflow of 220 million in 2005 compared to a cash outflow of 931 million in 2004. Dividends paid in 2005 amounted to 74 million. Finally, the 750 million bond issues allowed early redemption of 62.36% of the 2018 OCEANE convertible issue for 464 million, the remainder of the proceeds having contributed to a steep rise in cash, up from 1,014 million at December 31, 2004 to 1,885 million at the same date in 2005.

The Group had access to cash resources totaling 1,609 million at December 31 through credit lines, including a multi-currency facility in an amount of 1 billion expiring in December 2009.

Cash management has been reinforced with domestic cash pooling structures in the group's main countries of operation and in 2006 a further step forward is planned with the introduction of international cash pooling, centralizing cash management 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.

On December 14, 2005, Publicis obtained investment-grade ratings of BBB+ from Standard & Poor's and Baa2 from Moody's. Both rated the outlook stable. We believe this will allow for further improvement in our financing structure as regards both terms and opportunities.

At December 31, 2005 there were no rating triggers or financial covenants applying to short-term bank credit, the syndicated credit line or bond debt.

With cash close to 2 billion at December 31, 2005 and available bank facilities amounting to 1.6 billion, the Group believes that it has the resources sufficient for its operating requirements for the next 12 months.

**CAPITAL RESOURCES AND INDEBTEDNESS**

As of December 31, 2005, we had total outstanding financial indebtedness of 2,137 million, compared to 1,765 million as of December 31, 2004. For a tabular breakdown of our financial indebtedness by type of instrument and the maturity schedule for such financial indebtedness, please see note 22 to the consolidated financial statements included elsewhere herein.

Consolidated shareholders' equity, excluding minority interests, rose from 1,629 million at December 31, 2004 to 2,085 million at December 31, 2005. Minority interests declined from 31 million at

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December 31, 2004 to 20 million at December 31, 2005, primarily due to the sale of the Group's interest in JC Decaux Netherlands.

Net financial debt dropped sharply from 618 million at December 31, 2004 to 207 million at December 31, 2005, reflecting a steep rise in cash and cash equivalents. Net debt represents total indebtedness (short and long term debt, earnout commitments and commitments to purchase minority interests) minus cash and cash equivalents. Cash and cash equivalents amounted to 1,980 million at December 31, 2005, up from 1,186 million at December 31, 2004, which partially offset aggregate indebtedness of 2,137 million. The ratio of net debt to shareholders' equity fell from 37% at December 31, 2004 to 10% at December 31, 2005. Average net debt for the year decreased by 345 million, from 1,270 million in 2004 to 925 million in 2005. Gross consolidated debt rose by 372 million to 2,137 million at December 31, 2005 primarily due to the combined impact of the straight eurobond issue of 750 million, the proceeds of which were partly used for the early redemption of approximately 62% of the nominal amount of the 2018 OCEANE convertible issue, and a rise in buyout commitments resulting from acquisitions in the course of the year. In order to hedge its net dollar-denominated assets, and thus to reduce the sensitivity of Group shareholders' equity to future exchange rate fluctuations between the euro and the U.S. dollar, the Group swapped its 750 million fixed rate Eurobond to \$977 million of fixed rate dollar debt. Nearly 90% of gross consolidated debt at the end of 2005 was due in over a year and 55% was due in over five years.

See **Quantitative and Qualitative Disclosures About Market Risk** for a summary of the maturity, currency and interest rate structure of our indebtedness and for information concerning our use of financial instruments for hedging purposes.

As described under **Information on the Company Business Overview Seasonality**, we often generate greater revenue in the second and fourth quarters of the year than we do in the first and third quarters. As a result, our financing needs are sometimes greater in the first and third quarters.

In December 2005, the Group defined a series of optimum financial ratios to serve as a guide for financial policies, in particular regarding acquisitions and dividends. Ratios at the end of the year were well within defined ranges, as shown in the table below.

|  | <b>Optimum<br/>Ratio</b> | <b>December 31, 2005</b> |
|--|--------------------------|--------------------------|
| Average net debt/ operating margin before depreciation and amortization                            | <1.50                    | 1.21                     |
| Net debt/shareholders' equity  | <0.5                     | 0.1                      |
| Interest cover (operating margin before depreciation and amortization/ cost of net financial debt) | >7                       | 9.81                     |

**COMMITMENTS FOR CAPITAL EXPENDITURES**

As of December 31, 2005, 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 90 million and 154 million, respectively. We intend to finance these expenditures through operations and, if necessary, additional bank loans.

**RESEARCH AND DEVELOPMENT**

As described under **Information on the Company Services and Business Structure Research Programs**, we have a variety of programs designed primarily to use psychological, anthropological and other methods to assess and enhance the efficiency of our advertising and communications services. In addition, we

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have developed a number of systems that use advanced technology to address clients' needs, including Siren Technologies, an in-store updateable digital signage system, and BrandGuard, an integrated on-line marketing and communications system designed to enhance clients' control of their brand assets.

**OFF-BALANCE SHEET ARRANGEMENTS**

Commitments presented below as of December 31, 2005 are gross amounts that have not been discounted to present value.

| Contractual Commitments         | Total        | Falling Due        |                   |                      |
|---------------------------------|--------------|--------------------|-------------------|----------------------|
|                                 |              | Less than One Year | One to Five Years | More than Five Years |
| (Millions of euros)             |              |                    |                   |                      |
| <b>Commitments given</b>        |              |                    |                   |                      |
| Operating lease commitments     | 1,309        | 290                | 676               | 343                  |
| Commitments to sell investments | 8            | 8                  |                   |                      |
| Guarantees                      | 113          | 50                 | 42                | 21                   |
| <b>Total</b>                    | <b>1,430</b> | <b>348</b>         | <b>718</b>        | <b>364</b>           |
| <b>Commitments received</b>     |              |                    |                   |                      |
| Sub-lease commitments(1)        | 58           | 10                 | 34                | 14                   |
| <b>Total</b>                    | <b>58</b>    | <b>10</b>          | <b>34</b>         | <b>14</b>            |

(1) Lease rent expense (net of sub-lease income) was M 179 in 2005 (as against M 186 in 2004).

**Guarantees**

These principally comprise:

a guarantee given to a bank in the amount of 30 million, as owner of a 45% shareholding in iSe, since January 2005, to finance the acquisition of the license for the hospitality program for the 2006 World Cup Football Championship from FIFA. In addition, a guarantee was also given to a bank in the amount of 10 million as support for a line of credit from the bank to iSe. iSe, which was created jointly in 2003 between Publicis (45%) and Dentsu (45%), manages the Hospitality and Prestige Ticketing program of the 2006 World Cup Football Championship. See Additional Information Material Agreements .

guarantees of payment of property taxes and charges relating to the Leo Burnett building in Chicago, for a total amount of 73 million euros over the period up to 2012.

**Other Commercial Commitments**

|                             | Total | Following Due      |                   |                      |
|-----------------------------|-------|--------------------|-------------------|----------------------|
|                             |       | Less than One Year | One to Five Years | More than Five Years |
| (Millions of euros)         |       |                    |                   |                      |
| <b>Commitments received</b> |       |                    |                   |                      |

|                              |              |            |              |
|------------------------------|--------------|------------|--------------|
| Unutilized credit lines(1)   | 1,609        | 574        | 1,035        |
| <b>Total</b>                 | <b>1,609</b> | <b>574</b> | <b>1,035</b> |
| <b>Commitments given</b>     |              |            |              |
| Other commercial commitments |              |            |              |
| <b>Total</b>                 |              |            |              |

(1) See Exposure to Liquidity Risk in note 22 to our consolidated financial statements.



**Table of Contents****Commitments Related to Bonds and to ORANEs*****Bond Convertible into Interpublic Group (IPG) shares 2% January 2007***

The terms of this bond provide the option for bearers to request the exchange since June 30, 2003, 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 USD), 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, 2004. Publicis could thus be required, in case of a request for exchange, to deliver a maximum of 183,223 Interpublic Group shares in redemption of the bond.

***OCEANE 2018 2.75% actuarial January 2018***

With respect to the 2018 OCEANEs, bondholders may request that bonds be converted, at the rate of one share for each bond (which bonds had a unit value of 39.15 euros on issue), at any time after January 18, 2002 until the seventh business day before the maturity date (January 2018). Publicis therefore has a commitment to deliver, if requests for conversion are made, 6,633,921 shares which may, at Publicis' discretion, be either new shares to be issued or existing shares held in its portfolio.

In addition, bondholders have the possibility of requesting early redemption in cash, of all or part of the bonds they own, on January 18 in 2006, 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.

In February 2005, the Group redeemed 62.36% of the 2018 OCEANEs before their maturity date for an amount of 464 million. In addition in January 2006, a certain number of 2018 OCEANE bondholders exercised their redemption rights, leading Publicis to redeem 1,149,587 bonds for a total amount of 51 million, including accrued interest. An equivalent number of potential shares was thus eliminated.

***OCEANE 2008 0.75% July 2008***

With respect to the 2008 OCEANEs, bondholders may request that bonds be converted, at the rate of one share for each bond (with a value of 29 euros on issue), at any time after August 26, 2003 until the seventh business day before the maturity date (July 2008). Publicis therefore has a commitment to deliver 23,172,413 shares which may, at Publicis' 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 tranche of the bonds in September 2005, each ORANE gives a right to receive 17 new or existing Publicis shares, at the rate of one share per year until the twentieth anniversary of issuance of the bond (2022). Publicis therefore has the obligation to deliver 1,562,500 shares each year from 2006 to 2022, for a total of 26,556,193 shares, which may, at Publicis' discretion, be either new shares to be issued or existing shares held in its portfolio.

***Equity Warrants***

The exercise of issued and outstanding equity warrants, which could occur at any time between September 24, 2013 and September 24, 2022, would lead to an increase in Publicis' capital stock.

On June 3, 2005, Publicis repurchased 52,474 equity warrants at a price of 5.10 euros per equity warrant. On September 30, 2005, Publicis repurchased 189,053 equity warrants at a price of 7.00 euros per equity warrant. Accordingly, the average price paid by Publicis for the 173,411 equity warrants repurchased in the second quarter of 2005 was 5.00 euros per equity warrant and the average price paid by Publicis for the aggregate 241,527 equity warrants repurchased in the third quarter of 2005 was 6.59 euros per equity warrant.

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In each case, the equity warrants repurchased by Publicis were cancelled by Publicis. In each case, these equity warrants were repurchased in off-market private transactions organized by bankers in the context of the orderly marketing procedures.

As of December 31, 2005, after cancellation of the equity warrants repurchased in 2005 by Publicis, Publicis was committed to issuing (in the event that all equity warrants were to be exercised) 27,709,748 shares with a par value of 0.40 euros and a premium of 30.1 euros. Publicis initiated on January 13, 2006, a tender offer in respect of its equity warrants. Prior to this offering, there were 27,709,748 equity warrants issued and outstanding. This offer, which closed on February 14, 2006, resulted in the purchase and cancellation of 22,107,049 equity warrants, representing almost 80% of outstanding equity warrants for a total amount of 199 million. This transaction will thus enable approximately 22.7 million potential shares that would have been needed to be issued on exercise of the warrants to be eliminated. As of March 31, 2006, there were 5,602,699 issued and outstanding equity warrants. As a result of this tender offer, Publicis is committed to issuing (in the event that all equity warrants remain issued and outstanding after the tender offer) 5,602,385 shares with a par value of 0.40 euros and a premium of 30.1 euros.

It should be noted that, except as described above, at December 31, 2005 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 or Item 4.E of Form 20-F, exists.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our estimates of amounts due pursuant to contractual obligations to which we were subject as of December 31, 2005.

| Contractual Obligations  | Total        | Payments Due by Period |              |            |                   |
|--|--------------|------------------------|--------------|------------|-------------------|
|  |              | Less than 1 Year       | 1-3 Years    | 3-5 Years  | More than 5 Years |
| <b>(In millions of euros)</b>  |              |                        |              |            |                   |
| Long-Term Debt Obligations(1)  | 1,784        | 173                    | 605          | 6          | 1,000             |
| Capital (Finance) Lease Obligations                                      | 112          |                        |              |            | 112               |
| Operating Lease Obligations  | 1,309        | 290                    | 383          | 293        | 343               |
| Purchase Obligations Reflected on the Balance Sheet under IFRS(2)        | 154          | 22                     | 48           | 45         | 39                |
| Other Long-Term Liabilities Reflected on the Balance Sheet under IFRS(3) | 87           | 29                     | 43           | 3          | 12                |
| <b>Total</b>   | <b>3,446</b> | <b>514</b>             | <b>1,079</b> | <b>347</b> | <b>1,506</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 ).

**EFFECTS OF FIRST TIME APPLICATION OF IFRS**

The consolidated accounts of Publicis are presented, as required by European law, in accordance with IFRS as adopted by the European Union. In accordance with Instruction G of Form 20-F which allows foreign private issuers such as our company to include only two years of audited consolidated financial statements for their first year of reporting under IFRS, we selected January 1, 2004 as our transition date to

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IFRS and have therefore presented adjusted 2004 and 2005 IFRS consolidated financial statements in our Form 20-F for the period ending December 31, 2005.

Note 32 of the consolidated financial statements included herein sets out the principles retained for the preparation of the opening IFRS balance sheet at January 1, 2004 and describes differences to the French GAAP standards previously applied. It also sets out their financial effects on the opening and closing balance sheets and on results for the 2004 financial year.

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

Our consolidated financial statements for 2004 and 2005 were prepared in accordance with IFRS applicable at December 31, 2005 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 (loss) amounted to 395 million in 2005 and 346 million in 2004, compared to 386 million and 228 million, respectively, under IFRS. Under U.S. GAAP, shareholders' equity amounted to 3,074 million at December 31, 2005 and to 2,402 (restated) at December 31, 2004, compared to 2,085 million and 1,629 million, respectively, under IFRS.

The effects on the Group's consolidated net income and consolidated shareholders' equity of the application of U.S. GAAP are more fully described in note 34 to our consolidated financial statements. The significant differences between U.S. GAAP and the accounting policies applied by the Group 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 Options**

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 elected to account for its stock-based compensation plans using the intrinsic value method under the guidelines of APB 25.

**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 postretirement 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. Under

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U.S. GAAP, actuarial gains and losses are amortized over the expected average residual working lives of the beneficiaries.

In addition, under U.S. GAAP, and as required under Statement of Financial Accounting Standards ( FAS ) 87, a minimum pension liability is required to be recognized, with an offset to an intangible asset or to equity under certain circumstances (when the accumulated benefit obligation exceeds the fair value of plan assets by an amount in excess of accrued or prepaid pension cost as calculated by actuarial methods). Under IFRS (IAS 19), minimum pension liabilities are not required to be recognized.

**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

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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, 2005 which are applicable on January 1, 2006 at the latest, as well as such texts that have not yet been approved by the European Union at December 31, 2005. 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 March 2004, the Emerging Issues Task Force ( EITF ) reached a consensus on EITF 03-1, The Meaning of Other Than Temporary Impairment and its Application to Certain Investments. EITF 03-01 contains additional guidance for determining when an investment is impaired. The effective date for applying this guidance is currently suspended pending the issue of a further FASB Staff Position statement. In the opinion of Publicis, adoption of the additional guidance would not have a material effect on the consolidated financial statements.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R). FAS 123R requires that Publicis recognizes the cost of share-based payments granted to employees measured at the grant-date fair value of the award. Publicis is required to adopt FAS 123R effective January 1, 2006 to all share-based grants made or modified after June 15, 2005 and for the unvested portion of outstanding share-based grants made prior to June 15, 2005. As permitted by FASB Statement No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, we have elected, effective January 1, 2005, to measure our share based payments using a fair value method under SFAS 123 using the transition provisions of SFAS 148. Accordingly, we do not expect the adoption of SFAS 123(R) to have a material impact on our financial statements.

In December 2004 the FASB issued SFAS No. 153 Exchanges of Non-Monetary Assets as an amendment to APB Opinion No. 29 Accounting for Non-Monetary Transactions. APB 29 prescribes that exchanges of non-monetary transactions should be measured based on the fair value of the assets exchanged, while providing an exception for non-monetary exchanges of similar productive assets. SFAS 153 eliminates the exception provided in APB 29 and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS 153 is to be applied prospectively and is effective for all non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Publicis does not expect there to be any material effect on the Consolidated Financial Statements upon adoption of the new standard.

In March 2005, the FASB published Interpretation 47 Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143 , which clarifies the term conditional asset retirement obligation used in FAS 143. It will become effective for periods beginning on or after December 15, 2005 and is not expected to have a material impact on Publicis consolidated financial statements.

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In May 2005, SFAS No. 154, *Accounting Changes and Error Corrections*, was issued, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Among other changes, SFAS No. 154 requires retrospective application of a voluntary change in an accounting principle to prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires accounting for a change in method of depreciating or amortizing a long-lived non-financial asset as a change in accounting estimate (prospectively) affected by a change in accounting principle.

Further, the statement requires that corrections of errors in previously issued financial statements be termed a restatement. The new standard is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In January 2006, the Emerging Issues Task Force (EITF) issued EITF 05-6 *Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination*. This pronouncement requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease should be amortized over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of acquisition of the leasehold improvement. We are required to adopt this pronouncement effective January 1, 2006 and do not expect the adoption of the EIFT 05 -6 to have a material impact on our financial statements.

**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. We refer to members of the supervisory board and management board collectively as directors.

**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 currently has 15 members.

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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.

**Elisabeth Badinter**

|  |   |
|--|---|
| Initially Appointed                            | November 1987 (appointed as chairperson of the supervisory board in April 1996)   |
| Expiration Date of Current Term                | June 2006   |
| Principal Function in Publicis                 | Chairperson of the supervisory board and Chairperson of the supervisory board of Médias & Régies Europe S.A. (France)<br>Member of the nomination and compensation committee of Publicis Groupe S.A. (France) |
| Principal Business Activities Outside Publicis | Author  |

**Robert Badinter**

|  |  |
|--|--|
| Initially Appointed                            | June 1996  |
| Date of Resignation                            | March 2, 2006  |
| Principal Function in Publicis                 | Director   |
| Principal Business Activities Outside Publicis | Professor Emeritus, University of Paris I (Panthéon-Sorbonne); honorary attorney |

**Simon Badinter**

|  |   |
|--|---|
| Initially Appointed                            | June 1999   |
| Expiration Date of Current Term                | June 2011   |
| Principal Function in Publicis                 | Chairman of the management board, Médias & Régies Europe SA (France);<br>Permanent representative of Médias et Régies Europe of R.A.T.P-Métrobus Publicité SA (France),<br>Médiavision & Jean Mineur SA (France);<br>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  |

**Monique Bercault**

|  |   |
|--|---|
| Initially Appointed                            | June 1998   |
| Expiration Date of Current Term                | June 2010   |
| Principal Function in Publicis                 | Director<br>Technical advisor to the chairman of the management board of Médias & Régies Europe |
| Principal Business Activities Outside Publicis | None  |

**Michel Cicurel**

|                                 |           |
|---------------------------------|-----------|
| Initially Appointed             | June 1999 |
| Expiration Date of Current Term | June 2010 |



Principal Function in Publicis

Director  
President of the nomination and compensation  
committee of Publicis Groupe S.A. (France)

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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) and Edmond de Rothschild Private Equity  
 Partners 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), Cir International  
 (Luxembourg)\*, Rexecode (Association) (France), and  
 Société Générale SA (France).  
 Permanent representative of:  
 Compagnie Financière Edmond de Rothschild Banque  
 (France), Edmond de Rothschild Corporate Finance SA  
 (France), Edmond de Rothschild Asset Management SA  
 (France), Edmond de Rothschild Financial Services  
 (France), Edmond de Rothschild Multi Management  
 SAS (France)\*, Equity Vision SA France and  
 Assurances et Conseils Saint-Honoré (France).  
 Member of the board 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)

\*Term expired during 2005

**Michel David-Weill**

Initially Appointed  
 Expiration Date of Current Term  
 Principal Function in Publicis

June 1990  
 June 2008  
 Director  
 Member of the Audit committee of Publicis Groupe S.A.  
 (France).  
 Chairman of Lazard LLC (USA)\* (until May 2005);  
 President of Maison Lazard SAS (France)\* (until May  
 2005);  
 President of Malesherbes SAS (France);  
 Director of the board of:  
 Groupe Danone SA (France), Fonds Partenaires-  
 Gestion (France)\*, Lazard Frères Banque (France)\*;

Principal Business Activities Outside Publicis



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Managing Director of Lazard Frères & CO LLC (USA);  
 Chairperson of the supervisory board of Eurazeo SA  
 (France);  
 Managing partner of:  
 Lazard Frères SAS\* (France) (until May 2005), Partena  
 SCS (France) and Partemiel SNC (France)\*;  
 Manager of:  
 Parteman SNC (France), Parteger SNC (France)\* and  
 BCNA;  
 Chairman of the nomination and compensation  
 committee of Groupe Danone SA (France).

\*Term expired during 2005

**Sophie Dulac**

Initially Appointed  
 Expiration Date of Current Term  
 Principal Function in Publicis  
 Principal Business Activities Outside Publicis

June 1998 (appointed as vice-chairperson in June 1999)  
 June 2010  
 Director, vice-chairperson  
 Manager of Sophie Dulac Productions SARL  
 (France), and Sophie Dulac Distributions SARL  
 (France);  
 Chairperson of the board of Les Ecrans de Paris SA  
 (France);  
 Chairman of Association Paris Tout Court (France).

**Michel Halpérin**

Initially Appointed  
 Expiration Date of Current Term  
 Principal Business Activities Outside Publicis

March 2006 (subject to approval of shareholders)  
 June 2008  
 Vice-chairperson of *Grand Conseil* (2003-2004) de  
 Geneva (Switzerland);  
 Chairman of *Grand Conseil* (2005-2006) de Geneva  
 (Switzerland);  
 Chairman of Human Rights Watch, Geneva  
 International Committee;  
 Chairman of Amis Suisse de l' Université Ben Gourion  
 du Néguev;  
 Vice-chairperson of board of BNP PARIBAS SA  
 (Switzerland);  
 Member of board of Fondation Genève Place  
 Financière.

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**Yutaka Narita**

|  |   |
|--|---|
| Initially Appointed                            | June 2002   |
| Expiration Date of Current Term                | June 2008   |
| Principal Function in Publicis                 | Director  |
| Principal Business Activities Outside Publicis | Principal advisor & chairman of Dentsu Group, Dentsu Inc.;  |
|  | Chairman of the Japan Advertising Agencies Association;   |
|  | Chairman of the Japan Audit Bureau of Circulation;  |
|  | 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.   |

**Tateo Mataki**

|  |  |
|--|--|
| Initially Appointed                            | September 2004   |
| Expiration Date of Current Term                | June 2008  |
| Principal Function in Publicis                 | Director   |
| Principal Business Activities Outside Publicis | President 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;  |
|  | Chairman 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 of Niigata Inc, Shinetsu Broadcasting Corporation Ltd; Senior Corporate Advisor to Iwate Broadcasting Co., Ltd. |

**Hélène Ploix**

|  |  |
|--|--|
| Initially Appointed                            | June 1998  |
| Expiration Date of Current Term                | June 2010  |
| Principal Function in Publicis                 | Director   |
| Principal Business Activities Outside Publicis | Member of the Audit Committee: Publicis Groupe S.A. (France).  |
|  | Chairman of:   |
|  | Pechel Industries Partenaires SAS, Pechel Industries SAS (France), and Pechel Services SAS (France); |

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Member of the board of:  
 Lafarge (France)\*, BNP Paribas (France), Boots Group Plc (UK), and Ferring (Switzerland)\*;  
 Permanent representative of:  
 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);  
 Permanent representative of Pechel Industries Partenaires: SVP Management et Participations SA (France);  
 Board observer of Ypso Holding SA (Luxembourg);  
 Manager of H el ene Ploix EURL and H el ene Marie Joseph EURL (France);

\*Term expired during 2005

**Felix George Rohatyn**

Initially Appointed  
 Expiration Date of Current Term  
 Principal Function in Publicis  
 Principal Business Activities Outside Publicis:

June 2001  
 June 2007  
 Director  
 Chairman of Rohatyn Associates LLC (USA);  
 Director of: LVMH Mo et Hennessy Louis Vuitton S.A. (France) and Rothschilds Continuation Holdings AG (France);  
 Member of supervisory board of Lagard ere Group S.A. (France);  
 Trustee and vice-chairperson of Carnegie Hall (USA).

**Robert Seelert**

Initially appointed  
 Expiration Date of Current Term  
 Principal Function in Publicis

August 2000  
 June 2006  
 Director and chairman of Saatchi & Saatchi Worldwide, Inc. (USA);  
 Director and chief executive officer of:  
 Saatchi & Saatchi Holdings Worldwide, Inc. (USA),  
 Saatchi & Saatchi Compton Worldwide, Inc. (USA),  
 Saatchi & Saatchi North America, Inc. (USA), and  
 Zenith Trustees Limited (USA).  
 Director of The Stride Rite Corporation

Principal Business Activities outside Publicis:

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**Amaury de Seze**

|  |   |
|--|---|
| Initially Appointed                            | June 1998   |
| Expiration Date of Current Term                | June 2010   |
| Principal Function in Publicis                 | Director  |
| Principal Business Activities Outside Publicis | President of:<br>Financière PAI partners SAS (France) PAI Partners SAS (France), and Financière PAI SAS (France);<br>Chairman of PAI partners UK Ltd (UK);<br>Member of supervisory board of Gras Savoye SCA (France);<br>Director of:<br>Carrefour SA (France), 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 (France), PAI Europe IV General Partner (France), Power Corporation du Canada Holding Ltd. (Canada), Pargesa SA (Switzerland), Vivarte SA (France), Novalis SAS (France) and Novasaur SAS (France); |

**Henri-Calixte Suaudeau**

|  |  |
|--|--|
| Initially Appointed                            | November 1987  |
| Expiration Date of Current Term                | June 2006  |
| Principal Function in Publicis                 | Director of Publicis Conseil SA (France)<br>Member of the nomination and compensation committee of Publicis Groupe S.A. (France) |
| Principal Business Activities Outside Publicis | None   |

**Gérard Worms**

|  |  |
|--|--|
| Initially Appointed                            | June 1998  |
| Expiration Date of Current Term                | June 2010  |
| Principal Function in Publicis                 | Director<br>President of the audit committee of Publicis Groupe S.A. (France)  |
| Principal Business Activities Outside Publicis | Managing partner of:<br>Rothschild et Cie Banque (France), and Rothschild et Cie (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);<br>Director of: Editions Atlas SA (France), and Cofide SA (Italy);<br>Auditor of: Ondéo Degrémont SA (France), and SIACI SA (France). |





**Table of Contents****Business Experience of Supervisory Board Members**

**Elisabeth Badinter**, born on March 5, 1944, 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.

**Robert Badinter**, born on March 30, 1928, is the husband of Elisabeth Badinter and the father of Simon Badinter. Mr. Badinter has served as the president of France's Constitutional Court. He has also been a practicing attorney. He has been a professor of law at the Paris I University (Panthéon Sorbonne).

**Simon Badinter**, born on June 23, 1968, is the son of Elisabeth Badinter and Robert Badinter. Mr. Badinter joined Médias & Régies Europe in 1991. He is the chairman of the management board of Médias & Régies Europe.

**Monique Bercault**, born on January 13, 1931, has held a variety of positions with our company since joining us and she was named head of human resources of Médias & Régies Europe.

**Michel Cicurel**, born on September 5, 1947, 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 served as deputy general manager of Compagnie Bancaire, general manager of Cortal Bank, president of Dumenil-Leble Bank and administrator, general manager and vice president of Cerus.

**Michel David-Weill**, born on November 23, 1932, has held a variety of senior positions in the Lazard group, which he joined in 1961. Among other things, he was the chair of Lazard LLC, chairman and chief executive officer of Lazard Frères Banque and chairman and managing partner of Maison Lazard SAS until May 2005. He is also currently vice-chairman and director of the Danone Group.

**Sophie Dulac**, born on December 26, 1957, is the niece of Elisabeth Badinter and granddaughter of Marcel Bleustein-Blanchet. Ms. Dulac is the founder and manager of a recruitment counseling company. She has been a member of our supervisory board since 1997 and vice-chairperson of our supervisory board since 1999.

**Michel Halpérin**, born in 1948, is currently President of the Grand Conseil de 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 Republic and Canton of Geneva; as head of the Liberal group in the Grand Conseil; and as Vice-President of the Grand Conseil. He served on a number of 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.

**Yutaka Narita**, born on September 19, 1929, joined Dentsu in 1953. In 1971, he became director of the newspaper/magazine division 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. Mr. Narita has been principal advisor and chairman of Dentsu since 2004.

**Tateo Mataka**, born on March 2, 1939, has been president and chief executive officer of Dentsu Inc. since 2004. Mr. Mataka joined Dentsu in 1962, where he held several positions until he joined the Dentsu board of directors in 1995, 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.

**Hélène Ploix**, born on September 25, 1944, has served as president of the Banque Industrielle et Mobilière Privée, adviser to the French Prime Minister, director of the International Monetary Fund and the World Bank, deputy general manager of the Caisse des Dépôts et Consignations and president of the Caisse

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Autonome de Refinancement and CDC Participations. She has been president of Pechel Industries since 1997.

**Felix George Rohatyn**, born on May 29, 1928, served as the U.S. Ambassador to France from 1997 until 2000. He had previously 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.

**Robert Seelert**, born on September 1, 1942, worked from 1966 to 1989 for General Foods Corporation, serving as president and chief executive officer of its Worldwide Coffee and International Foods subsidiary from 1986 until 1989. He served as president and chief executive officer of Topco Associates, Inc. from 1989 to 1991 and held the same positions for Kayser Roth Corporation from 1991 to 1994. He became chief executive officer of Cordiant in 1995 and took the same position with Saatchi & Saatchi in 1997. He was appointed chairman of Saatchi & Saatchi in 1999.

**Amaury de Seze**, born on May 7, 1946, 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.

**Henri-Calixte Suaudeau**, born on February 4, 1936, joined our company in 1989 and served as president of our Drugstore subsidiary until 1999. Prior to 1989, he was an estate administrator and real estate valuation consultant for the French court system. He has led our real estate department since 1997.

**Gérard Worms**, born on August 1, 1936, began his career as a technical adviser in the French civil service. Beginning in 1972, he held general management positions at the Hachette group, the Rhône Poulenc group and then at Société Générale de Belgique. From 1990 to 1995, he served as chairman and chief executive officer of the Compagnie de Suez and Chair of the Indosuez Bank. From 1995 to 1999, he was chairman of the Conseil des Commanditaires of Rothschild et Cie Banque (Paris).

**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*, 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.

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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.

**Claudine Bienaimé**

|                                 |   |
|---------------------------------|---|
| Initially Appointed             | January 2004  |
| Expiration Date of Current Term | December 2007   |
| Principal Function in Publicis  | Director and general secretary<br>Director of: Publicis Conseil SA (France), Médiasystem SA (France), Solange Stricker MS&L France SA (France), Groupe Zenithoptimedia SA (France), Publicis Groupe Investissements BV (Netherlands), Publicis Holdings BV (Netherlands), and Publicis Groupe Holdings BV (Netherlands);<br>Permanent representative of: Publicis Conseil on the board of: Publicis Finance Services SA (France), Publicis Et Nous SA (France), Paname Communication SA (France)*, Carré Noir SA (France), Re: Sources France SAS (France), Loeb & Associés SA (France), World Advertising Movies SA (France), Publicis Koufra SA (France)*, Publicis Cachemire SA (France)* and 2ème Communication SA (France)*;<br>Permanent representative of Publicis Groupe on the board of Publicis Technology SA (France); Manager of Drugstore Champs Elysées SNC (France)*;<br>Member of the Management Committee of Multi Market Services France Holdings SAS (France); General Secretary of Publicis Groupe S.A. (France); Executive vice-president of Rosclodan SA and Sopofam SA (France). |

\*Term expired during 2005

|  |  |
|--|--|
| Principal Business Activities Outside Publicis | Chief executive officer of Société Immobilière du Boisdormant SA (France); Acting general director of Rosclodan SA (France) and Sopofan (France);<br>Manager of SCI Presbourg Etoile (France);<br>Director of: Gévelot SA (France), P.C.M. Pompes SA (France), Gévelot Extrusion SA (France), and Gurtner SA (France)<br>President of the Audit Committee of Gévelot SA (France) |
|--|--|

**Jack Klues**

|                                |   |
|--------------------------------|---|
| Initially Appointed            | January 2005  |
| Expiration Date of Term        | December 2007   |
| Principal Function in Publicis | Director<br>Chief executive officer of Starcom Media Vest Group, Inc. (USA)*;<br>Chairman of: Starcom Worldwide, Inc. (USA)*;<br>Director of: Starcom Worldwide SA (France), Starlink Services, Inc (USA), Starcom Worldwide SA de CV |



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\*Term expired during 2005

Principal Business Activities Outside Publicis

**Maurice Lévy**

Initially Appointed

Expiration Date of Current Term

Principal Function in Publicis

Director of Off the Street Club

November 1987

December 2007

Chairman of the management board, Chairman and chief executive officer of Publicis Conseil SA (France); Chairman, chief executive officer and director of Publicis USA Holdings, Inc. (USA); Member of the supervisory board of Médias & Régies Europe SA (France)

Director of: Optimedia Holdings Limited (U.K.)\*, Multi Market Services Limited (U.K.), ZenithOptimedia Group Limited (U.K.), Publicis Communication (Pty) Limited (South Africa), Publicis Johannesburg (Pty) Limited (South Africa)\*, Optimedia SA Pty Ltd (South Africa)\*, Publicis Communication Pty

Limited(Australia)\*, Publicis Communication Limited (New Zealand)\*, Publicis Canada Inc. (Canada)\*,

Publicis-Unitros SA (Chile)\*, Publicis Ariely Advertising 2000 Limited (Israel)\*, Fallon Group, Inc. (USA), MMS USA Holding, Inc. (USA), Publicis USA

holdings, Inc. (USA), MarketForward Corporation (USA)\*, Publicis & Hal Riney (USA), Publicis.Wet

Desert Sdn Bhd (Malaysia)\*, Publicis Pakistan Pvt Limited (Pakistan)\*, Publicis Ad-Link Group Limited

(China)\*, Publicis Graphics Group Holding SA (Luxembourg)\*, Omagh Pty Limited (Australia)\*,

Optimedia Australia Pty Limited (Australia)\*, Papagena Pty Limited (Australia)\*, Publicis Loyalty Pty Limited

(Australia)\*, Publicis Mojo Pty Limited (Australia)\*, Publicis Dialog Pty Limited (Australia)\*, Publicis Mojo

Limited (New Zealand)\*, A.B. Data Limited (Israel)\*, Triangle Holdings Limited (U.K.), Asia Baseline

Holdings, Inc. (Philippines)

President and director of: U.S. International Holding Company, Inc. (USA)\*, and D Arcy Masius Benton & Bowles, Inc. (USA)\* Permanent representative of

Publicis Groupe S.A. (France) on the board of Publicis Technology SA (France)\*

President of the Palais de Tokyo, site de création contemporaine (French association under law 1901)

Principal Business Activities Outside Publicis

\*Term expired during 2005 or during the first quarter of 2006, as applicable

**Kevin Roberts**

Initially Appointed

Expiration Date of Current Term

Principal Function in Publicis

September 2000

December 2007

Director and President of Saatchi & Saatchi Worldwide  
Inc. (USA)

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Principal Business Activities Outside Publicis

Member of the board of: Conill Advertising inc. (USA), Rowland Communications Worldwide, Inc. (USA), Saatchi & Saatchi Compton Worldwide Inc. (USA), Saatchi & Saatchi North America, Inc. (USA), Saatchi & Saatchi Rowland Inc. (USA), Samuncam Disposition N° 4 Corporation (USA), Saatchi & Saatchi Holdings Worldwide Inc. (USA)\*, Red Rose Limited (New Zealand), Red Rose Charitable Services Limited (New Zealand), Inspiros Worldwide Limited (New Zealand)\*, Lion Nathan plc (U.K.), New Zealand Rugby Football Union (U.K.), North Harbour Rugby Football Union (U.K.), Thomson Murray, Inc. (USA).

\*Term expired during 2005 or during the first quarter of 2006, as applicable

**Bertrand Siguier**

Initially Appointed

Expiration Date of Current Term

Principal Function in Publicis

June 1999

December 2007

Director

President of Multi Market Services France Holdings SAS (France)

Director of: Publicis Cachemire SA (France)\*, Publicis Technology SA (France), Publicis Canada Inc. (Canada), Multi Market Services Limited (U.K.), Publicis & Hal 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), Deputy chairman of iSe International Sports and Entertainment AG (Switzerland), Publicis sp.z.o.o. (Poland)

\*Term expired during 2005

Principal Business Activities Outside Publicis

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

***Business Experience of Management Board Members***

***Claudine Bienaimé***, born on November 23, 1939, 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.

***Jack Klues***, born on December 8, 1954, is chief executive officer of Starcom MediaVest Group. 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 formation of Bcom3.

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**Maurice Lévy**, born on February 18, 1942, 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.

**Kevin Roberts**, born on October 20, 1949, 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.

**Bertrand Siguier**, born on June 10, 1941, 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.

**ADDITIONAL INFORMATION**

Except as noted above, there are no familial relationships between any of our directors. We have no agreements with any of our directors providing for benefits to be paid upon termination of employment, nor do any of our subsidiaries have any such agreements, except as described in **Additional Information** **Material Contracts** **Agreements with Directors** and **Major Shareholders and Related Party Transactions** **Related Party transactions**. Except as described under **Additional Information** **Material Contracts**, none of our directors were selected pursuant to arrangements or understandings with major shareholders, customers, suppliers or others.



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During the 2005 fiscal year, we paid compensation to our directors in the amounts set forth in the following table (amounts are in euros and do not reflect deductions relating to taxes or social charges):

|                          | 2005                           |                      |                          |                    | 2004                      |                                |                      |
|--------------------------|--------------------------------|----------------------|--------------------------|--------------------|---------------------------|--------------------------------|----------------------|
|                          | Total<br>Gross<br>Compensation | Base<br>Compensation | Variable<br>Compensation | Attendance<br>fees | Benefits<br>in<br>kind(5) | Total<br>Gross<br>Compensation | Base<br>Compensation |
| <b>Management Board</b>  |                                |                      |                          |                    |                           |                                |                      |
| Maurice Lévy             | 3,060,430                      | 800,080              | 2,260,350                |                    |                           | 3,200,073                      | 800,073              |
| Claudine Bienaimé        | 300,000                        | 120,000              | 180,000                  |                    |                           | 270,000                        | 120,000              |
| Jack Klues(1)(3)         | 1,608,439                      | 643,688              | 952,658                  |                    | 12,093                    |                                |                      |
| Kevin Roberts(1)         | 2,561,550                      | 804,610              | 1,733,130                |                    | 23,810                    | 5,496,604(6)                   | 805,120              |
| Bertrand Siguier         | 577,440                        | 327,440              | 250,000                  |                    |                           | 551,296                        | 301,296              |
| Roger Haupt(1)(9)        |                                |                      |                          |                    |                           | 5,531,621                      | 764,864              |
| <b>Supervisory Board</b> |                                |                      |                          |                    |                           |                                |                      |
| Elisabeth Badinter       | 222,939                        | 182,939              |                          | 40,000             |                           | 228,939                        | 182,939              |
| Sophie Dulac             | 15,000                         |                      |                          | 15,000             |                           | 10,500                         |                      |
| Robert Badinter          | 15,000                         |                      |                          | 15,000             |                           | 10,500                         |                      |
| Michel David-Weill       | 10,000                         |                      |                          | 10,000             |                           | 7,000                          |                      |
| Henri-Calixte Suaudeau   | 40,000                         |                      |                          | 40,000             |                           | 144,056(7)                     | 53,647               |
| Monique Bercault         | 20,000                         |                      |                          | 20,000             |                           | 14,000                         |                      |
| Hélène Ploix             | 45,000                         |                      |                          | 45,000             |                           | 38,000                         |                      |
| Gérard Worms             | 45,000                         |                      |                          | 45,000             |                           | 38,000                         |                      |
| Amaury de Seze           | 10,000                         |                      |                          | 10,000             |                           | 10,500                         |                      |
| Simon Badinter(1)(8)     | 322,520                        | 154,485              | 138,677                  | 20,000             | 9,358                     | 188,088                        | 144,922              |
| Michel Cicurel           | 30,000                         |                      |                          | 30,000             |                           | 14,000                         |                      |
| Robert L. Seelert(1)     | 290,543                        | 241,383              |                          | 15,000             | 34,160                    | 288,273                        | 241,536              |
| Felix G. Rohatyn         | 15,000                         |                      |                          | 15,000             |                           | 10,500                         |                      |
| Yutaka Narita            | 20,000                         |                      |                          | 20,000             |                           | 10,500                         |                      |
| Tateo Mataka(2)          | 5,000                          |                      |                          | 5,000              |                           |                                |                      |
| Fumio Oshima(4)          | 10,000                         |                      |                          | 10,000             |                           | 10,500                         |                      |
| <b>TOTAL</b>             | <b>9,223,861</b>               | <b>3,274,625</b>     | <b>5,514,815</b>         | <b>355,000</b>     | <b>79,421</b>             | <b>16,072,950</b>              | <b>3,414,397</b>     |

(1) Compensation defined and paid in dollars. The conversion into euros was made at an average rate of 1 \$ = 0,80461 in 2005 and 1 \$ = 0,88582 in 2004.

(2) Mr. Mataka was appointed to the supervisory board on September 9, 2004 to replace Mr. Oshima.

- (3) Mr. Klues was appointed to the Management Board on January 1, 2005.
- (4) Mr. Oshima's term of office expired on September 9, 2004.
- (5) Benefits in kind do not include the use of official car when it does not constitute material amounts.
- (6) Amount comprised of bonuses related to the period of 2001 to 2003 (pursuant to agreements concluded during the acquisition of Saatchi & Saatchi).
- (7) Retirement pay to Mr. Henri-Calixte Suaudeau (Director of the Real Estate Department until April 30, 2004).
- (8) Variable compensation is subject to the Médias & Régies Europe results.
- (9) Mr. Roger Haupt resigned from the management board effective as of December 31, 2004. His 2004 compensation includes a retirement indemnity.

Bonuses are paid to our directors based upon the achievement of qualitative and quantitative performance indicators relating to our financial results, as assessed by our compensation committee. See Additional Information Material Contracts Agreements with Directors for further information concerning the



Henri-Calixte Suaudeau. Michel Cicurel chairs the committee. The committee reviews and makes recommendations to the supervisory and management boards concerning the appointment of managers of our company and our principal subsidiaries and the remuneration of those managers.

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The audit committee is comprised of Gérard Worms, H  l  ne Ploix and Michel David-Weill, who replaced Jean-Paul Morin after the audit committee meeting held in July 2005. 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, 2005, we employed approximately 38,610 people worldwide. Our employees are distributed geographically and by main category of activity as follows:

|               | 2003          | 2004          | 2005          |
|---------------|---------------|---------------|---------------|
| Europe        | 13,732        | 14,151        | 14,412        |
| North America | 11,139        | 11,308        | 12,158        |
| Rest of World | 10,295        | 10,925        | 12,040        |
| <b>Total</b>  | <b>35,166</b> | <b>36,384</b> | <b>38,610</b> |

|                                       | 2003        | 2004        | 2005        |
|---------------------------------------|-------------|-------------|-------------|
| Commercial                            | 22%         | 22%         | 23%         |
| Creative                              | 17%         | 17%         | 18%         |
| Production and specialized activities | 15%         | 15%         | 15%         |
| Media and research                    | 21%         | 22%         | 22%         |
| Administration and Management         | 17%         | 17%         | 16%         |
| Other                                 | 8%          | 7%          | 6%          |
| <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, 2005, none of our directors owned 1% or more of our shares except as described under Major Shareholders and Related Party Transactions Major Shareholders, and except for Maurice L  vy, who beneficially owned 4,465,728 of our shares (including 3,000,000 shares owned through soci  t  s civiles owned by Mr. L  vy and his family), or approximately 2.27% of our total outstanding shares.

Our directors as a group (excluding Elisabeth Badinter and her children) owned 7,240,714 of our shares, representing approximately 3.68% of our shares as of December 31, 2005. See Major Shareholders and Related Party Transactions Major Shareholders for further information concerning ownership of our shares by Ms. Badinter. Our directors as a group also owned options to subscribe or to purchase 1,983,000 of our shares (532,000 of which are exercisable) as of December 31, 2005. The exercise of 796,000 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 43.55 per share and will expire between 2006 and 2015. See note 28 of the consolidated financial statements.

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The following table contains information regarding the numbers of shares, voting rights and stock options held by Publicis Groupe's Directors as of December 31, 2005. Two types of stock options are held: those with the right to buy new shares if the Company issues additional shares (an anti-dilution measure), and those with the right to buy existing shares (does not require the Company to issue new stock in order to exercise).

|                           | Shares of<br>Publicis<br>Groupe<br>Owned | Voting<br>Rights of<br>Publicis<br>Groupe<br>Owned(1) | Options<br>Held for<br>New Shares | Options Held That<br>are Exercisable for<br>Existing 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)           | 4,465,728                                | 8,931,456   | 195,500                           | 1,120,000   | 300,000   | 24.75                        |
| Claudine Bienaimé(4)      | 62,815                                   | 125,630   | 15,500                            | 61,000  | 51,000  | 22.40                        |
| Jack Klues(5)             |  |   |                                   | 170,000   | 170,000   | 24.82                        |
| Kevin Roberts(6)          | 44,000                                   | 88,000  |                                   | 200,000   | 200,000   | 24.82                        |
| Bertrand Siguier(7)       | 105,000                                  | 210,000   | 6,000                             | 115,000   | 75,000  | 25.40                        |
| <b>Supervisory Board</b>  |  |   |                                   |   |   |                              |
| Elisabeth Badinter        | 6,799,320                                | 13,598,640  |                                   |   |   |                              |
| Sophie Dulac              | 2,469,460                                | 4,938,920   |                                   |   |   |                              |
| Robert Badinter           | 200                                      | 200   |                                   |   |   |                              |
| Michel David-Weill        | 1,000                                    | 1,000   |                                   |   |   |                              |
| Henri-Calixte<br>Suaudeau | 80,381                                   | 160,762   |                                   |   |   |                              |
| Monique Bercault          | 840                                      | 1,680   |                                   |   |   |                              |
| Hélène Ploix              | 8,950                                    | 13,850  |                                   |   |   |                              |
| Gérard Worms              | 340                                      | 680   |                                   |   |   |                              |
| Amaury de Seze            | 200                                      | 400   |                                   |   |   |                              |
| Simon Badinter            | 350                                      | 700   |                                   |   |   |                              |
| Michel Cicurel            | 200                                      | 200   |                                   |   |   |                              |
| Robert L. Seelert(8)      | 200                                      | 200   |                                   | 100,000   |   | 43.55                        |
| 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 (2003-2005).

(3) Options held in tranches 9, 11, 15, 16 and 19.

(4) Options held in tranches 7, 8, 9, 11, 13 and 17.

(5) Options held in tranche 17.

(6) Options held in tranche 19.

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

(8) Options held in tranche 10.

We have a number of stock option plans for the benefit of our directors, 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 acquisitions of each of those firms was completed, options under the relevant plans were converted into options to purchase our shares. See note 28 to our financial statements for a summary of each of the plans we currently maintain.

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****MAJOR SHAREHOLDERS**

As of March 31, 2006, to the best of our knowledge, no person held 5% or more of our shares (a Major Shareholder), except as described below. 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.

On March 31, 2006, the percentage ownership in our company by Major Shareholders was as follows:

| Shareholder              | Shares Held   | Percentage Held of Total Shares(5) | Percentage of Voting Rights Not Reflecting the Double Voting Rights of the Statuts(5) | Voting Rights Reflecting the Double Voting Rights(6) |                      |
|--------------------------|---------------|------------------------------------|---|--|----------------------|
|                          |               |                                    | Percentage of the Statuts(5)  | Number of Shares                                     | Percentage of Shares |
| Elisabeth Badinter       | 20,072,339(1) | 10.18%(1)                          | 10.18%  | 40,144,678   | 17.20%               |
| Dentsu                   | 17,665,893(2) | 8.96%(2)(3)                        | 8.96%   | 35,056,768   | 15.02%(3)            |
| SEP (Dentsu-Badinter)(4) | 11,024,983    | 5.59%                              | 5.59%   | 11,024,984   | 4.72%                |

- (1) Does not include shares held by Dentsu and the SEP with respect to which Ms. Badinter may be deemed to be the beneficial owner due to the contractual arrangements described in Additional Information Material Contracts Elisabeth Badinter/ Dentsu Shareholders Agreement in this annual report. Including such shares, Ms. Badinter would be deemed to beneficially own 48,763,215 shares, representing 24.73% of our total shares, 24.73% voting rights (not reflecting the double voting right) and 36.94% voting rights (reflecting the double voting rights).
- (2) Does not include shares held by Ms. Badinter and the SEP with respect to which Dentsu may be deemed to be the beneficial owner due to the contractual arrangements described in Additional Information Material Contracts Elisabeth Badinter/ Dentsu Shareholders Agreement in this annual report. Including such shares, Dentsu would be deemed to beneficially own 48,763,215 shares, representing 24.73% of our total shares, 24.73% voting rights (not reflecting the double voting right) and 36.94% voting rights (reflecting the double voting rights).
- (3) Pursuant to an agreement between our company and Dentsu, its voting rights are capped at 15% of our total voting power.
- (4) This silent partnership was created in September 2004 by Dentsu and Ms. Badinter to implement the 15% limitation on Dentsu's voting rights. For a description of the SEP, see Additional Information Material Contracts Elisabeth Badinter/ Dentsu Shareholders Agreement in this annual report.
- (5) The percentages are calculated based on our total shares, including the 13,039,764 treasury shares.
- (6) The percentages are calculated based on our total shares, including the 13,039,764 treasury shares and the double voting rights of other shares.

Below we show the percentage ownership in our company of the persons listed above as of December 31, 2003, 2004 and 2005.



| Shareholder           | Percentage of Total Shares(1) |          |          |
|-----------------------|-------------------------------|----------|----------|
|                       | 2003                          | 2004     | 2005     |
| Elisabeth Badinter    | 10.3%(2)                      | 10.3%(2) | 10.2%(2) |
| Dentsu                | 18.2%(3)                      | 9.2%(3)  | 9%(3)    |
| SEP (Dentsu-Badinter) |                               | 5.5%     | 5.6%     |

(1) The percentages are calculated based on our total shares, including our treasury shares.

(2) Does not include shares held by Dentsu and the SEP with respect to which Ms. Badinter may be deemed to be the beneficial owner due to the contractual arrangements described in Additional Information Material Contracts Elisabeth Badinter/ Dentsu Shareholders Agreement in this annual report.

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- (3) Does not include shares held by Ms. Badinter and the SEP with respect to which Dentsu may be deemed to be the beneficial owner due to the contractual arrangements described in Additional Information Material Contracts Elisabeth Badinter/ Dentsu Shareholders Agreement in this annual report.

To our knowledge, except as disclosed above, we are not directly or indirectly owned or controlled by any other corporation, foreign government or any other natural or legal person severally or jointly and we are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of our company.

**Ownership by U.S. Holders**

To the best of our knowledge, as of December 31, 2005, approximately 30 million, or 15.2%, of our shares (including shares represented by ADSs) were held in the U.S. by approximately 850 record holders. To the best of our knowledge, as of December 31, 2005, approximately 16 million and 0.8 million, or 57% and 55%, of our equity warrants and ORANE s were held in the U.S. by approximately 429 and 428 record holders, respectively.

Since certain of our ADSs, ordinary shares, equity warrants and ORANEs 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.

**RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties in 2005:

|        | <b>Revenues with<br/>Related<br/>Parties(1)</b> | <b>Increase in<br/>Provision for<br/>Doubtful<br/>Accounts</b> |
|--------|---|--|
|        | (Millions of euros)                             |  |
| Dentsu |   | (27)   |

- (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.

|        | <b>Receivables<br/>on<br/>Related<br/>Parties</b> | <b>Provisions<br/>for<br/>Doubtful<br/>Accounts</b> | <b>Payables<br/>to<br/>Related<br/>Parties</b> |
|--------|---|---|--|
|        | (Millions of euros)                               |   |  |
| Dentsu | 9   |   | 9  |

Guarantees provided by the Group in the context of iSe s financing are set out in note 24 to the financial statements.

**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 2005, Publicis Groupe companies paid Inspiros fees totaling NZ\$422,124 (US\$300,000 at NZ\$1 = US\$.7107). 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.

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 SA 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

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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' 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, 2005, or during the financial year then ended, is disclosed under Item 6 Compensation.

Except as described above and described under Directors, Senior Management and Employees Directors and Senior Management Additional Information and Additional Information Material Contracts our company (inclusive of its subsidiaries) has not, since January 1, 2005, 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 2006, we will propose a dividend of \$0.36 per share to shareholders with respect to the 2005 fiscal year, which represents a 20% increase over the dividend paid with respect to the 2004 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 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, 2005, the date of the annual financial statements included in this annual report.

**Table of Contents****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, 2006                      | 33.60              | 31.72 | 39.90     | 38.07 |
| February, 2006                   | 32.36              | 31.03 | 38.52     | 37.18 |
| January, 2006                    | 31.25              | 29.29 | 37.95     | 35.50 |
| December, 2005                   | 30.19              | 28.48 | 35.54     | 33.76 |
| November, 2005                   | 28.90              | 27.23 | 33.09     | 30.90 |
| October, 2005                    | 27.72              | 25.70 | 33.09     | 30.90 |
| <b>Last Quarter</b>              |                    |       |           |       |
| 2006                             |                    |       |           |       |
| First Quarter                    | 32.40              | 30.68 | 38.79     | 36.91 |
| <b>Last Two Years By Quarter</b> |                    |       |           |       |
| 2005                             |                    |       |           |       |
| Fourth Quarter                   | 28.93              | 27.13 | 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                    | 24.65              | 22.72 | 33.38     | 29.76 |
| 2004                             |                    |       |           |       |
| Fourth Quarter                   | 25.70              | 22.01 | 33.93     | 28.15 |
| Third Quarter                    | 24.75              | 20.25 | 29.78     | 24.98 |
| Second Quarter                   | 26.48              | 21.85 | 32.00     | 26.68 |
| First Quarter                    | 29.58              | 23.37 | 37.50     | 28.60 |
| <b>Last Five Years</b>           |                    |       |           |       |
| 2005                             | 28.93              | 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 |
| 2001                             | 39.27              | 15.83 | 36.88     | 14.75 |

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.

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**Item 10. Additional Information**

**MEMORANDUM AND ARTICLES OF ASSOCIATION**

**Objects and Purposes**

Under Article 2 of our *statuts*, our corporate purposes are to:  
produce and develop advertising;

organize shows and radio or television broadcasts, set up radio, television and other programs, use movie theaters, recording or broadcasting studios and projection and viewing rooms, publish documents and publish music, sketches, scripts and theater productions; and

carry out commercial, financial, industrial and real and movable property transactions directly or indirectly related to the above in order to foster our growth.

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

**Directors**

Our *statuts* provide that a member of our supervisory board must own at least 200 of our shares for as long as he or she serves as a director. Members of our management board are not required to own any of our shares.

Each director is eligible for reappointment upon the expiration of his or her term of office. Members of the supervisory board serve six-year terms. Members over 75 years of age may not constitute more than one-third of the supervisory board. Should this limit be exceeded, the oldest member of the supervisory board will automatically be retired. Members of the management board serve four-year terms. No member of the management board may serve after the ordinary shareholders' meeting following his or her 70th birthday. The members of the management board may be dismissed either by the supervisory board or by the shareholders at a general meeting. 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 directors 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 director, or a person acting on the director'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 director 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 director and, in some circumstances, the other directors, 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 directors that can be considered within the company's ordinary course of business, the interested director 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 directors 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.

**Table of Contents****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. There is no requirement in the French commercial code or our *statuts* that requires directors to serve concurrent terms. Accordingly, fewer than all of the members of our supervisory board will ordinarily stand for reelection at any particular shareholders' meeting.

***Liquidation Rights***

If our company is liquidated, any assets remaining after payment of our debts, 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.

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Except as described under Anti-Takeover Provisions, our *statuts* do not contain any provisions that discriminate against existing or prospective holders of substantial numbers of our shares. See also Anti-Takeover Effects of Applicable Law and Regulations.

***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.

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*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.

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*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.

**Table of Contents*****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.

***Anti-Takeover Provisions***

Our *statuts* provide double voting rights for shares held in registered form by the same shareholder for at least two years. Our *statuts* further provide that any person or group that fails to notify us within 15 days of acquiring or disposing of 1% or any multiple of 1% of our shares will be deprived of voting rights for shares in excess of the unreported fraction. In addition, our *statuts* provide that we may require a corporate entity holding shares representing more than 2.5% of our share capital or voting rights to 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. Shareholders who fail to comply with this requirement may be deprived of voting rights until the required disclosure is made. Finally, 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 control of the AMF.

***Anti-Takeover Effects of Applicable Law and Regulations***

The French commercial code provides that any individual or entity, acting alone or in concert with others, 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 5 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 board of directors. 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.

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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.

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.

In addition, a number of provisions of the French commercial code allow corporations to adopt *statuts* that have anti-takeover effects, including provisions that allow:

limitations on the voting power of shareholders; and

shareholders agreements that provide for preemptive rights in case of a sale of shares by a shareholder.

**Rights, Preferences and Restrictions Applicable to Equity Warrants and ORANES**

For information regarding the rights, preferences and restrictions attached to our equity warrants and ORANES, please see the description contained in the prospectus filed pursuant to Rule 424(b)(3) of the U.S. Securities Act of 1933, as amended (File No. 333-87600).

**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 activity 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 has a 45% interest in iSe; Fuji Television Network, Inc. and Tokyo Broadcasting Service each has a 4% interest; SportsMondial owns the remaining 2%. Finally, we and Dentsu agreed to form an executive group, to be comprised of our chief executive and chief operating officers and two executives from Dentsu, to manage our alliance. We and Dentsu agreed to keep each other informed through this executive group of our respective expansion plans in Asia (excluding, in the case of Dentsu, Japan).

The Alliance Agreement has a term of 20 years, subject to early termination by either party in the event that Dentsu ceases to own at least 10% of our shares.

**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

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supersedes and gives further effect to the shareholders agreement memorandum of understanding we entered into with Dentsu on March 7, 2002.

Under the Publicis/ Dentsu Agreement, so long as Dentsu owns at least 10% of our shares (calculated in a specified manner), we will propose to our shareholders resolutions for the appointment of two Dentsu designees to our supervisory board. 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 also agreed that it will not transfer any of our shares until July 1, 2012, and that any transfers after that date will be subject to certain restrictions.

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, Ms. Badinter agreed that Dentsu will be entitled to designate two members to our supervisory board so long as it owns at least 10% of our outstanding shares (calculated in a specified manner). Dentsu agreed to vote (i) to elect Ms. Badinter or her designee as chairperson of the supervisory board, (ii) to elect to the supervisory board such persons designated by her, and (iii) in favor of appointments of or changes in the members of our management 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 by Ms. Badinter and Dentsu, to be comprised of members of the supervisory board designated by Ms. Badinter and Dentsu. 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.

Under the Badinter/ Dentsu Agreement, Dentsu is prohibited from owning a number of our shares that would entitle it to exercise more than 15% of the total voting power of our shares (as calculated in a manner specified in the agreement), subject to specified exceptions. Dentsu also agreed not to vote any shares that represent voting rights in excess of the 15% threshold at any shareholders meeting.

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

On September 24, 2004, Ms. Badinter and Dentsu formed a partnership (the Société en Participation ( SEP )) and approved by-laws (*statuts*) of the SEP, an unofficial English translation of which is incorporated herein by reference as exhibit 4.15 to this annual report. 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

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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 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, each of which is incorporated by reference as an exhibit to this annual report.

**Agreements with Directors**

Through subsidiaries, we have 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), effective as of January 1, 2005 until December 31, 2008, generally provides that if we terminate Mr. Roberts' employment without cause, if he terminates his employment for good reason or within two years of a change of control, if we terminate him or he terminates his employment for good reason (as those terms are defined in the agreements), we may be required to pay to him amounts in cash up to (i) 120% of his salary, (ii) the cost of benefits, and (iii) the maximum bonus he would have earned, including any performance bonuses, in each case for a period of one year from the date of the termination of his employment. In addition, Mr. Roberts is entitled to a deferred bonus calculated on the basis of \$200,000 per year of employment starting on January 1, 2005.

Our agreement with Mr. Klues provides that he will continue to serve as the chief executive officer of SMG. If Mr. Klues is terminated without cause or if he terminates his employment as a result of a constructive discharge, we may be required to pay him amounts equal to (i) his base salary, (ii) his target annual incentive award opportunity, and (iii) a pro-rated amount of any annual incentive compensation for the year of his termination. Mr. Klues will receive a base salary plus an annual incentive opportunity ranging from zero to 160% of his base salary. Mr. Klues' target annual incentive opportunity is 80% of his base salary.

Our agreement with Mr. Seelert provides that we may be obligated to provide salary and other benefits to Mr. Seelert within the contract period if we terminate his employment.

Each of the foregoing summaries is qualified in its entirety by the full text of each of the employment agreements with Messrs. Roberts, Klues and Seelert, each of which is incorporated by reference as an exhibit to this annual report.

In addition, in place of the pension agreement, dated November 30, 2002, one of our subsidiaries has agreed, effective January 1, 2005, to pay Mr. Roberts an annuity in the total amount of \$6,133,000 during the

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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 would be reduced *pro rata* in the event Mr. Roberts' employment were terminated by him without good reason or we terminated him for cause before the end of that period. Further, our supervisory board has agreed to pay to 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 our company until 2010 and does not compete with us for three years following such termination.

In November and December of 2004, Publicis and a subsidiary of Publicis entered into consulting agreements with Roger Haupt, a former member of our management board, who resigned from the management board effective as of December 31, 2004.

In replacement of agreements entered into prior to our acquisition of Bcom3 in 2002, we entered into a consulting services agreement with Mr. Haupt on November 8, 2004, pursuant to which Mr. Haupt will provide us with consulting services for the term of the agreement, which began on January 1, 2005 and continues until December 31, 2007. Mr. Haupt is entitled to be paid consultant fees over the term of the agreement in an aggregate amount of \$1,425,000. He is also entitled to be reimbursed for travel expenses (excluding business entertainment expenses) and he agreed not to accept as clients our competitors without our prior permission. In addition, during the term of the consulting services agreement, Mr. Haupt agreed not to compete with us in certain circumstances.

As provided in his employment contract with Bcom3, on December 21, 2004, Leo Burnett Worldwide, Inc. entered into an executive consulting agreement with Mr. Haupt, which provides that for the five-year period commencing January 1, 2005 and ending December 31, 2009, Mr. Haupt will provide executive consulting services to us. Mr. Haupt is entitled to a yearly salary of \$427,500 for each of the five years of the term of his employment and is entitled to participate in employee plans during the period (except Mr. Haupt is not entitled to participate in any bonus plan or long-term disability or supplemental long-term disability plan). In addition, during the period of the executive consulting agreement, Mr. Haupt agreed to not compete with us in certain circumstances.

Each of the foregoing summaries of Mr. Haupt's agreements is qualified in its entirety by the full text of each of the consulting agreements for Mr. Roger Haupt, each of which is incorporated by reference as an exhibit to this annual report.

**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 directors, 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.



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**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 who are U.S. Tax Residents. A U.S. Tax Resident is a holder who:

is not a French tax resident;

is a tax resident of the U.S. pursuant to Article 4 of the Convention Between the Government of the U.S. 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 a citizen or resident of the U.S. for U.S. federal income tax purposes, is a U.S. domestic corporation or is otherwise subject to U.S. federal income taxation on a net income basis in respect of our shares; and

does not hold our shares in connection with a permanent establishment or a fixed base in France pursuant to Article 5 of the Treaty through which the holder carries on a business or performs personal services.

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

the holder owns, directly or indirectly, less than 10% of our share capital;

the holder is a U.S. Tax Resident;

the holder is entitled to the benefits of the Treaty under the limitations on benefits article of the Treaty (Article 30);

the ownership of our shares is not effectively connected with a permanent establishment or a fixed base in France;

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, RATHER THAN RELYING ON THIS SUMMARY.** 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. The particular facts or circumstances of a U.S. Tax Resident holder that may so affect the consequences are not discussed here. 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. Those special rules are not discussed in this annual report. 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. Tax Resident holder of our shares. 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 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.



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For U.S. federal income tax purposes, a U.S. Tax Resident 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***

#### ***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% if all the following conditions are met:

- (i) our shares are beneficially owned by a U.S. Tax Resident,
- (ii) such ownership is not effectively connected with a permanent establishment or a fixed base that the holder has in France, and

- (iii) the holder has previously established that he or she is a U.S. Tax Resident in accordance with the following procedures:

the U.S. Tax Resident must complete a simplified certificate 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. This certificate must state that the beneficial owner fulfills the following conditions:

the holder is a U.S. Tax Resident;

the holder's ownership of the shares is not effectively connected with a permanent establishment or a fixed base in France;

the holder owns all the rights attached to the full ownership of the shares including, among other things, the dividend rights;

the holder fulfills all the requirements under the Treaty to be entitled to the reduced rate of withholding tax, and

the holder claims the reduced rate of withholding tax.

If a U.S. Tax Resident has not completed French Treasury Form RF1 A EU-No. 5053 or the simplified certificate 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 French Treasury Form 5053 RF1 B-EU or 5056 RF4 EU and sending it, by intermediary of the paying establishment, to the French tax authorities before December 31 of the second calendar year following the calendar year during which the withholding tax is levied.

Under (i) and (ii) above, the 15% withholding tax rate may also apply to dividends paid to a U.S. partnership or similar pass-through entity as described 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. Tax Residents ( U.S. Tax Resident Partnership ).

Specific procedures will apply if our shares are held through a U.S. Tax Resident Partnership. U.S. Tax Residents 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 and various other U.S. entities, including certain state-owned institutions (with respect to dividends derived from the investment of retirement assets) and not-for-profit organizations mentioned in article 4.2.(b)(i) and (ii) of the Treaty and U.S. Tax Resident individuals (with respect to dividends they beneficially own and that are derived from individual retirement accounts).



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

These entities or persons 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 a dividend, including any French withholding tax, will be included in your gross income as dividend income when payment is received by you, 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 income for foreign tax credit purposes.

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. You will generally be required to recognize U.S. source ordinary income or loss when you sell or dispose of euros. You may also be required to recognize foreign currency gain or loss if you receive a refund under the Treaty of tax withheld in excess of the treaty rate. This foreign currency gain or loss 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. This adjustment will increase the amount of gain, or decrease the amount of loss, that you will recognize if you later dispose of those shares; and

second, the balance of the dividend in excess of the adjusted basis will be taxed as capital gain.

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 2009, dividends paid by us will be taxable to a non-corporate U.S. Tax Resident holder at a special 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 rates, a shareholder 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 shareholder will not be entitled to the reduced rates if such shareholder 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 shareholder will not be able to claim the reduced rate for the taxable year in which the dividend was paid, or the preceding taxable year, in which we are treated as, a passive foreign investment company (a PFIC). As described below, we believe that we are not and have not been a PFIC. Accordingly, we believe that dividends paid by us with respect to the ADSs traded on the New York Stock Exchange should be eligible for the reduced tax rates for a shareholder who meets the holding period and other requirements. All shareholders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules and the qualification for the special reduced rate of dividends paid by us.

*Taxation of Capital Gains*

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

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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.

If the holder is a U.S. Tax Resident, the holder will not be subject to French tax on any capital gain if the holder sells or exchanges its shares, unless the holder has a permanent establishment or fixed base in France and the shares sold or exchanged were part of the business property of that permanent establishment or fixed base.

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.

Under French tax law, an individual having his or her tax residence outside France is taxable only on such individual's French assets. However, financial investments made by such individuals, provided they represent less than 10% of the share capital of the French company and are made in companies other than real property companies, are exempt from wealth tax.

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***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 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 our directors 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 our directors 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 our directors;

to obtain judgments against us or our directors in original actions in non-U.S. courts predicated solely upon the U.S. federal securities laws; or

to enforce against us or our directors 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.

**Table of Contents****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, 2005, 94% 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 6.77%. An increase of 1% of short-term interest rates would have a positive effect of 19 million on the Group's pre-tax profits.

The following table sets out the carrying amount by maturity at December 31, 2005 of the Group's financial instruments that are exposed to interest rate risk:

|                                | <b>Maturities</b>                 |                         |                              |                              |                              |                              | <b>More than 5 Years</b> |
|--------------------------------|-----------------------------------|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--------------------------|
|                                | <b>Total at December 31, 2005</b> | <b>Less than 1 Year</b> | <b>Between 1 and 2 Years</b> | <b>Between 2 and 3 Years</b> | <b>Between 3 and 4 Years</b> | <b>Between 4 and 5 Years</b> |                          |
| <b>(Millions of euros)</b>     |                                   |                         |                              |                              |                              |                              |                          |
| <b>Fixed rate:</b>             |                                   |                         |                              |                              |                              |                              |                          |
| Eurobond                       | 750                               |                         |                              |                              |                              |                              | 750                      |
| OCEANes (debt component)       | 858                               | 48                      |                              | 580                          |                              |                              | 230                      |
| ORANes (debt component)        | 36                                | 3                       | 4                            | 3                            | 3                            | 3                            | 20                       |
| Other fixed rate debt          | 7                                 |                         | 7                            |                              |                              |                              |                          |
| Debt related to finance leases | 112                               |                         |                              |                              |                              |                              | 112                      |
| <b>Total fixed rate</b>        | <b>1,763</b>                      | <b>51</b>               | <b>11</b>                    | <b>583</b>                   | <b>3</b>                     | <b>3</b>                     | <b>1,112</b>             |
| <b>Variable rate:</b>          |                                   |                         |                              |                              |                              |                              |                          |
| Bank borrowings                | 23                                | 12                      | 11                           |                              |                              |                              |                          |
| Bank overdrafts                | 95                                | 95                      |                              |                              |                              |                              |                          |
| Cash and cash equivalents      | (1,980)                           | (1,980)                 |                              |                              |                              |                              |                          |
| <b>Total variable rate</b>     | <b>(1,862)</b>                    | <b>(1,873)</b>          | <b>11</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. See 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.

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 (nominal rate 4.125%) to \$977 million of fixed rate dollar debt (nominal rate 5.108%).

Under IAS 39, the swap of euro fixed rate debt for fixed rate dollar debt has been designated as a hedge of a net investment. Changes in the fair value of the derivative (both the interest component and the foreign currency



component) are thus recognized directly in our shareholders' equity.

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The impact on shareholders' equity is 9 million, net of deferred tax, at December 31, 2005. The fair value of the swap amounts to 59 million at December 31, 2005.

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>2005</b> |
|----------------|-------------|
| Euro           | 25%         |
| US Dollar      | 42%         |
| Pound Sterling | 10%         |
| Other          | 23%         |
| Total revenues | 100%        |

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):

21 M on 2005 consolidated revenues

4 M on 2005 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.

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The table below summarizes hedging contracts in place at December 31, 2005:

**I. Intercompany Receivables and Payables**

| Currency Sold                                      | Currency Purchased | Amount of Currency Sold       | Amount of Currency Purchased  | Fair Value of the Hedge |
|--|--------------------|-------------------------------|-------------------------------|-------------------------|
|  |                    | (Local currency, in millions) | (Local currency, in millions) | (Millions of euros)     |
| AUD  | EUR                | (27.5)                        | 17.0                          |                         |
| AUD  | USD                | (54.0)                        | 40.2                          | 0.6                     |
| CAD  | USD                | (1.3)                         | 1.1                           |                         |
| DKK  | EUR                | (4.6)                         | 0.6                           |                         |
| DKK  | USD                | (52.7)                        | 8.3                           |                         |
| EUR  | AUD                | (4.5)                         | 7.3                           |                         |
| EUR  | CAD                | (2.6)                         | 3.8                           | 0.1                     |
| EUR  | CHF                | (21.3)                        | 32.7                          | (0.1)                   |
| EUR  | GBP                | (21.4)                        | 14.6                          | (0.2)                   |
| EUR  | USD                | (763.9)                       | 915.7                         | 10.4                    |
| GBP  | EUR                | (8.1)                         | 11.9                          | 0.1                     |
| GBP  | USD                | (0.1)                         | 0.2                           |                         |
| HKD  | EUR                | (10.7)                        | 1.1                           | (0.1)                   |
| HUF  | EUR                | (181.8)                       | 0.7                           |                         |
| JPY  | EUR                | (166.4)                       | 1.3                           | 0.1                     |
| MYR  | AUD                | (0.4)                         | 0.1                           |                         |
| MYR  | EUR                | (0.1)                         |                               |                         |
| NOK  | EUR                | (41.7)                        | 5.3                           | 0.1                     |
| NZD  | EUR                | (1.0)                         | 0.6                           |                         |
| NZD  | GBP                | (21.6)                        | 8.8                           | 0.3                     |
| SEK  | EUR                | (57.6)                        | 6.2                           |                         |
| SEK  | USD                | (184.8)                       | 23.1                          | (0.1)                   |
| THB  | EUR                | (233.2)                       | 4.6                           | (0.2)                   |
| USD  | AUD                | (5.0)                         | 6.6                           | (0.1)                   |
| USD  | CAD                | (0.8)                         | 0.9                           |                         |
| USD  | EUR                | (81.1)                        | 67.9                          | (0.7)                   |
| USD  | GBP                | (11.5)                        | 6.6                           | (0.4)                   |
| <b>Total intercompany receivables and payables</b> |                    |                               |                               | <b>9.8</b>              |

**II. Third Party Receivables and Payables**

| Currency Sold | Currency Purchased | Amount of Currency Sold       | Amount of Currency Purchased  | Fair Value of the Hedge |
|---------------|--------------------|-------------------------------|-------------------------------|-------------------------|
|               |                    | (Local currency, in millions) | (Local currency, in millions) | (Millions of euros)     |
| EUR           | GBP                | (8.4)                         | 5.8                           | (0.1)                   |
| EUR           | USD                | (1.0)                         | 1.2                           |                         |
| GBP           | EUR                | (13.8)                        | 20.0                          | (0.1)                   |
| GBP           | USD                | (14.2)                        | 24.5                          |                         |

|   |     |       |              |
|---|-----|-------|--------------|
| MYR   | EUR | (1.3) | 0.3          |
| MYR   | GBP | (1.6) | 0.2          |
| <b>Total third party receivables and payables</b> |     |       | <b>(0.2)</b> |

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

| Currency Sold                | Currency Purchased | Amount of Currency Sold<br>(Local currency, in millions) | Amount of Currency Purchased<br>(Local currency, in millions) | Fair Value of the Hedge<br>(Millions of euros) |
|------------------------------|--------------------|--|---|--|
| EUR                          | GBP                | (0.4)  | 0.3   |  |
| EUR                          | USD                | (0.4)  | 0.5   |  |
| GBP                          | USD                | (0.3)  | 0.5   |  |
| USD                          | EUR                | (18.1)   | 15.4  | 0.1  |
| USD                          | GBP                | (3.4)  | 2.0   |  |
| USD                          | SEK                | (0.5)  | 3.7   |  |
| <b>Total future flows(1)</b> |                    |  |   | <b>0.1</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**

9.7

**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, 2005.

The following table shows the impact of a 10% fall in the market value of shareholdings owned by Publicis as of December 31, 2005:

|                                | Treasury Stock | Other (IPG shares) |
|--------------------------------|----------------|--------------------|
| Effect on balance sheet assets | n/a            | (4)                |
| Effect on shareholders' equity |                | (4)                |
| Effect on net income           |                |                    |

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

Not applicable.

**Table of Contents****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, 2005. 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.

In January 2006, following the finalization of our IFRS transition, we determined that, under U.S. GAAP, deferred tax liabilities had not been recorded with respect to the trade names recognized in conjunction with the Bcom3 acquisition. Accordingly, we computed the effect on goodwill, deferred tax liabilities and cumulative translation adjustments as if the deferred tax liabilities had been properly recorded upon the acquisition of Bcom3 in 2002. The recognition of the additional deferred tax liability and the corresponding increase in goodwill caused us to record an additional impairment charge under U.S. GAAP for the year ended December 31, 2003 amounting to EUR 87 million. As a consequence, we restated our reconciliation of consolidated net income as determined in accordance with U.S. GAAP and consolidated shareholders' equity as determined in accordance with U.S. GAAP, as of December 31, 2003 and 2004, as described in Note 34 to our consolidated financial statements. This error had no effect on our IFRS financial statements.

Based upon our evaluation that the control deficiency in our internal control structure relating to the preparation of our U.S. GAAP financial information described above constituted a material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures cannot be deemed to be effective as of December 31, 2005 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.

As mentioned above, the error that led to the restatement discussed in Note 34, which summarizes the differences between IFRS and U.S. GAAP, originated in 2002 at the time of the acquisition of Bcom3. At that time, we were already using external U.S. GAAP technical experts. This procedure did not prevent the control deficiency referred to above. Since then, we believe that we have made progress in addressing this control deficiency by augmenting our finance function with additional resources to strengthen our knowledge in this area beginning in 2005. Our efforts to strengthen our knowledge in this area have continued through the first part of 2006 and we expect them to continue throughout the remainder of 2006 as we progress towards compliance with Section 404 of the Sarbanes Oxley Act of 2002 for the year ending December 31, 2006. The control deficiency did not affect our ability to produce accurate financial statements under IFRS, and the error did not affect the financial statements prepared in accordance with those principles.

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Except as described above, 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.

**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 determined that Mr. Gerard Worms, chairman of the audit committee, is an 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 that addresses the subjects referenced in NYSE Rule 303A.10. Our codes of ethics are available on the Investor Relations page of our website, at [www.Publicis.com](http://www.Publicis.com), under

Corporate Governance, as is 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. 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, 2004 and 2005, 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.

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 2004.

|                    | 2005                |                  | 2004                |                  |
|--------------------|---------------------|------------------|---------------------|------------------|
|                    | ( millions)         |                  | ( millions)         |                  |
|                    | Ernst & Young Audit | Mazars & Guérard | Ernst & Young Audit | Mazars & Guérard |
| Audit Fees         | 5.8                 | 3.6              | 6.0                 | 4.5              |
| Audit Related Fees | 1.2                 | 0.9              | 0.4                 | 0.5              |
| Tax Fees           | 0.4                 |                  | 0.1                 |                  |
| All Other Fees     |                     |                  |                     |                  |
| Total Fees         | 7.4                 | 4.5              | 6.5                 | 5.0              |





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**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**

The audit committee of our board of directors chooses and submit to AGM's vote our independent auditors to audit our financial statements, subject to the approval of our shareholders. 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, 2006.

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Publicis has entered into a liquidity contract (*un contrat de liquidité*) with Rothschild & Cie Banque (Rothschild), dated November 1, 2004, pursuant to which Rothschild is authorized by Publicis to deal in its shares (within certain agreed limits) in order to maintain share price stability. The contract has a one year term that automatically renews unless otherwise terminated. Under the contract, Rothschild can purchase up to 17,000,000 of Publicis shares. In addition, the maximum price at which Rothschild can purchase is 35 per share, and the minimum price at which Rothschild can sell is 18 per share. Subject to the limitations in the contract, Rothschild exercises its discretion to intervene in the market and deal in Publicis shares independently of Publicis. All share repurchases made in 2005 were made by Rothschild.

|  | (a)<br>Total<br>Number of<br>Shares<br>Purchased | (b)<br>Average<br>Price<br>Paid<br>per<br>Share<br>(in<br>euros) | (c)<br>Total Number of<br>Shares Purchased<br>as<br>Part of Publicly<br>Announced Plans<br>or<br>Programs | (d)<br>Maximum Number<br>of Shares that May<br>Yet<br>Be Purchased Under<br>the Plans or<br>Programs(1) |
|--|--|--|---|---|
| January 2005 (January 1<br>January 31)       | 45,300   | 24.35  | 45,300  | 6,077,294   |
| February 2005 (February 1<br>February 28)    | 297,000  | 23.72  | 297,000   | 6,202,794   |
| March 2005 (March 1 - March 31)              | 235,010  | 24.03  | 235,010   | 6,248,075   |
| April 2005 (April 1 - April 30)              | 214,452  | 23.36  | 214,452   | 6,151,585   |
| May 2005 (May 1 - May 31)                    | 100,600  | 23.31  | 100,600   | 6,483,085   |
| June 2005 (June 1 - June 30)                 | 188,889  | 24.6   | 188,889   | 6,458,085   |
| July 2005 (July 1 - July 31)                 | 152,500  | 27.95  | 152,500   | 6,489,560   |
| August 2005 (August 1<br>August 31)          | 63,000   | 27.38  | 63,000  | 6,475,330   |
| September 2005 (September 1<br>September 30) | 196,050  | 26.9   | 196,050   | 6,457,062   |
| October 2005 (October 1<br>October 31)       | 271,954  | 26.91  | 271,954   | 6,702,062   |
| November 2005 (November 1<br>November 30)    | 254,515  | 28.74  | 254,515   | 6,687,962   |
| December 2005 (December 1<br>December 31)    | 200,236  | 29.43  | 200,236   | 6,672,137   |

- (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 yet 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**



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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 sheet of Publicis Groupe S.A. and subsidiaries ( the Company ) as of December 31, 2005 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 audits.

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 audits 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 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, 2005, and the consolidated results of its operations and its cash flows for each of 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 34 to the consolidated financial statements.

Paris, France

*March 14, 2006 except for Note 34 Summary of differences between  
International Financial Reporting Standards and generally accepted accounting principles  
in the United States of America, for which the date is April 21, 2006*

/s/ Bruno Perrin

/s/ Isabelle Massa

Ernst & Young Audit  
Represented by Bruno Perrin

Mazars & Guérard, S.A.  
Represented by Isabelle Massa

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**REPORT OF INDEPENDENT REGISTERED PUBLICS 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. As set forth below, the information in Note 34 to the consolidated financial statements has been restated. 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 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 audits 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 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, 2004, and the consolidated results of its operations and its cash flows for each of 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 34 to the consolidated financial statements.

As described in Note 34 - Summary of differences between International Financial Reporting Standards and generally accepted accounting principles in the United States of America, the 2004 financial information therein has been restated.

Paris, France

*March 14, 2006 except for Note 34 - Summary of differences between  
International Financial Reporting Standards and generally accepted accounting principles  
in the United States of America, for which the date is April 21, 2006*

/s/ Bruno Perrin

Ernst & Young Audit  
Represented by Bruno Perrin

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**  
**CONSOLIDATED INCOME STATEMENT**

|  | Notes    | 2005               | 2004               |
|--|----------|--------------------|--------------------|
| (Millions of euros)  |          |                    |                    |
| <b>Revenues</b>  |          | <b>4,127</b>       | <b>3,832</b>       |
| Personnel expenses   | 3        | (2,454)            | (2,271)            |
| Other operating expenses   | 4        | (908)              | (862)              |
| <b>Operating margin before depreciation and amortization</b>   |          | <b>765</b>         | <b>699</b>         |
| Depreciation and amortization expense (excluding intangibles arising on acquisition)   | 5        | (116)              | (119)              |
| <b>Operating margin</b>  |          | <b>649</b>         | <b>580</b>         |
| Amortization of intangibles arising on acquisition   | 5        | (23)               | (29)               |
| Impairment   | 5        | (33)               | (215)              |
| Non-current income (expense)   | 6        | 59                 | (10)               |
| <b>Operating income</b>  |          | <b>652</b>         | <b>326</b>         |
| Cost of net financial debt   | 7        | (78)               | (108)              |
| Other financial income (expense)   | 7        | (14)               | (6)                |
| <b>Income of consolidated companies before taxes</b>   |          | <b>560</b>         | <b>212</b>         |
| Income taxes   | 8        | (157)              | (112)              |
| Net change in deferred taxes related to the OBSA/ CLN transactions and deferred tax assets related to the conversion to IFRS |          |                    | 198                |
| <b>Net income of consolidated companies</b>  |          | <b>403</b>         | <b>298</b>         |
| Equity in net income of non-consolidated companies   | 13       | 11                 | 6                  |
| <b>Net income</b>  |          | <b>414</b>         | <b>304</b>         |
| Net income attributable to minority interests  |          | 28                 | 26                 |
| Net income attributable to equity holders of the parent  |          | 386                | 278                |
| <b>Per share data (in euros)</b>   | <b>9</b> |                    |                    |
| <i>Number of shares</i>  |          | <i>210,415,990</i> | <i>210,535,541</i> |
| Net earnings per share   |          | 1.83               | 1.32               |
| <i>Number of shares diluted</i>  |          | <i>233,816,994</i> | <i>233,984,337</i> |
| Net earnings per share diluted   |          | 1.76               | 1.29               |

Table of Contents**CONSOLIDATED BALANCE SHEET**

|  | Notes     | 2005          | 2004         |
|--|-----------|---------------|--------------|
| (Millions of euros)                              |           |               |              |
| <b>ASSETS</b>                                    |           |               |              |
| Goodwill, net,                                   | 10        | 2,883         | 2,623        |
| Intangible assets, net                           | 11        | 763           | 740          |
| Property and equipment, net                      | 12        | 580           | 609          |
| Deferred tax assets                              | 8         | 216           | 368          |
| Investments accounted for by the equity method   | 13        | 33            | 17           |
| Other financial assets                           | 14        | 118           | 143          |
| <b>Non-current assets</b>                        |           | <b>4,593</b>  | <b>4,500</b> |
| Inventory and costs billable to clients          | 15        | 580           | 437          |
| Accounts receivable                              | 16        | 4,014         | 3,282        |
| Other receivables and other current assets       | 17        | 577           | 450          |
| Cash and cash equivalents                        | 18        | 1,980         | 1,186        |
| <b>Current assets</b>                            |           | <b>7,151</b>  | <b>5,355</b> |
| <b>Total assets</b>                              |           | <b>11,744</b> | <b>9,855</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>       |           |               |              |
| Capital stock                                    |           | 79            | 78           |
| Additional paid-in capital and retained earnings |           | 2,006         | 1,551        |
| <b>Shareholders equity</b>                       | <b>19</b> | <b>2,085</b>  | <b>1,629</b> |
| Minority interests                               |           | 20            | 31           |
| <b>Total equity</b>                              |           | <b>2,105</b>  | <b>1,660</b> |
| Long-term financial debt (more than 1 year)      | 22        | 1,913         | 1,492        |
| Deferred tax liabilities                         | 8         | 220           | 365          |
| Long-term provisions                             | 20        | 539           | 537          |
| <b>Non-current liabilities</b>                   |           | <b>2,672</b>  | <b>2,394</b> |
| Accounts payable                                 |           | 4,605         | 3,694        |
| Short-term financial debt (less than 1 year)     | 22        | 224           | 273          |
| Income taxes payable                             |           | 263           | 206          |
| Short-term provisions                            | 20        | 120           | 106          |
| Other creditors and other current liabilities    | 23        | 1,755         | 1,522        |
| <b>Current liabilities</b>                       |           | <b>6,967</b>  | <b>5,801</b> |
| <b>Total liabilities and shareholders equity</b> |           | <b>11,744</b> | <b>9,855</b> |
| Net financial debt                               | 22        | 207           | 618          |

Table of Contents**CONSOLIDATED CASH FLOW STATEMENT**

|   | 2005                | 2004         |
|---|---------------------|--------------|
|   | (Millions of euros) |              |
| <b>I Cash flows from operating activities</b>   |                     |              |
| Net income  | 414                 | 304          |
| Income taxes  | 157                 | (86)         |
| Cost of net financial debt  | 78                  | 108          |
| Capital (gains) losses on disposal (before tax)   | (58)                | 10           |
| Depreciation, amortization and impairment on property and equipment and intangible assets | 172                 | 363          |
| Non-cash expenses on stock options and similar items                                      | 20                  | 20           |
| Other non-cash income and expenses  | 11                  | 13           |
| Equity in net income of unconsolidated companies  | (11)                | (6)          |
| Dividends received from equity accounted investments                                      | 9                   | 7            |
| Restructuring expenditure   | (30)                | (79)         |
| Taxes paid  | (167)               | (114)        |
| Interest paid   | (93)                | (73)         |
| Interest received   | 44                  | 46           |
| Change in working capital requirements(1)   | 74                  | 264          |
| <b>Net cash provided by operating activities</b>  | <b>620</b>          | <b>777</b>   |
| <b>II Cash flows from investing activities</b>  |                     |              |
| Purchases of property and equipment and intangible assets                                 | (83)                | (104)        |
| Proceeds from sale of property and equipment and intangible assets                        | 8                   | 3            |
| Proceeds from sale of investments and other financial assets, net                         | 7                   | 468          |
| Acquisitions of subsidiaries  | (71)                | (124)        |
| Disposals of subsidiaries   | 98                  |              |
| <b>Net cash flows provided by (used in) investing activities</b>                          | <b>(41)</b>         | <b>243</b>   |
| <b>III Cash flows from financing activities</b>   |                     |              |
| Dividends paid to parent company shareholders   | (55)                | (47)         |
| Dividends paid to minority shareholders of subsidiaries                                   | (19)                | (23)         |
| Cash received on new borrowings   | 747                 | 455          |
| Reimbursement of borrowings   | (460)               | (1,307)      |
| Net purchases of treasury stock and equity warrants                                       | 7                   | (9)          |
| <b>Net cash flows provided by (used in) financing activities</b>                          | <b>220</b>          | <b>(931)</b> |
| <b>IV Impact of exchange rate fluctuations</b>  | <b>72</b>           | <b>(39)</b>  |
| <b>Net change in consolidated cash flows (I + II + III + IV)</b>                          | <b>871</b>          | <b>50</b>    |
| Cash and cash equivalents at January 1  | 1,186               | 1,415        |
| Bank overdrafts at January 1  | (172)               | (451)        |
| Net cash and cash equivalents at beginning of year  | 1,014               | 964          |
| Cash and cash equivalents at December 31  | 1,980               | 1,186        |
| Bank overdrafts at December 31  | (95)                | (172)        |
| Net cash and cash equivalents at end of year  | 1,885               | 1,014        |
| <b>Net change in cash and cash equivalents</b>  | <b>871</b>          | <b>50</b>    |



(1) Breakdown of change in working capital requirements

|  |           |            |
|--|-----------|------------|
| Change in inventory and costs billable to clients          | (97)      | (47)       |
| Change in accounts receivable and other receivables        | (391)     | 76         |
| Change in accounts payable, other creditors and provisions | 562       | 235        |
| <b>Change in working capital requirements</b>              | <b>74</b> | <b>264</b> |

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## STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

| Number of<br>Shares |  | Additional<br>Capital<br>Stock | Paid-In<br>Capital | Reserves<br>and<br>Retained<br>Earnings | Gains<br>and<br>Losses<br>Recognized<br>Through<br>Equity | Shareholders<br>Equity | Minority<br>Interests | Total<br>Equity |
|---------------------|--|--------------------------------|--------------------|---|---|------------------------|-----------------------|-----------------|
|                     |  |                                |                    |   |   |                        |                       |                 |
| 195,378,253         | <b>January 1, 2004 before deduction of treasury stock</b>                | <b>78</b>                      | <b>2,557</b>       | <b>(968)</b>                            | <b>154</b>  | <b>1,821</b>           | <b>28</b>             | <b>1,849</b>    |
| (13,012,389)        | Deduction of treasury stock existing at January 1(a)                     |                                |                    | (323)                                   |   | (323)                  |                       | (323)           |
| 182,365,864         | <b>January 1, 2004 after deduction of treasury stock</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>    |
|                     | Change in value of available for sale investments(I)                     |                                |                    |   | (9)   | (9)                    |                       | (9)             |
|                     | Change in cumulative translation adjustment                              |                                |                    |   | (107)   | (107)                  | (1)                   | (108)           |
|                     | <b>Gains and losses recognized through equity</b>                        |                                |                    |   | <b>(116)</b>  | <b>(116)</b>           | <b>(1)</b>            | <b>(117)</b>    |
|                     | Net income for the year  |                                |                    | 278                                     |   | 278                    | 26                    | 304             |
|                     | <b>Total recognized income and expenses for the year</b>                 | -                              |                    | <b>278</b>                              | <b>(116)</b>  | <b>162</b>             | <b>25</b>             | <b>187</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 acquisitions 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               |
| 195,471,061         | <b>December 31, 2004 before deduction of treasury stock</b>              | <b>78</b>                      | <b>2,537</b>       | <b>(692)</b>                            | <b>38</b>   | <b>1,961</b>           | <b>31</b>             | <b>1,992</b>    |
| (367,000)           | Purchases/sales of treasury stock(b)                                     |                                |                    | (9)                                     |   | (9)                    |                       | (9)             |

|              |  |           |              |                |            |              |           |              |
|--------------|--|-----------|--------------|----------------|------------|--------------|-----------|--------------|
| (13,382,843) | Deduction of treasury stock existing at December 31, 2004(c=a+b)         |           |              | (332)          |            | (332)        |           | (332)        |
| 182,088,218  | <b>December 31, 2004 after deduction of treasury stock</b>               | <b>78</b> | <b>2,537</b> | <b>(1,024)</b> | <b>38</b>  | <b>1,629</b> | <b>31</b> | <b>1,660</b> |
|              | Change in value of available for sale investments(1)                     |           |              |                | (16)       | (16)         |           | (16)         |
|              | Hedge on net investment  |           |              |                | 9          | 9            |           | 9            |
|              | Change in cumulative translation adjustment                              |           |              |                | 116        | 116          | 5         | 121          |
|              | <b>Gains and losses recognized through equity</b>                        |           |              |                | 109        | 109          | 5         | 114          |
|              | Net income for the year  |           |              | 386            |            | 386          | 28        | 414          |
|              | <b>Total recognized income and expenses for the year</b>                 |           |              | 386            | 109        | 495          | 33        | 528          |
| 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 acquisitions and of commitments to purchase minority interests |           |              |                |            |              | (25)      | (25)         |
| 197,109,010  | <b>December 31, 2005 before deduction of treasury stock</b>              | <b>79</b> | <b>2,584</b> | <b>(402)</b>   | <b>147</b> | <b>2,408</b> | <b>20</b> | <b>2,428</b> |
| 343,079      | Purchases/sales of treasury stock(d)                                     |           |              | 9              |            | 9            |           | 9            |
| (13,039,764) | Deduction of treasury stock existing at December 31, 2005(e=c+d)         |           |              | (323)          |            | (323)        |           | (323)        |
| 184,069,246  | <b>December 31, 2005 after deduction of treasury stock</b>               | <b>79</b> | <b>2,584</b> | <b>(725)</b>   | <b>147</b> | <b>2,085</b> | <b>20</b> | <b>2,105</b> |

(1) Amounts net of tax



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|   | <b>December 31,<br/>2005</b> | <b>December 31, 2004</b> |
|---|------------------------------|--------------------------|
|   | (Millions of Euros)          |                          |
| Revaluation of property                                 | 105                          | 105                      |
| Revaluation of available for sale investments           | 24                           | 40                       |
| Hedge on net investment                                 | 9                            |                          |
| Cumulative translation adjustment                       | 9                            | (107)                    |
| <b>Total gains and losses recognized through equity</b> | <b>147</b>                   | <b>38</b>                |

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**Table of Contents****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 2005 financial year were prepared in accordance with IAS/IFRS international standards applicable at December 31, 2005 as approved by the European Union.

The financial statements for the 2005 financial year are presented with a comparative for 2004, also prepared under IAS/IFRS accounting standards. Accounting options related to first time adoption of IFRS are presented in Note 32.

The financial statements were approved by the Management Board on February 21, 2006 and reviewed by the Supervisory Board on March 2, 2006. 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 7, 2006.

***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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****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.

**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 related sales will be made.

***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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 Élysées 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.



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***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,

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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, other employment 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;

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 are recognized in income or expense when cumulative non-recognized actuarial gains and losses for a given scheme exceed 10% of the greater of the amount of the defined benefit commitment obligation or the fair value of plan assets. These gains and losses are recognized over the expected average residual working life of the employees covered by the plans.

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, with the exception of those related to media space purchases in France carried out in accordance with the French Loi Sapin (such payables are included in Other creditors and other current liabilities ). These payables are due within less than one year. However any payable whose due date was distant would be measured at its present value.

**Revenues**

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):*

advertising creation: recognition at date of publication or broadcast,

media space buying services: recognition at 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. Revenues under fixed fee arrangements are recognized on a straight-line basis which reflects the nature and the scope of services rendered. Revenues under time-based arrangements are 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.

**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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****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 shareholders 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 shareholders, 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 Principle 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 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, 2005 which are applicable on January 1, 2006 at the latest, as well as such texts that have not yet been approved by the European Union at December 31, 2005. 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.

**2. Changes in the Scope of Consolidation**

**2.1 Acquisitions in the Year**

The principal acquisitions in the year were as follows:

In September 2005, the Group acquired 50.01% of Freud Communications, the principal independent Public Relations company in the United Kingdom,

In November 2005, the Group acquired 70% of the Eventive group, which is market leader in the events business in Austria and a major player in both Germany and Switzerland.

All acquisitions in the year, taken together, represent less than 1% of consolidated revenues and made a positive contribution of less than 0.5% to net income attributable to equity holders of the parent.

**2.2 Disposals in the Year**

During the 2005 financial year the Group sold the 50% shareholdings it held in both JC Decaux Netherlands BV and VKM and the 49% shareholding it held in SOPACT.

In addition, the Group also sold 33% of Metrobus. At December 31, 2005, the Group owns 67% of Metrobus.

The sale price for the abovementioned investments was 110 M .

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The companies sold contributed approximately 1% to 2005 consolidated revenues 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) ).

|                            | 2005                | 2004         |
|----------------------------|---------------------|--------------|
|                            | (Millions of euros) |              |
| Remuneration               | 1,964               | 1,822        |
| Social security expenses   | 316                 | 287          |
| Post-employment benefits   | 63                  | 59           |
| Stock-option expense       | 20                  | 20           |
| Temporaries and freelances | 91                  | 83           |
| <b>Total</b>               | <b>2,454</b>        | <b>2,271</b> |

***Breakdown of Headcount  
By Geographical Area:***

|                   | 2005          | 2004          |
|-------------------|---------------|---------------|
| Europe            | 14,412        | 14,151        |
| North America     | 12,158        | 11,308        |
| Rest of the world | 12,040        | 10,925        |
| <b>Total</b>      | <b>38,610</b> | <b>36,384</b> |

***By Function (in %):***

|                                       | 2005        | 2004        |
|---------------------------------------|-------------|-------------|
| Commercial                            | 23%         | 22%         |
| Creative                              | 18%         | 17%         |
| Production and specialized activities | 15%         | 15%         |
| Media and research                    | 22%         | 22%         |
| Administration and Management         | 16%         | 17%         |
| Other                                 | 6%          | 7%          |
| <b>Total</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 include rent, other lease expenses and other expenses related to the occupancy of premises of an amount of 236 M in 2005 as against 240 M in 2004. They also include taxes (other than income taxes) and additions to and reversals of provisions.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. Depreciation, Amortization and Impairment

|  | 2005                | 2004         |
|--|---------------------|--------------|
|  | (Millions of euros) |              |
| Amortization expense on other intangible assets (excluding intangibles arising on acquisition) | (19)                | (10)         |
| Depreciation of property and equipment   | (97)                | (109)        |
| <b>Depreciation and amortization expense (excluding intangibles arising on acquisition)</b>    | <b>(116)</b>        | <b>(119)</b> |
| Amortization of intangibles arising on acquisition   | (23)                | (29)         |
| Impairment of intangibles arising on acquisition   | (11)                | (123)        |
| Impairment of goodwill   | (6)                 | (92)         |
| Impairment of property and equipment   | (16)                |              |
| <b>Impairment</b>  | <b>(33)</b>         | <b>(215)</b> |
| <b>Total depreciation, amortization and impairment</b>   | <b>(172)</b>        | <b>(363)</b> |

*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 and Nelson 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% (11.8% before tax) and 10% (20.7% before tax).

These tests led the Group to recognize an impairment loss on Fallon's client relationships in an amount of 11 M.

This expense, determined using an after tax discount rate of 10% (20.6% before tax) results from the loss of several clients during the year.

*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% (12% before tax) and 10% (14.1% before tax). The terminal growth rate used in the projections is between 3 and 3.5%.

These tests led the Group to recognize an impairment loss of 1 M in respect of goodwill on Publicis Thailand and Publicis Peru.

In addition, the Group used 5 M of 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 1,149 M (being 40% of the total carrying amount of goodwill) and 232 M (being 63% of the total carrying amount of tradenames) at December 31, 2005.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 (2006-2010) and the following assumptions:

Discounting of future cash flows at a pre-tax rate of 8.5% after tax (12% before tax),

Growth of revenues over the period 2006-2010 in line with the average expected growth of the creative agency networks,

A terminal growth rate of 3%,

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.

***Impairment of Property and Equipment***

This represents the impairment loss recognized on property and equipment used in the context of loss-making activities.

**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.

|  | 2005                | 2004        |
|--|---------------------|-------------|
|  | (Millions of euros) |             |
| Capital gains (losses) on disposal of assets(1)                  | 80                  | (2)         |
| Capital gains (losses) on redemption of financing instruments(2) | (22)                | (7)         |
| Other non-current income (expense)                               | 1                   | (1)         |
| <b>Non-current income (expense)</b>                              | <b>59</b>           | <b>(10)</b> |

(1) In 2005, this 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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Net Financial Costs**

|  | <b>2005</b>                | <b>2004</b>  |
|--|----------------------------|--------------|
|  | <b>(Millions of euros)</b> |              |
| Interest expense on loans and bank overdrafts  | (114)                      | (144)        |
| Interest expense on finance lease obligations  | (10)                       | (10)         |
| Interest income  | 46                         | 46           |
| <b>Cost of net financial debt</b>  | <b>(78)</b>                | <b>(108)</b> |
| Foreign exchange gains (losses)  | (51)                       | 29           |
| Change in the fair value of derivatives  | 47                         | (23)         |
| Financial expense related to unwinding of discount on long-term vacant property provisions (at a rate of 5%) | (7)                        | (8)          |
| Net financial expense related to unwinding of discount on pension provisions                                 | (4)                        | (5)          |
| Dividends received from unconsolidated companies   | 1                          | 1            |
| <b>Other financial income (expense)</b>  | <b>(14)</b>                | <b>(6)</b>   |
| <b>Net financial costs</b>   | <b>(92)</b>                | <b>(114)</b> |

**8. Income Taxes**

Analysis of income tax expense

|   | <b>2005</b>                | <b>2004</b>  |
|---|----------------------------|--------------|
|   | <b>(Millions of euros)</b> |              |
| Current tax expense   | (233)                      | (180)        |
| Tax loss carryforwards and tax credits which reduced current tax expense but were not recognized in assets in prior periods | 43                         | 35           |
| <b>Total current tax expense</b>  | <b>(190)</b>               | <b>(145)</b> |
| Net deferred tax expense related to the creation and reversal of temporary differences                                      | 33                         | 33           |
| Changes in provisions against deferred tax assets and recognition of deferred tax assets(1)                                 |                            |              |
| <b>Total deferred tax income (expense)</b>  | <b>33</b>                  | <b>33</b>    |
| <b>Income taxes</b>   | <b>(157)</b>               | <b>(112)</b> |

(1) Excluding, in 2004, 57 M 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). The amount involved is a deferred tax liability of 9 M . No taxes were recognized directly though equity during the 2004 financial year.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Effective Tax Rate**

The effective tax rate is as follows:

|  | 2005                | 2004         |
|--|---------------------|--------------|
|  | (Millions of euros) |              |
| Income of consolidated companies before taxes  | 560                 | 212          |
| Capital gain on disposals of JC Decaux Netherlands, VKM, SOPACT and 33% of Metrobus  | (87)                |              |
| 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 | 1                   | 88           |
| Impairment of property and equipment   | 16                  |              |
| <b>Income before non-current gains and losses</b>  | <b>490</b>          | <b>307</b>   |
| French tax rate  | 33,83%              | 34,33%       |
| <b>Expected tax expense:</b>   | <b>(166)</b>        | <b>(105)</b> |
| Effect of:   |                     |              |
| Differences in income tax rates  | (4)                 | (4)          |
| Income taxed at reduced rates  |                     |              |
| Use of prior tax losses and recognition of deferred tax assets in respect of prior year losses(1)  | 43                  | 35           |
| Losses in year for which no deferred tax asset was recognized and provisions against deferred tax assets                                   | (22)                | (12)         |
| Permanent differences  | (8)                 | (26)         |
| <b>Income taxes per the income statement(2):</b>   | <b>(157)</b>        | <b>(112)</b> |
| <b>Effective tax rate</b>  | <b>32,0%</b>        | <b>36,5%</b> |

(1) Excluding, in 2004, 57 M 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 M of tax loss carryforwards, arising out of Saatchi transactions prior to the acquisition, available to it. At December 31, 2005, the amount of unrecognized tax loss carryforwards, from an accounting perspective, is 200 M .

In addition to the Saatchi & Saatchi tax loss carryforwards, the Group has 290 M of tax loss carryforwards at December 31, 2005 (of which 257 M 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 restricted possibilities for their use.

Tax loss carryforwards of the Bcom3 group which existed at the time of the acquisition and which were used in 2005 have been adjusted against Bcom3 goodwill for 5 M , in accordance with IFRS 3.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Deferred Taxes Recognized in the Balance Sheet**

At December 31, deferred tax assets and liabilities are as follows:

|   | 2005                | 2004         |
|---|---------------------|--------------|
|   | (Millions of euros) |              |
| Short-term  | 70                  | 98           |
| Long-term   | 354                 | 327          |
| Effect of offset of deferred tax assets and liabilities by tax group(1) | (208)               | (57)         |
| <b>Total deferred tax assets</b>  | <b>216</b>          | <b>368</b>   |
| Short-term  | (31)                | (36)         |
| Long-term   | (397)               | (386)        |
| Effect of offset of deferred tax assets and liabilities by tax group(1) | 208                 | 57           |
| <b>Total deferred tax liabilities</b>                                   | <b>(220)</b>        | <b>(365)</b> |
| <b>Deferred tax assets (liabilities), net</b>                           | <b>(4)</b>          | <b>3</b>     |

(1) Offset in 2005 takes account of the creation of a single tax group during the year in the United States.

**Sources of deferred taxes**

|   | 2005                | 2004         |
|---|---------------------|--------------|
|   | (Millions of euros) |              |
| Deferred tax assets arising on temporary differences (excluding Bcom3)                                      | 235                 | 223          |
| Deferred tax assets on hybrid bonds   | 13                  | 15           |
| Deferred tax assets on restructuring and vacant property commitments related to the Bcom3 acquisition       | 104                 | 116          |
| Deferred tax assets arising on tax loss carryforwards   | 72                  | 71           |
| Effect of offset of deferred tax assets and liabilities by tax groups                                       | (208)               | (57)         |
| <b>Total deferred tax assets</b>  | <b>216</b>          | <b>368</b>   |
| Deferred tax liabilities related arising on temporary differences (excluding hybrid bonds)                  | (61)                | (31)         |
| Deferred tax liabilities on hybrid bonds  | (31)                | (54)         |
| Deferred tax liabilities attributable to adjustment of assets and liabilities at fair value on acquisition  | (282)               | (283)        |
| 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 groups                                       | 208                 | 57           |
| <b>Total deferred tax liabilities</b>   | <b>(220)</b>        | <b>(365)</b> |
| <b>Deferred tax assets (liabilities), net</b>   | <b>(4)</b>          | <b>3</b>     |

Deferred tax liabilities include those arising on the adjustment of intangible assets on the acquisitions of Zenith (37 M ) and Bcom3 (223 M ), as well as those related to the separation of the hybrid bonds (OCEANes, 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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Earnings per Share and Diluted Earnings per Share**

|  |     | 2005        | 2004        |
|--|-----|-------------|-------------|
| Net income used for the calculation of earnings per share ( <i>in millions of euros</i> )  |     |             |             |
| Net income attributable to equity holders of the parent                                    | a   | 386         | 278         |
| <i>Impact of dilutive instruments:</i>   |     |             |             |
| Savings in financial expenses related to the conversion of debt instruments, net of tax(1) |     | 25          | 23          |
| Net income attributable to equity holders of the parent diluted                            | b   | 411         | 301         |
| Number of shares used for the calculation of earnings per share                            |     |             |             |
| Average number of shares in circulation  |     | 182,818,378 | 182,410,541 |
| Shares to be issued to redeem the ORANEs   |     | 27,597,612  | 28,125,000  |
| Average number of shares used for the calculation  | c   | 210,415,990 | 210,535,541 |
| <i>Impact of dilutive instruments:(2)</i>  |     |             |             |
| Effect of exercise of dilutive stock options   |     | 228,591     | 276,383     |
| Shares resulting from the conversion of the convertible bonds(1)                           |     | 23,172,413  | 23,172,413  |
| Number of shares diluted   | d   | 233,816,994 | 233,984,337 |
| <i>(in euros)</i>  |     |             |             |
| <b>Earnings per share</b>  | a/c | <b>1.83</b> | <b>1.32</b> |
| <b>Earnings per share diluted</b>  | b/d | <b>1.76</b> | <b>1.29</b> |

- (1) Only the 2008 OCEANEs are taken into account for the calculation of earnings per share as the 2018 OCEANEs have an anti-dilutive effect on EPS.
- (2) Equity warrants and stock options whose exercise price is greater than the average share price for 2005, as well as the 2018 OCEANEs, are not taken into account in the calculation of diluted earnings per share because of their anti-dilutive nature.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  |     | 2005        | 2004        |
|--|-----|-------------|-------------|
| Net income used for the calculation of Headline earnings per share(1)<br>(in millions of euros)              |     |             |             |
| Net income attributable to equity holders of the parent  |     | 386         | 278         |
| <i>Items excluded:</i>   |     |             |             |
| Amortization of intangibles arising on acquisition, net of tax   |     | 14          | 18          |
| Impairment, net of tax   |     | 24          | 164         |
| Capital gains, net of tax, on the sale of JC Decaux Netherlands, VKM, SOPACT and 33% of Metrobus, net of tax |     | (87)        |             |
| Capital loss on the redemption of the Oceane, 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   | 353         | 269         |
| <i>Impact of dilutive instruments:</i>   |     |             |             |
| Savings in financial expenses related to the conversion of debt instruments, net of tax                      |     | 25          | 23          |
| Adjusted net income attributable to equity holders of the parent diluted                                     | f   | 378         | 292         |
| Number of shares used for the calculation of earnings per share Average number of shares in circulation      |     |             |             |
|  |     | 182,818,378 | 182,410,541 |
| Shares to be issued to redeem the ORANEs   |     | 27,597,612  | 28,125,000  |
| Average number of shares used for the calculation  | c   | 210,415,990 | 210,535,541 |
| <i>Impact of dilutive instruments:</i>   |     |             |             |
| Effect of exercise of dilutive stock options   |     | 228,591     | 276,383     |
| Shares resulting from the conversion of convertible bonds  |     | 23,172,413  | 23,172,413  |
| Number of shares diluted   | d   | 233,816,994 | 233,984,337 |
| <i>(en euros)</i>  |     |             |             |
| <b>Headline earnings per share(1)</b>  | e/c | <b>1.68</b> | <b>1.28</b> |
| <b>Headline earnings per share(1) diluted</b>  | f/d | <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 JC Decaux Netherlands, VKM, SOPACT and 33% of Metrobus, 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 operations affecting ordinary shares or potential ordinary shares have taken place since the balance sheet date:

Exercise of the put on the Oceane 2018 in January 2006: 1,149,587 Oceans 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

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

Goodwill balances in respect of consolidated companies can be analyzed as follows:

|   | Europe              | North<br>America | Rest of the<br>World | Total        |
|---|---------------------|------------------|----------------------|--------------|
|   | (Millions of euros) |                  |                      |              |
| <b>Net value at December 31, 2004</b>                     | <b>856</b>          | <b>1,367</b>     | <b>400</b>           | <b>2,623</b> |
| 2005 financial year:                                      |                     |                  |                      |              |
| - Gross goodwill at January 1, 2005                       | 910                 | 1,378            | 444                  | 2,732        |
| - Changes in the year (including translation adjustments) | 125                 | 96               | 53                   | 274          |
| <b>Total gross value</b>                                  | <b>1,035</b>        | <b>1,474</b>     | <b>497</b>           | <b>3,006</b> |
| Impairment  | (59)                | (12)             | (52)                 | (123)        |
| <b>Net value at December 31, 2005</b>                     | <b>976</b>          | <b>1,462</b>     | <b>445</b>           | <b>2,883</b> |

**Changes in Goodwill**

|   | Gross<br>Value      | Impairment   | Net<br>Value |
|---|---------------------|--------------|--------------|
|   | (Millions of euros) |              |              |
| <b>At 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(1) | (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(1) | 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> |

(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, 2005, the gross value of goodwill resulting from the Bcom3 acquisition amounts to 1,904 M . Impairment recognized in respect of this goodwill amounts to 9 M at December 31, 2005. It corresponds to the amount of tax loss carryforwards of Bcom3 used since 2004.





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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 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 |
| (Millions of euros)         |                      |                             |            |                    |                             |           |
| <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 derecognition | (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> |

## Changes in Intangible Assets with Indefinite Useful Lives and in Total Intangible Assets

|                          | Tradenames  |             |            | Total intangible assets |                             |            |
|--------------------------|-------------|-------------|------------|-------------------------|-----------------------------|------------|
|                          | Gross Value | Impairment  | Net Value  | Gross Value             | Amortization/<br>Impairment | Net Value  |
| (Millions of euros)      |             |             |            |                         |                             |            |
| <b>January 1, 2004</b>   | <b>382</b>  |             | <b>382</b> | <b>1,046</b>            | <b>(130)</b>                | <b>916</b> |
| Additions                |             |             |            | 31                      |                             | 31         |
| Amortization             |             |             |            |                         | (39)                        | (39)       |
| Impairment               |             | (28)        | (28)       |                         | (123)                       | (123)      |
| Disposals and write-off  |             |             |            | (15)                    | 9                           | (6)        |
| Translation and other    | (14)        | 2           | (12)       | (61)                    | 22                          | (39)       |
| <b>December 31, 2004</b> | <b>368</b>  | <b>(26)</b> | <b>342</b> | <b>1,001</b>            | <b>(261)</b>                | <b>740</b> |
| Additions                |             |             |            | 32                      |                             | 32         |
| 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> |

**Valuation of Intangible Assets**

Valuation tests performed by an independent expert at year-end 2005 resulted in the recognition of impairment of 11 M on Fallon client relationships (see Note 5 Depreciation, amortization and impairment).

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Property and Equipment, Net**

|  | <b>Land and<br/>buildings</b> | <b>Other</b> | <b>Total</b> |
|--|-------------------------------|--------------|--------------|
|  | <b>(Millions of euros)</b>    |              |              |
| <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> |
| <b>Accumulated depreciation at December 31, 2004</b> | <b>(8)</b>                    | <b>(587)</b> | <b>(595)</b> |
| Increases(1)   | (6)                           | (107)        | (113)        |
| Reversals  | 1                             | 101          | 102          |
| Changes to scope of consolidation                    |                               | 38           | 38           |
| Translation and other                                | (37)                          | (28)         | (65)         |
| <b>Accumulated depreciation at December 31, 2005</b> | <b>(50)</b>                   | <b>(583)</b> | <b>(633)</b> |
| <b>Net value at December 31, 2005</b>                | <b>301</b>                    | <b>279</b>   | <b>580</b>   |

(1) Including 16 millions of impairment on other property and equipment (See note 5).

**Land and Buildings**

At December 31, 2005, the net book value of land and buildings of which Publicis is the proprietor is 198 M €.

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 M €, which represents an adjustment of 159 M € 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 also owns 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 which is for the most part occupied by Group companies.

**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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Assets under Finance Leases**

The net book value of such assets in the consolidated balance sheet is 103 M at December 31, 2005.

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 109 M, depreciable over 30 years and has been valued by an independent expert. The office building is located at 35 West Wacker Drive in Chicago (United States).

Property and equipment includes the following amounts in respect of assets held under finance leases:

|                          | December 31,<br>2005 | December 31,<br>2004 |
|--------------------------|----------------------|----------------------|
|                          | (Millions of euros)  |                      |
| Gross value of buildings | 131                  | 116                  |
| Depreciation             | (28)                 | (22)                 |
| <b>Net value</b>         | <b>103</b>           | <b>94</b>            |

**13. Investments Accounted for by the Equity Method**

Investments accounted for by the equity method at June 30, 2005 amounted to 33 M (as against 17 M at December 31, 2004).

Changes in this account caption in 2005 were as follows:

|   | Carrying Amount     |
|---|---------------------|
|   | (Millions of euros) |
| <b>Amount at January 1, 2005</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>           |

The main account balances in the balance sheet and the income statement of associated companies are as follows at December 31, 2005:

|  | 2005                | 2004       |
|--|---------------------|------------|
|  | (Millions of euros) |            |
| <i>Share in balance sheets of associated companies</i> |                     |            |
| Current assets   | 122                 | 67         |
| Non-current assets                                     | 108                 | 95         |
| <b>Total assets</b>                                    | <b>230</b>          | <b>162</b> |
| Current liabilities                                    | 190                 | 133        |
| Non-current liabilities                                | 7                   | 12         |
| <b>Total liabilities</b>                               | <b>197</b>          | <b>145</b> |
| <b>Net assets</b>                                      | <b>33</b>           | <b>17</b>  |



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  | <b>2005</b>                | <b>2004</b> |
|--|----------------------------|-------------|
|  | <b>(Millions of euros)</b> |             |
| <b>Share of income of associated companies</b> |                            |             |
| Revenues                                       | 55                         | 43          |
| Net income                                     | 11                         | 6           |
| Carrying amount of the investment              | 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 and Burrell Communications amount, respectively, to 13 M and 10 M . iSe, which was created jointly in 2003 between Publicis (45%) and Dentsu (45%), manages the Hospitality and Prestige Ticketing program in respect of the FIFA 2006 World Cup Football Championship. The carrying amount of the investment in iSe is not material.

**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.

|   | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|---|------------------------------|------------------------------|
|   | <b>(Millions of euros)</b>   |                              |
| <b>Available-for-sale financial assets</b>                            |                              |                              |
| IPG shares  | 43                           | 52                           |
| Other   | 10                           | 13                           |
| Loans and advances to equity accounted and non-consolidated companies | 6                            | 7                            |
| Other non-current financial assets                                    | 86                           | 90                           |
| <b>Gross value</b>  | <b>145</b>                   | <b>162</b>                   |
| Provisions  | (27)                         | (19)                         |
| <b>Net value</b>  | <b>118</b>                   | <b>143</b>                   |

Publicis owns 1.23% of Interpublic Group (IPG) at December 31, 2005. This investment is not consolidated and the shares are classified as available-for-sale.

Summary financial information in respect of IPG (most recent published consolidated figures):

|                                      | <b>2004</b>                     |
|--------------------------------------|---------------------------------|
|                                      | <b>(En millions de dollars)</b> |
| Revenues                             | 6,387                           |
| Net income                           | (558)                           |
| Shareholders' equity at December 31, | 1,718                           |

**15. Inventory and Costs Billable to Clients**

| <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|------------------------------|------------------------------|
|------------------------------|------------------------------|

|  | (Millions of euros) |            |
|--|---------------------|------------|
| <b>Gross value</b>   | <b>585</b>          | <b>439</b> |
| Provisions against inventories and costs billable to clients | (5)                 | (2)        |
| <b>Net value</b>   | <b>580</b>          | <b>437</b> |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In 2005, increases in provisions against inventories and costs billable to clients amounted to 3 M . No reversals of such provisions were recorded.

**16. Accounts Receivable**

|                                 | December 31,<br>2005 | December 31,<br>2004 |
|---------------------------------|----------------------|----------------------|
|                                 | (Millions of euros)  |                      |
| Trade accounts receivable       | 4,039                | 3,323                |
| Notes receivable                | 51                   | 11                   |
| <b>Gross value</b>              | <b>4,090</b>         | <b>3,334</b>         |
| Provision for doubtful accounts | (76)                 | (52)                 |
| <b>Net book value</b>           | <b>4,014</b>         | <b>3,282</b>         |

These receivables are due in less than one year.

When Publicis buys media space as an agent on behalf of its clients in France (transactions for which there is no income statement movement), the related accounts receivable are recorded in Other receivables in the balance sheet.

In 2005, allowances to provisions for doubtful accounts amounted to 37 M and reversals of such provisions amounted to 14 M .

**17. Other Receivables and Other Current Assets**

|   | December 31,<br>2005 | December 31,<br>2004 |
|---|----------------------|----------------------|
|   | (Millions of euros)  |                      |
| Taxes receivable  | 171                  | 155                  |
| Receivables on transactions performed as an agent (media space purchases) | 131                  | 86                   |
| Advances to suppliers   | 36                   | 31                   |
| Prepayments and accrued income  | 68                   | 69                   |
| Derivatives hedging current assets and liabilities                        | 1                    | 1                    |
| Derivatives on intercompany loans and borrowings(1)                       | 12                   | 2                    |
| Derivatives hedging net investment(1)                                     | 26                   |                      |
| Other receivables and other current assets                                | 156                  | 109                  |
| <b>Gross value</b>  | <b>601</b>           | <b>453</b>           |
| Provisions  | (24)                 | (3)                  |
| <b>Net value</b>  | <b>577</b>           | <b>450</b>           |

(1) These current assets are included in the calculation of net financial debt (see Note 22)

**18. Cash and Cash Equivalents**

|                        | December 31,<br>2005 | December 31,<br>2004 |
|------------------------|----------------------|----------------------|
|                        | (Millions of euros)  |                      |
| Cash and bank balances | 767                  | 1,128                |

|                       |              |              |
|-----------------------|--------------|--------------|
| Marketable securities | 1,213        | 58           |
| <b>Total</b>          | <b>1,980</b> | <b>1,186</b> |

Marketable securities are principally comprised of monetary mutual funds.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Shareholders Equity**

The statement of changes in shareholders equity is presented on page 5.

**Share Capital of the Parent Company**

Publicis Groupe SA's share capital increased by 655,180 euros in 2005, corresponding to 1,637,949 shares with a par value of 0.40 euro each:

1,562,129 shares issued in redemption of the first tranche of the Orane

75,820 shares issued in the context of exercise of options

At December 31, 2005 the company's share capital was 78,843,604 euros, comprised of 197,109,010 shares with a par value of 0.40 euro each.

**Early Redemption of the Oceane 2018 Bonds**

In February 2005, Publicis redeemed 62.36% of the Oceane 2018 bonds prior to their maturity date. The 464 M cost of redemption was allocated between a debt component and an equity component, in accordance with the same principle as applied to the original debt. This resulted in shareholders equity being reduced by 9 M.

**Deduction of Treasury Stock Existing at December 31, 2005**

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 2005:

|  | Number of<br>Shares                  | Gross<br>Value |
|--|--------------------------------------|----------------|
|  | (Millions of euros except<br>shares) |                |
| <b>Treasury stock held at December 31, 2004(1)</b> | <b>13,382,843</b>                    | <b>332</b>     |
| Options exercised                                  | (64548)                              | (2)            |
| Other movements 2005(1)                            | (278531)                             | (7)            |
| <b>Treasury stock held at December 31, 2005(1)</b> | <b>13,039,764</b>                    | <b>323</b>     |

(1) Including shares held under the liquidity contract

**Dividends Voted and Proposed**

|  | Per Share   | Total |
|--|---|-------|
|  | (Millions of euros)<br>(except per share<br>data in ) |       |
| Dividends paid in 2005 (in respect of the 2004 financial year)                           | 0.30  | 55    |
| Dividends proposed to the Annual General Meeting (in respect of the 2005 financial year) | 0.36  | 71(1) |

(1) Amount for all existing shares at December 31, 2005, including treasury stock.

The dividend proposed in respect of the 2005 financial year will not have any tax impact for the company.



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Provisions**

|                                   | Vacant<br>Restructuring | Property   | Sub-Total  | Pensions<br>and Other<br>Post-<br>Employment<br>Benefits | Litigation<br>and<br>Claims | Other      | Total      |
|-----------------------------------|-------------------------|------------|------------|--|-----------------------------|------------|------------|
| (Millions of euros)               |                         |            |            |  |                             |            |            |
| <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 consolidation |                         |            |            |  |                             |            |            |
| Translation and other             | (3)                     | (18)       | (21)       | (10)   | (8)                         | (13)       | (52)       |
| <b>December 31, 2004</b>          | <b>56</b>               | <b>176</b> | <b>232</b> | <b>242</b>   | <b>46</b>                   | <b>123</b> | <b>643</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 consolidation |                         |            |            |  |                             | (4)        | (4)        |
| Translation and other             | 3                       | 19         | 22         | 1  | (3)                         | 16         | 36         |
| <b>December 31, 2005</b>          | <b>34</b>               | <b>182</b> | <b>216</b> | <b>243</b>   | <b>48</b>                   | <b>152</b> | <b>659</b> |
| <b>Of which long-term</b>         | <b>21</b>               | <b>170</b> | <b>191</b> | <b>215</b>   | <b>27</b>                   | <b>106</b> | <b>539</b> |
| <b>Of which short-term</b>        | <b>13</b>               | <b>12</b>  | <b>25</b>  | <b>28</b>  | <b>21</b>                   | <b>46</b>  | <b>120</b> |

***Restructuring Provisions 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 2005 (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***

These are principally comprised of provisions related to the acquisition of Bcom3, for an amount of 159 M at December 31, 2004, and of provisions related to Saatchi & Saatchi. These provisions relate mainly to New York City for a total amount of 125 M including 63 M 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.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 and the Netherlands.

| Change in the Actuarial Benefit Obligation         | December 31, 2005 |                              |              | December 31, 2004 |                              |              |
|--|-------------------|------------------------------|--------------|-------------------|------------------------------|--------------|
|  | Pension Plans     | Post-Employment Health Cover | Total        | Pension Plans     | Post-Employment Health Cover | Total        |
| (Millions of euros)                                |                   |                              |              |                   |                              |              |
| Actuarial benefit obligation at start of year      | (348)             | (38)                         | (386)        | (329)             | (37)                         | (366)        |
| Service cost                                       | (16)              | (1)                          | (17)         | (15)              | (1)                          | (16)         |
| Interest expense on benefit obligation             | (20)              | (2)                          | (22)         | (20)              | (2)                          | (22)         |
| Contributions by plan participants                 |                   |                              |              |                   | (1)                          | (1)          |
| Plan amendments                                    | (1)               |                              | (1)          |                   |                              |              |
| Acquisitions, disposals                            | (15)              |                              | (15)         | (2)               |                              | (2)          |
| Actuarial gains and (losses)                       | (42)              |                              | (42)         | (13)              | (1)                          | (14)         |
| Benefits paid and plan settlements                 | 28                | 2                            | 30           | 18                | 3                            | 21           |
| Translation adjustments                            | (31)              | (6)                          | (37)         | 13                | 1                            | 14           |
| <b>Actuarial benefit obligation at end of year</b> | <b>(445)</b>      | <b>(45)</b>                  | <b>(490)</b> | <b>(348)</b>      | <b>(38)</b>                  | <b>(386)</b> |

| Change in Fair Value of Plan Assets   | December 31, 2005 |                              |              | December 31, 2004 |                              |              |
|---|-------------------|------------------------------|--------------|-------------------|------------------------------|--------------|
|   | Pension Plans     | Post-Employment Health Cover | Total        | Pension Plans     | Post-Employment Health Cover | Total        |
| (Millions of euros)   |                   |                              |              |                   |                              |              |
| Fair value of plan assets at start of year  | 218               |                              | 218          | 195               |                              | 195          |
| Actual return on plan assets  | 31                |                              | 31           | 18                |                              | 18           |
| Employer contributions  | 14                |                              | 14           | 30                |                              | 30           |
| Contributions by plan participants  |                   |                              |              |                   |                              |              |
| Acquisition, disposals  | 1                 |                              | 1            | 2                 |                              | 2            |
| Benefits paid and plan settlements  | (22)              |                              | (22)         | (20)              |                              | (20)         |
| Translation adjustments   | 19                |                              | 19           | (7)               |                              | (7)          |
| <b>Fair value of plan assets at end of year</b>   | <b>261</b>        |                              | <b>261</b>   | <b>218</b>        |                              | <b>218</b>   |
| <b>Surplus (deficit)</b>  | <b>(184)</b>      | <b>(45)</b>                  | <b>(229)</b> | <b>(130)</b>      | <b>(38)</b>                  | <b>(168)</b> |
| Unrecognized actuarial (gains) and losses   | 41                | 2                            | 43           | 12                | 1                            | 13           |
| Unrecognized past service cost  |                   |                              |              |                   |                              |              |
| <b>Net provision for defined benefit pension commitments and post-employment health</b> | <b>(143)</b>      | <b>(43)</b>                  | <b>(186)</b> | <b>(118)</b>      | <b>(37)</b>                  | <b>(155)</b> |

cover

|   |              |             |              |              |             |              |
|---|--------------|-------------|--------------|--------------|-------------|--------------|
| <b>Provision for other long-term benefits</b>                                     | <b>(57)</b>  |             | <b>(57)</b>  | <b>(87)</b>  |             | <b>(87)</b>  |
| <b>Total provision for pension commitments and other post-employment benefits</b> | <b>(200)</b> | <b>(43)</b> | <b>(243)</b> | <b>(205)</b> | <b>(37)</b> | <b>(242)</b> |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| Net Periodic Pension Cost                                 | December 31, 2005   |                              |             | December 31, 2004 |                              |             |
|---|---------------------|------------------------------|-------------|-------------------|------------------------------|-------------|
|   | Pension Plans       | Post-Employment Health Cover | Total       | Pension Plans     | Post-Employment Health Cover | Total       |
|   | (Millions of euros) |                              |             |                   |                              |             |
| Service cost  | (17)                | (1)                          | (18)        | (15)              | (1)                          | (16)        |
| Interest expense on benefit obligation(1)                 | (20)                | (2)                          | (22)        | (20)              | (2)                          | (22)        |
| Expected return on plan assets(1)                         | 18                  |                              | 18          | 17                |                              | 17          |
| Amortization of unrecognized past service cost            |                     |                              |             |                   |                              |             |
| Amortization of unrecognized actuarial (gains) and losses |                     |                              |             |                   |                              |             |
| <b>Defined benefit plan expense</b>                       | <b>(19)</b>         | <b>(3)</b>                   | <b>(22)</b> | <b>(18)</b>       | <b>(3)</b>                   | <b>(21)</b> |
| <b>Expenses under other plans</b>                         | <b>(45)</b>         |                              | <b>(45)</b> | <b>(43)</b>       |                              | <b>(43)</b> |
| <b>Net periodic pension cost</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 4 M classified in Other financial income (expense) (See Note 7)

| Actuarial Assumptions<br>(Weighted average rates) | Pension Plans |        |                   |       | Post-Employment Health Cover |        |       | Total Group |
|---|---------------|--------|-------------------|-------|------------------------------|--------|-------|-------------|
|   | North America | Europe | Rest of the World | Total | North America                | Europe | Total |             |
| December 31, 2005                                 |               |        |                   |       |                              |        |       |             |
| Discount rate                                     | 5.50%         | 4.76%  | 2.00%             | 5.07% | 5.50%                        | 5.00%  | 5.00% | 5.10%       |
| Expected return on plan assets                    | 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%       |

| December 31, 2004 | Pension Plans |        |                   |       | Post-Employment Health Cover |        |       | Total Group |
|-------------------|---------------|--------|-------------------|-------|------------------------------|--------|-------|-------------|
|                   | North America | Europe | Rest of the World | Total | North America                | Europe | Total |             |
| Discount rate     | 6.00%         | 5.47%  | 3.00%             | 5.70% | 6.00%                        | 5.75%  | 5.98% | 5.75%       |
|                   | 8.50%         | 7.50%  | n/a               | 8.39% | n/a                          | n/a    | n/a   | 8.00%       |

## Expected return on plan assets

|                          |     |       |       |       |       |     |       |       |
|--------------------------|-----|-------|-------|-------|-------|-----|-------|-------|
| 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% |

**Allocation of Plan Assets**

|              | <b>2005</b> | <b>2004</b> |
|--------------|-------------|-------------|
| Shares       | 60.6%       | 64.5%       |
| Bonds        | 37.0%       | 31.0%       |
| Real estate  | 0.2%        | 2.5%        |
| Other        | 2.2%        | 2.0%        |
| <b>Total</b> | <b>100%</b> | <b>100%</b> |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2005

| Estimate of Employer Contributions for 2006 and of Future Benefits Payable | Pension    | Post-Employment Health Cover | Total      |
|--|------------|------------------------------|------------|
|  | Plans      |                              |            |
| (Millions of euros)  |            |                              |            |
| <i>Estimate of employer contributions</i>                                  |            |                              |            |
| 2006   | 21         |                              | 21         |
| <i>Estimate of future benefits payable</i>                                 |            |                              |            |
| 2006   | 26         | 2                            | 28         |
| 2007   | 24         | 3                            | 27         |
| 2008   | 26         | 3                            | 29         |
| 2009   | 27         | 3                            | 30         |
| 2010   | 29         | 3                            | 32         |
| Years 2011 to 2015   | 158        | 13                           | 171        |
| <b>Total over the next 10 financial years</b>                              | <b>290</b> | <b>27</b>                    | <b>317</b> |

| Breakdown Between US and Non-US plans                | December 31, 2005 |              |              | December 31, 2004 |             |              |
|--|-------------------|--------------|--------------|-------------------|-------------|--------------|
|  | US                | Non-US       | Total        | US                | Non-US      | Total        |
| (Millions of euros)                                  |                   |              |              |                   |             |              |
| Actuarial benefit obligation at end of year          | (228)             | (262)        | (490)        | (185)             | (201)       | (386)        |
| Fair value of plan assets at end of year             | 114               | 147          | 261          | 100               | 118         | 218          |
| <b>Surplus (deficit)</b>                             | <b>(114)</b>      | <b>(115)</b> | <b>(229)</b> | <b>(85)</b>       | <b>(83)</b> | <b>(168)</b> |
| Unrecognized actuarial gains and losses              | 13                | 30           | 43           | 3                 | 10          | 13           |
| <b>Net provision for defined benefit commitments</b> | <b>(101)</b>      | <b>(85)</b>  | <b>(186)</b> | <b>(82)</b>       | <b>(73)</b> | <b>(155)</b> |

|   | December 31, 2005 |             |             | December 31, 2004 |             |             |
|---|-------------------|-------------|-------------|-------------------|-------------|-------------|
|   | US                | Non-US      | Total       | US                | Non-US      | Total       |
| (Millions of euros)                                       |                   |             |             |                   |             |             |
| Service cost  | (14)              | (4)         | (18)        | (13)              | (3)         | (16)        |
| Interest expense on benefit obligation                    | (11)              | (11)        | (22)        | (11)              | (11)        | (22)        |
| Expected return on plan assets                            | 10                | 8           | 18          | 8                 | 9           | 17          |
| Amortization of unrecognized past service cost            |                   |             |             |                   |             |             |
| Amortization of unrecognized actuarial (gains) and losses |                   |             |             |                   |             |             |
| <b>Defined benefit plan expense</b>                       | <b>(15)</b>       | <b>(7)</b>  | <b>(22)</b> | <b>(16)</b>       | <b>(5)</b>  | <b>(21)</b> |
| <b>Expenses under other plans</b>                         | <b>(25)</b>       | <b>(20)</b> | <b>(45)</b> | <b>(14)</b>       | <b>(29)</b> | <b>(43)</b> |
| <b>Net periodic pension cost</b>                          | <b>(40)</b>       | <b>(27)</b> | <b>(67)</b> | <b>(30)</b>       | <b>(34)</b> | <b>(64)</b> |

**Increases in Medical Expenses**

The rate of increase in medical expenses retained for 2005 is 9.54% with a progressive reduction in the rate of increase to a rate of 4.95% in 2007 and thereafter.

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A change of 1% in the estimated increase in medical expenses would have the following impacts:

|   | Increase<br>of 1%   | Decrease of<br>1% |
|---|---------------------|-------------------|
|   | (Millions of euros) |                   |
| Impact on service cost and interest expense on the benefit obligation |                     |                   |
| Effect on the benefit obligation at year end                          | (6)                 | 6                 |

**22. Financial Debt**

| Number of<br>Securities   |  | 2005                   | 2004         |
|---|--|------------------------|--------------|
|   |  | (Millions of<br>euros) |              |
| <b>Bonds (excluding accrued interest) issued by Publicis Groupe S.A.:</b> |  |                        |              |
| 750,000   | Eurobond 4.125% January 2012 (Effective rate 4.30%)          | 750                    |              |
| 6,633,921   | OCEANEs 2.75% January 2018 (Effective rate 7.37%)            | 278                    | 692          |
| 23,172,413  | OCEANEs 0.75% July 2008 (Effective rate 6.61%)               | 580                    | 547          |
| 1,562,129   | ORANEs 0.82% variable September 2022 (Effective rate 8.50%)  | 36                     | 40           |
| 750   | Bond convertible into IPG shares 2% January 2007             | 7                      | 7            |
| <b>Other debt:</b>  |  |                        |              |
|   | Accrued interest   | 15                     | 12           |
|   | Other borrowings and lines of credit                         | 23                     | 29           |
|   | Bank overdrafts  | 95                     | 172          |
|   | Debt related to finance leases                               | 112                    | 97           |
|   | Debt related to acquisition of shareholdings                 | 87                     | 90           |
|   | Debt arising from commitments to purchase minority interests | 154                    | 79           |
|   | <b>Total financial debt</b>                                  | <b>2,137</b>           | <b>1,765</b> |
|   | <b>Of which long-term</b>                                    | <b>1,913</b>           | <b>1,492</b> |
|   | <b>Of which short-term</b>                                   | <b>224</b>             | <b>273</b>   |

In February 2005, Publicis redeemed 62.36% of the 2018 Océanes, before their maturity date, for an amount of 464 M . This transaction was financed by the issuance, on January 28, 2005, of a standard bond with a fixed rate of 4.125% in an amount of 750 M (750,000 bonds with a par value of 1,000 euros each). The bond's duration is 7 years and it is redeemable on maturity on January 31, 2012.

The early redemption of the 2018 Océanes led to the recognition of a capital loss of 22 M in the income statement related to the debt component of the redeemed bonds. The purchase price allocated to the conversion option, being 9 M , was deducted from shareholders' equity.

No interest rate hedges have been taken out in respect of any of the bonds issued by Publicis Groupe S.A., all of which are fixed-rate bonds denominated in euros.

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.

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Changes in debt arising from commitments to purchase minority interests are presented hereafter:

|   | <b>Debt Arising from<br/>Commitments to<br/>Purchase<br/>Minority Interests</b> |
|---|---|
|   | <b>(Millions of<br/>euros)</b>  |
| <b>At December 31, 2004</b>                         | <b>79</b>   |
| Debts contracted in the year                        | 93  |
| Buyouts exercised                                   | (10)  |
| Revaluation of the debt and translation adjustments | (8)   |
| <b>At December 31, 2005</b>                         | <b>154</b>  |

Net financial debt, after deduction of cash and cash equivalents, is as follows:

|  | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|--|------------------------------|------------------------------|
|  | <b>(Millions of euros)</b>   |                              |
| Financial debt (long and short-term)                           | 2,137                        | 1,765                        |
| Fair value of the derivative hedging net investment(1)         | 59                           |                              |
| Fair value of derivatives on intercompany loans/ borrowings(1) | (9)                          | 39                           |
| Cash and cash equivalents                                      | (1,980)                      | (1,186)                      |
| <b>Net financial debt</b>                                      | <b>207</b>                   | <b>618</b>                   |

(1) Included in other receivables and other current assets (see Note 17) and other creditors and other current liabilities (see Note 23).

**Analysis by Date of Maturity**

|  | <b>2005</b>                |                                 |                         |                                  | <b>2004</b>  |                                 |                         |                                  |
|--|----------------------------|---------------------------------|-------------------------|----------------------------------|--------------|---------------------------------|-------------------------|----------------------------------|
|  | <b>Total</b>               | <b>Maturity</b>                 |                         |                                  | <b>Total</b> | <b>Maturity</b>                 |                         |                                  |
|  |                            | <b>Less<br/>than<br/>1 Year</b> | <b>1 to<br/>5 Years</b> | <b>More<br/>than<br/>5 Years</b> |              | <b>Less<br/>than<br/>1 Year</b> | <b>1 to<br/>5 Years</b> | <b>More<br/>than<br/>5 Years</b> |
|  | <b>(Millions of euros)</b> |                                 |                         |                                  |              |                                 |                         |                                  |
| Bonds and other bank borrowings              | 1,784                      | 173                             | 611                     | 1,000                            | 1,499        | 220                             | 564                     | 715                              |
| Debt related to finance leases               | 112                        |                                 |                         | 112                              | 97           |                                 |                         | 97                               |
| Debt related to acquisition of shareholdings | 87                         | 29                              | 46                      | 12                               | 90           | 16                              | 43                      | 31                               |

|  |              |            |            |              |              |            |            |            |
|--|--------------|------------|------------|--------------|--------------|------------|------------|------------|
| Debt arising from commitments to purchase minority interests | 154          | 22         | 93         | 39           | 79           | 37         | 40         | 2          |
| <b>Total</b>   | <b>2,137</b> | <b>224</b> | <b>750</b> | <b>1,163</b> | <b>1,765</b> | <b>273</b> | <b>647</b> | <b>845</b> |

*Analysis by Currency*

|                  | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|------------------|------------------------------|------------------------------|
|                  | <b>(Millions of euros)</b>   |                              |
| Euros            | 1,037                        | 1,418                        |
| US dollars       | 956                          | 174                          |
| Other currencies | 144                          | 173                          |
| <b>Total</b>     | <b>2,137</b>                 | <b>1,765</b>                 |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 M fixed rate Eurobond issued in January 2005 into 977 MUSD of fixed rate dollar debt. 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 (94% of gross financial debt at December 31, 2005, excluding debt related to acquisition of shareholdings and debt arising from commitments to purchase minority interests) at an average interest rate for 2005 of 6.77% (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 6% of indebtedness at December 31, 2005) incurred an average interest rate of 3.80% in 2005.

***Exposure to Liquidity Risk***

To manage its liquidity risk, Publicis has, firstly, substantial cash (cash and cash equivalents totaling 1,980 M at December 31, 2005) and, secondly, unused credit lines amounting to 1,609 M million, which allow it to meet the short-term portion of its financial debt. These credit lines include, in an amount of one billion euros, a five year multicurrency loan facility, put in place in December 2004 and which has not been drawn down at December 31, 2005.

Further, excluding bank overdrafts, 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). The only early redemption options exercisable by bondholders are in respect of the Oceane 2018 and are exercisable successively in January 2006, 2010 and 2014.

**23. Other Creditors and Other Current Liabilities**

|  | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|--|------------------------------|------------------------------|
|  | <b>(Millions of euros)</b>   |                              |
| Payables on transactions performed as an agent (media space purchases) | 425                          | 306                          |
| Advances received  | 410                          | 267                          |
| Liabilities to personnel   | 312                          | 206                          |
| Tax liabilities (except income taxes)                                  | 171                          | 156                          |
| Derivatives hedging current assets and liabilities                     | 1                            |                              |
| Derivatives on intercompany loans and borrowings(1)                    | 3                            | 41                           |
| Derivatives hedging net investment(1)                                  | 85                           |                              |
| Other current liabilities  | 348                          | 546                          |
| <b>Total</b>   | <b>1,755</b>                 | <b>1,522</b>                 |

(1) These current liabilities are included in the calculation of net financial debt (see Note 22)

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.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 24. Off-balance Sheet Commitments

*Contractual Commitments*

|                                 | 2005         |                  |              |                   | 2004         |                  |              |                   |
|---------------------------------|--------------|------------------|--------------|-------------------|--------------|------------------|--------------|-------------------|
|                                 | Total        | Maturity         |              |                   | Total        | Maturity         |              |                   |
|                                 |              | Less than 1 Year | 1 to 5 Years | More than 5 Years |              | Less than 1 Year | 1 to 5 Years | More than 5 Years |
| (Millions of euros)             |              |                  |              |                   |              |                  |              |                   |
| <b>Commitments given</b>        |              |                  |              |                   |              |                  |              |                   |
| Operating lease commitments(1)  | 1,309        | 290              | 676          | 343               | 1,375        | 237              | 816          | 322               |
| Commitments to sell investments | 8            | 8                |              |                   | 8            | 8                |              |                   |
| Guarantees                      | 113          | 50               | 42           | 21                | 272          | 209              | 35           | 28                |
| <b>Total</b>                    | <b>1,430</b> | <b>348</b>       | <b>718</b>   | <b>364</b>        | <b>1,655</b> | <b>454</b>       | <b>851</b>   | <b>350</b>        |

|                             | 2005      |                  |              |                   | 2004      |                  |              |                   |
|-----------------------------|-----------|------------------|--------------|-------------------|-----------|------------------|--------------|-------------------|
|                             | Total     | Maturity         |              |                   | Total     | Maturity         |              |                   |
|                             |           | Less than 1 Year | 1 to 5 Years | More than 5 Years |           | Less than 1 Year | 1 to 5 Years | More than 5 Years |
| (Millions of euros)         |           |                  |              |                   |           |                  |              |                   |
| <b>Commitments received</b> |           |                  |              |                   |           |                  |              |                   |
| Sub-lease commitments(1)    | 58        | 10               | 34           | 14                | 39        | 8                | 20           | 11                |
| <b>Total</b>                | <b>58</b> | <b>10</b>        | <b>34</b>    | <b>14</b>         | <b>39</b> | <b>8</b>         | <b>20</b>    | <b>11</b>         |

(1) Lease rent expense (net of sub-lease income) was 179 M in 2005 (as against 186 M in 2004).

**Guarantees**

They include:

A guarantee given to a bank in an amount of 30 M, as owner of a 45% shareholding in a company called iSe International Sports & Entertainment AG, which finances, since January 2005, acquisition of the license for the hospitality program for the 2006 World Cup Football Championship from FIFA. In addition a guarantee was also given to a bank in an amount of 10 M as support for a line of credit from the bank to iSe.

iSe, which was created jointly in 2003 between Publicis (45%) and Dentsu (45%), manages the Hospitality and Prestige Ticketing program of the 2006 World Cup Football Championship.

A guarantee of payment of real estate taxes and operating expenses relating to the Leo Burnett in Chicago, for a total amount of 73 M over the period to 2012.

**Other Commercial Commitments**

|                              | 2005  |                     |                 |                      | 2004  |                     |                 |                      |
|------------------------------|-------|---------------------|-----------------|----------------------|-------|---------------------|-----------------|----------------------|
|                              | Total | Maturity            |                 |                      | Total | Maturity            |                 |                      |
|                              |       | Less than<br>1 Year | 1 to<br>5 Years | More than<br>5 Years |       | Less than<br>1 Year | 1 to<br>5 Years | More than<br>5 Years |
| (Millions of euros)          |       |                     |                 |                      |       |                     |                 |                      |
| <b>Commitments received</b>  |       |                     |                 |                      |       |                     |                 |                      |
| Unutilized credit lines      | 1,609 | 574                 | 1,035           |                      | 1,476 | 441                 | 1,035           |                      |
| <b>Commitments given</b>     |       |                     |                 |                      |       |                     |                 |                      |
| Other commercial commitments |       |                     |                 |                      |       |                     |                 |                      |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Commitments under Finance Lease Arrangements***

The reconciliation between future minimum payments required under finance lease contracts and the present value of net minimum payments is as follows:

|  | 2005                |                  |              |                   | 2004      |                  |              |                   |
|--|---------------------|------------------|--------------|-------------------|-----------|------------------|--------------|-------------------|
|  | Total               | Maturity         |              |                   | Total     | Maturity         |              |                   |
|  |                     | Less than 1 Year | 1 to 5 Years | More than 5 Years |           | Less than 1 Year | 1 to 5 Years | More than 5 Years |
|  | (Millions of euros) |                  |              |                   |           |                  |              |                   |
| Minimum payments                         | 345                 | 10               | 41           | 294               | 307       | 10               | 35           | 262               |
| Effect of discounting                    | (233)               | (10)             | (41)         | (182)             | (210)     | (10)             | (35)         | (165)             |
| <b>Present value of minimum payments</b> | <b>112</b>          |                  |              | <b>112</b>        | <b>97</b> |                  |              | <b>97</b>         |

***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 USD), 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, 2005. Publicis could thus be required, in case of a request for exchange, to deliver 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 39.15 euros on issue), at any time since January 18, 2002 until the seventh business day before the maturity date (January 2018). Taking account of the early redemption made in February 2005, Publicis has a commitment to deliver, if requests for conversion are made, 6,633,921 shares which may, at Publicis 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 in 2006, 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 value of 29 euros on issue), at any time since August 26, 2003 until the seventh business day before the maturity date (July 2008). Publicis therefore has a commitment to deliver 23,172,413 shares which may, at Publicis 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 tranche of the bond in September 2005, each ORANE gives a right to receive 17 new or existing Publicis shares, at the rate of one share per year until the twentieth anniversary of issuance of the bond. Publicis therefore has the obligation to deliver 1,562,129 shares each year from year 2006 to 2022, being a total of 26,556,193 shares, which may, at Publicis 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' capital stock. After cancellation of the equity

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warrants redeemed in 2005, Publicis is committed to issuing (in the case where all equity warrants were to be exercised) 27 709 748 shares with a par value of 0.40 euros and a premium of 30.1 euros.

At December 31, 2005 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, 2005 (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, 2005</b>   |                   |
|--|----------------------------|-------------------|
|  | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
|  | <b>(Millions of euros)</b> |                   |
| <b>Financial assets:</b>   |                            |                   |
| Cash and cash equivalents  | 1,980                      | 1,980             |
| Available-for-sale assets (IPG and others)                         | 48                         | 48                |
| Other financial assets   | 70                         | 70                |
| Derivatives in asset position                                      | 39                         | 39                |
| <b>Financial liabilities:</b>                                      |                            |                   |
| Convertible bonds (OCEANEs) debt component                         | 858                        | 912               |
| ORANEs debt component  | 36                         | 48                |
| Eurobond   | 750                        | 804               |
| Debt related to finance leases                                     | 112                        | 184               |
| Commitments to purchase minority commitments and earn-outs payable | 241                        | 241               |
| Other loans  | 140                        | 140               |
| Derivatives in liability position                                  | 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.

**26. Management of Market Risks*****Exposure to 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 the end of 2005, the Group's gross financial indebtedness (excluding debt related to acquisition of shareholdings and debt arising from commitments to purchase minority interests) is comprised, for 94% of its amount, of fixed rate loans at an average interest rate of 6.77% Net variable rate indebtedness, after deducting cash and cash equivalents, is negative: an increase of 1% of short-term interest rates would have a positive effect of 19 M on the Group's pre-tax profits.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets out the carrying amount by maturity at December 31, 2005 of the Group's financial instruments that are exposed to interest rate risk:

|                                   | Total<br>at<br>December 31,<br>2005 | Maturities             |                             |                             |                             |                             |                         |
|-----------------------------------|-------------------------------------|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------|
|                                   |                                     | Less<br>than<br>1 Year | Between<br>1 and<br>2 Years | Between 2<br>and<br>3 Years | Between<br>3 and<br>4 Years | Between<br>4 and<br>5 Years | More<br>than<br>5 Years |
| (Millions of euros)               |                                     |                        |                             |                             |                             |                             |                         |
| Fixed rate:                       |                                     |                        |                             |                             |                             |                             |                         |
| Eurobond                          | 750                                 |                        |                             |                             |                             |                             | 750                     |
| OCEANEs (debt<br>component)       | 858                                 | 48                     |                             | 580                         |                             |                             | 230                     |
| ORANEs (debt<br>component)        | 36                                  | 3                      | 4                           | 3                           | 3                           | 3                           | 20                      |
| Other fixed rate<br>debt          | 7                                   |                        | 7                           |                             |                             |                             |                         |
| Debt related to<br>finance leases | 112                                 |                        |                             |                             |                             |                             | 112                     |
| <b>Total fixed rate</b>           | <b>1,763</b>                        | <b>51</b>              | <b>11</b>                   | <b>583</b>                  | <b>3</b>                    | <b>3</b>                    | <b>1,112</b>            |
| Variable rate:                    |                                     |                        |                             |                             |                             |                             |                         |
| Bank borrowings                   | 23                                  | 12                     | 11                          |                             |                             |                             |                         |
| Bank overdrafts                   | 95                                  | 95                     |                             |                             |                             |                             |                         |
| Cash and cash<br>equivalents      | (1,980)                             | (1,980)                |                             |                             |                             |                             |                         |
| <b>Total variable rate</b>        | <b>(1,862)</b>                      | <b>(1,873)</b>         | <b>11</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 swapped its 750 M fixed rate Eurobond (nominal rate 4.125%) to 977 M USD of fixed rate dollar debt (nominal rate 5.108%).

Under IAS 39, the swap of euro fixed rate debt for fixed rate dollar debt has been designated as a hedge of a net investment. Changes in the fair value of the derivative (both the interest component and the foreign currency component) are thus recognized directly through equity.

The impact on equity is 9 M, net of deferred tax, at December 31, 2005. The fair value of the swap amounts to 59 M at December 31, 2005.

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:

|                | 2005 |
|----------------|------|
| Euro           | 25%  |
| US Dollar      | 42%  |
| Pound Sterling | 10%  |
| Other          | 23%  |

**Total revenues**

**100%**

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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):

21 M on 2005 consolidated revenues

4 M on 2005 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, 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, 2005:

**I Intercompany Receivables and Payables**

| Currency Sold | Currency Purchased | Amount of<br>Currency Sold<br>(Local<br>Currency,<br>in Millions) | Amount of<br>Currency<br>Purchased (Local<br>Currency,<br>in Millions) | Fair Value of<br>the Hedge<br>(Millions of<br>Euros) |
|---------------|--------------------|---|--|--|
| AUD           | EUR                | (27.5)  | 17.0   |  |
| AUD           | USD                | (54.0)  | 40.2   | 0.6  |
| CAD           | USD                | (1.3)   | 1.1  |  |
| DKK           | EUR                | (4.6)   | 0.6  |  |
| DKK           | USD                | (52.7)  | 8.3  |  |
| EUR           | AUD                | (4.5)   | 7.3  |  |
| EUR           | CAD                | (2.6)   | 3.8  | 0.1  |
| EUR           | CHF                | (21.3)  | 32.7   | (0.1)  |
| EUR           | GBP                | (21.4)  | 14.6   | (0.2)  |
| EUR           | USD                | (763.9)   | 915.7  | 10.4   |
| GBP           | EUR                | (8.1)   | 11.9   | 0.1  |
| GBP           | USD                | (0.1)   | 0.2  |  |
| HKD           | EUR                | (10.7)  | 1.1  | (0.1)  |
| HUF           | EUR                | (181.8)   | 0.7  |  |
| JPY           | EUR                | (166.4)   | 1.3  | 0.1  |
| MYR           | AUD                | (0.4)   | 0.1  |  |
| MYR           | EUR                | (0.1)   |  |  |
| NOK           | EUR                | (41.7)  | 5.3  | 0.1  |
| NZD           | EUR                | (1.0)   | 0.6  |  |
| NZD           | GBP                | (21.6)  | 8.8  | 0.3  |
| SEK           | EUR                | (57.6)  | 6.2  |  |
| SEK           | USD                | (184.8)   | 23.1   | (0.1)  |
| THB           | EUR                | (233.2)   | 4.6  | (0.2)  |



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|     |     |       |     |       |
|-----|-----|-------|-----|-------|
| USD | AUD | (5.0) | 6.6 | (0.1) |
| USD | CAD | (0.8) | 0.9 |       |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| Currency Sold  | Currency Purchased | Amount of<br>Currency Sold<br>(Local<br>Currency,<br>in Millions) | Amount of<br>Currency<br>Purchased (Local<br>Currency,<br>in Millions) | Fair Value of<br>the Hedge<br>(Millions of<br>Euros) |
|--|--------------------|---|--|--|
| USD  | EUR                | (81.1)  | 67.9   | (0.7)  |
| USD  | GBP                | (11.5)  | 6.6  | (0.4)  |
| <b>Total intercompany<br/>receivables and payables</b> |                    |   |  | <b>9.8</b>   |

*II Third Party Receivables and Payables*

| Currency Sold   | Currency Purchased | Amount of<br>Currency Sold<br>(Local<br>Currency,<br>in Millions) | Amount of<br>Currency<br>Purchased (Local<br>Currency,<br>in Millions) | Fair Value of<br>the<br>Hedge<br>(Millions of<br>Euros) |
|---|--------------------|---|--|---|
| EUR   | GBP                | (8.4)   | 5,8  | (0,1)   |
| EUR   | USD                | (1.0)   | 1,2  |   |
| GBP   | EUR                | (13.8)  | 20,0   | (0,1)   |
| GBP   | USD                | (14.2)  | 24,5   |   |
| MYR   | EUR                | (1.3)   | 0,3  |   |
| MYR   | GBP                | (1.6)   | 0,2  |   |
| <b>Total third party<br/>receivables and payables</b> |                    |   |  | <b>(0.2)</b>  |

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

| Currency Sold | Currency Purchased | Amount of<br>Currency<br>Sold<br>(Local<br>Currency, in<br>Millions) | Amount of<br>Currency<br>Purchased<br>(Local<br>Currency, in<br>Millions) | Fair Value<br>of the<br>Hedge<br>(Millions<br>of<br>Euros) |
|---------------|--------------------|--|---|--|
| EUR           | GBP                | (0.4)  | 0.3   |  |
| EUR           | USD                | (0.4)  | 0.5   |  |

|                              |     |        |      |            |
|------------------------------|-----|--------|------|------------|
| GBP                          | USD | (0.3)  | 0.5  |            |
| USD                          | EUR | (18.1) | 15.4 | 0.1        |
| USD                          | GBP | (3.4)  | 2.0  |            |
| USD                          | SEK | (0.5)  | 3.7  |            |
| <b>Total future flows(1)</b> |     |        |      | <b>0.1</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** **9.7**

### **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.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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, 2005.

Impact of a 10% fall in the market value of shareholdings owned by Publicis:

|                                | Treasury<br>Stock | Other (IPG<br>Shares) |
|--------------------------------|-------------------|-----------------------|
| Effect on balance sheet assets | n/a               | (4)                   |
| Effect on shareholders' equity |                   | (4)                   |
| Effect on net income           |                   |                       |

**27. Segment Reporting****Information by Geographical Area**

The information is calculated on the basis of location of the agencies.

|  | Europe | North<br>America | Rest of<br>the<br>World | Total   |
|--|--------|------------------|-------------------------|---------|
| (Millions of euros)  |        |                  |                         |         |
| <b>2005</b>  |        |                  |                         |         |
| <b>Income statement items:</b>   |        |                  |                         |         |
| Revenue(1)   | 1,647  | 1,763            | 717                     | 4,127   |
| Depreciation and amortization expense (excluding intangibles arising on acquisition) | (49)   | (49)             | (18)                    | (116)   |
| Operating margin   | 238    | 315              | 96                      | 649     |
| Amortization of intangibles arising on acquisition                                   | (7)    | (13)             | (3)                     | (23)    |
| Impairment   | (20)   | (11)             | (2)                     | (33)    |
| Equity in net income of non-consolidated companies                                   | 9      | 1                | 1                       | 11      |
| <b>Balance sheet items:</b>  |        |                  |                         |         |
| Goodwill and intangible assets, net  | 1,209  | 1,890            | 547                     | 3,646   |
| Property and equipment, net  | 299    | 225              | 56                      | 580     |
| Deferred tax assets  | 41     | 157              | 18                      | 216     |
| Investments accounted for by the equity method                                       | 21     | 10               | 2                       | 33      |
| Other financial assets   | 36     | 70               | 12                      | 118     |
| Current assets (liabilities)(2)  | (188)  | (1,111)          | (273)                   | (1,572) |
| Deferred tax liabilities   | (104)  | (75)             | (41)                    | (220)   |
| Long-term provisions   | (189)  | (345)            | (5)                     | (539)   |
| <b>Disclosures in respect of the cash flow statement:</b>                            |        |                  |                         |         |
| Purchases of property and equipment and intangible assets                            | (38)   | (30)             | (15)                    | (83)    |
| Purchases of investments and other financial assets, net                             | 4      | 2                | 1                       | 7       |
| Acquisitions of subsidiaries   | (46)   | (12)             | (13)                    | (71)    |
| Calculated expenses on stock options and similar items                               | 8      | 8                | 4                       | 20      |
| Other calculated income and expenses   | 2      | 9                |                         | 11      |

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  | <b>Europe</b> | <b>North<br/>America</b> | <b>Rest of<br/>the<br/>World</b> | <b>Total</b>   |
|--|---------------|--------------------------|----------------------------------|----------------|
| <b>(Millions of euros)</b>   |               |                          |                                  |                |
| <b>2004</b>  |               |                          |                                  |                |
| <b>Income statement items:</b>   |               |                          |                                  |                |
| 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   | 220           | 288                      | 72                               | <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>       |
| <b>Balance sheet items:</b>  |               |                          |                                  |                |
| 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  | 90            | 240                      | 38                               | <b>368</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   | (215)         | (265)                    | (57)                             | <b>(537)</b>   |
| <b>Disclosures in respect of the cash flow statement:</b>                            |               |                          |                                  |                |
| 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>   |
| Calculated expenses on stock options and similar items                               | 8             | 8                        | 4                                | <b>20</b>      |
| Other calculated income and expenses   | 2             | 11                       |                                  | <b>13</b>      |

- (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.

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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**28. Publicis Groupe S.A. Stock Options**

***Description of Existing Plans***

The Group grants stock options which have the following characteristics:

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 is contingent on the achievement of growth and profitability objectives over the entire period 2003-2005. The exercise period commences in 2006 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 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 4 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 4 years and expire 10 years after the date of grant.

Plan granted in 2000 (tenth 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 5 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.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1- Stock Option Plans Originated by Publicis*****Characteristics of Publicis Stock Option Plan in Progress at 31/12/2005***

| <b>Shares with 0.40<br/>Par Value</b> | <b>Type of<br/>Option</b> | <b>Date of<br/>Grant</b> | <b>Exercise<br/>Price<br/>of<br/>Options<br/>( )</b> | <b>Outstanding<br/>Options at<br/>31/12/05</b> | <b>Of<br/>Which<br/>Exercisable<br/>at<br/>31/12/05</b> | <b>Expiry<br/>Date</b> | <b>Remaining<br/>Contractual<br/>Life<br/>(In<br/>Years)</b> |
|---------------------------------------|---------------------------|--------------------------|--|--|---|------------------------|--|
| 6th tranche                           | Subscription              | 26/04/1996               | 4.91   | 12,870   | 12,870  | 2006                   | 0.32   |
| 7th tranche(1)                        | Subscription              | 10/03/1997               | 5.63   | 25,600   | 25,600  | 2007                   | 1.21   |
| 8th tranche                           | Subscription              | 11/03/1998               | 8.66   | 40,500   | 40,500  | 2008                   | 2.19   |
| 9th tranche                           | Subscription              | 04/11/1998               | 10.24  | 282,500  | 282,500   | 2008                   | 2.84   |
| 10th tranche                          | Purchase                  | 07/09/2000               | 43.55  | 100,000  | 100,000   | 2010                   | 4.68   |
| 11th tranche                          | Purchase                  | 23/04/2001               | 33.18  | 380,000  | 380,000   | 2011                   | 5.31   |
| 13th tranche                          | Purchase                  | 18/01/2002               | 29.79  | 104,600  |   | 2012                   | 6.05   |
| 14th tranche                          | Purchase                  | 10/06/2002               | 32.43  | 5,000  |   | 2012                   | 6.44   |
| 15th tranche                          | Purchase                  | 08/07/2002               | 29.79  | 220,000  |   | 2012                   | 6.52   |
| 16th tranche                          | Purchase                  | 28/08/2003               | 24.82  | 517,067  |   | 2013                   | 7.65   |
| 17th tranche(2)                       | Purchase                  | 28/08/2003               | 24.82  | 7,010,200                                      |   | 2013                   | 7.65   |
| 18th tranche                          | Purchase                  | 28/09/2004               | 24.82  | 11,000   |   | 2014                   | 8.74   |
| 19th tranche(2)                       | Purchase                  | 28/09/2004               | 24.82  | 1,832,186                                      |   | 2014                   | 8.74   |
| 20th tranche(2)                       | Purchase                  | 24/05/2005               | 24.76  | 887,975  |   | 2015                   | 9.39   |
| <b>Total of all tranches</b>          |                           |                          |  | <b>11,429,498</b>                              | <b>841,470</b>  |                        |  |
| Average exercise price                |                           |                          |  | 24.92  | 24.26   |                        |  |

(1) After a technical correction of the balance of outstanding options under the 7th tranche at December 31, 2000 (+ 20 190 options).

(2) Conditional options whose exercise is subject to meeting objectives over the course of a 3 year plan

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Movements in 2004-2005 on Publicis Stock Option Plans**

|                                 | Exercise Price | Outstanding Options at December 31, 2003 | Options Granted in 2004 | Options Exercised in 2004 | Options Cancelled or Lapsed in 2004 | Outstanding Options at December 31, 2004 | Options Granted in 2005 | Options Exercised in 2005 | Options Cancelled or Lapsed in 2005 | Outstanding Options at December 31, 2005 |
|---------------------------------|----------------|--|-------------------------|---------------------------|-------------------------------------|--|-------------------------|---------------------------|-------------------------------------|--|
| tranche                         | 6.37           | 28,760                                   |                         |                           | (28,760)                            | 0  |                         |                           |                                     |  |
| tranche                         | 6.63           | 45,290                                   |                         | (11,070)                  |                                     | 34,220                                   |                         | (9,880)                   | (24,340)                            |  |
| tranche                         | 4.91           | 51,670                                   |                         | (24,250)                  |                                     | 27,420                                   |                         | (14,550)                  |                                     | 12,870                                   |
| tranche (1)                     | 5.63           | 59,550                                   |                         | (14,560)                  |                                     | 44,990                                   |                         | (19,390)                  |                                     | 25,600                                   |
| tranche                         | 8.66           | 58,500                                   |                         |                           |                                     | 58,500                                   |                         | (18,000)                  |                                     | 40,500                                   |
| tranche                         | 10.24          | 301,500                                  |                         | (5,000)                   |                                     | 296,500                                  |                         | (14,000)                  |                                     | 282,500                                  |
| 7th tranche                     | 43.55          | 100,000                                  |                         |                           |                                     | 100,000                                  |                         |                           |                                     | 100,000                                  |
| 8th tranche                     | 33.18          | 380,000                                  |                         |                           |                                     | 380,000                                  |                         |                           |                                     | 380,000                                  |
| 9th tranche(2)                  | 29.79          | 2,943,135                                |                         |                           | (2,943,135)                         | 0  |                         |                           |                                     |  |
| 10th tranche                    | 29.79          | 104,600                                  |                         |                           |                                     | 104,600                                  |                         |                           |                                     | 104,600                                  |
| 11th tranche                    | 32.43          | 5,000                                    |                         |                           |                                     | 5,000                                    |                         |                           |                                     | 5,000                                    |
| 12th tranche                    | 29.79          | 220,000                                  |                         |                           |                                     | 220,000                                  |                         |                           |                                     | 220,000                                  |
| 13th tranche                    | 24.82          | 517,067                                  |                         |                           |                                     | 517,067                                  |                         |                           |                                     | 517,067                                  |
| 14th tranche                    | 24.82          | 9,498,000                                |                         |                           | (1,484,000)                         | 8,014,000                                |                         |                           | (1,003,800)                         | 7,010,200                                |
| 15th tranche                    | 24.82          | 0  | 11,000                  |                           |                                     | 11,000                                   |                         |                           |                                     | 11,000                                   |
| 16th tranche                    | 24.82          | 0  | 1,959,086               |                           |                                     | 1,959,086                                |                         |                           | (126,900)                           | 1,832,186                                |
| 17th tranche                    | 24.76          | 0  |                         |                           |                                     | 0  | 935,192                 |                           | (47,217)                            | 887,975                                  |
| <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>                        | <b>935,192</b>          | <b>(75,820)</b>           | <b>(1,202,257)</b>                  | <b>11,429,499</b>                        |
| Average exercise price          |                | 25.66                                    | 24.82                   | 5.93                      | 27.94                               | 24.77                                    | 24.76                   | 7.19                      | 24.45                               | 24.52                                    |
| Average share price on exercise |                |  |                         | 24.50                     |                                     |  |                         | 25.52                     |                                     |  |

(1) After a technical correction of the balance of outstanding options under the 7th tranche at December 31, 2000 (+ 20 190 options)

(2) Plan put in place in execution of commitments made on acquisition of Saatchi & Saatchi. Exercise of options granted under this plan was subject to the achievement of objectives over the period 2001- 2003. The objectives were not achieved and all options under the plan were thus cancelled

**2- Stock Option Plans Originally Put in Place by Nelson**

On the acquisition of Nelson, these plans were converted into Publicis share purchase option plans.

| Type of | Exercise Price | Outstanding Options at December 31 | Options Exercised | Options Cancelled | Outstanding Options at December 31 | Options Exercised | Outstanding Options at December 31 | Of Which | Remaining Contractual |
|---------|----------------|------------------------------------|-------------------|-------------------|------------------------------------|-------------------|------------------------------------|----------|-----------------------|
|---------|----------------|------------------------------------|-------------------|-------------------|------------------------------------|-------------------|------------------------------------|----------|-----------------------|

| <b>Option</b>                   | <b>Price of Options</b> | <b>2003</b> | <b>in 2004</b> | <b>or Lapsed in 2004</b> | <b>2004</b> | <b>in 2005</b> | <b>2005</b> | <b>Exercisable at 31/12/05</b> | <b>Date</b> | <b>Life (In Years)</b> |
|---------------------------------|-------------------------|-------------|----------------|--------------------------|-------------|----------------|-------------|--------------------------------|-------------|------------------------|
| Purchase                        | \$ 24.40                | 137,034     | (16,546)       | (12,620)                 | 107,868     | (60,245)       | 47,623      | 47,623                         | 2008        | 2.6                    |
| Average exercise price          |                         | \$ 24.40    | \$ 24.40       | \$ 24.40                 | \$ 24.40    | \$ 24.40       | \$ 24.40    | \$ 24.40                       |             |                        |
| Average share price on exercise |                         |             | 24,50          |                          |             | 25,52          |             |                                |             |                        |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Determination of the Fair Value of Options Granted in the Year**

The table below summarizes the principal assumptions and calculations pertaining to the 20th tranche, which was granted on May, 24 2005.

|   | <b>20th Tranche</b>        |            |
|---|----------------------------|------------|
|   | <b>(a)</b>                 | <b>(b)</b> |
|   | <b>(Millions of euros)</b> |            |
| Number of options granted during the year   | 467,596                    | 467,596    |
| Initial valuation of the option granted     | 2.06                       | 2.78       |
| <b>Assumptions:</b>                         |                            |            |
| Share price at the date of grant (in euros) | 22.99                      | 22.99      |
| Exercise price (in euros)                   | 24.76                      | 24.76      |
| Volatility of the Publicis share            | 21%                        | 21%        |
| Average duration of the option              | 1.9                        | 2.9        |
| Rate of return on dividends                 | 1.22%                      | 1.22%      |
| Risk free rate                              | 2.17%                      | 2.39%      |

(a) Options which can be exercised as from April 2006

(b) Options which can be exercised as from April 2007

**Impact of Stock Option Plans on the 2005 Income Statement**

As regards the Long-Term Incentive Plan 2003-2005 (tranches 17, 19 and 20), for which exercise of the options is conditional and depends on the achievement of objectives, a probability of 100% has been used in 2005 to calculate the number of shares that could be issued under these plans.

The impact of Publicis stock option plans on the 2005 income statement is 20 M€, excluding tax and social security expenses (see note 3 Personnel expenses).

**29. Related Party Disclosures**

The following transactions were carried out with related parties in 2005:

|        | <b>Revenues with<br/>Related<br/>Parties(1)</b> | <b>Increase in<br/>Provision<br/>for Doubtful<br/>Accounts</b> |
|--------|---|--|
|        | <b>(Millions of euros)</b>                      |  |
| Dentsu | (27)  |  |

(1) This is the difference between purchases and sales made by the Group with Dentsu. These transactions were carried out at market prices.

**Receivables  
on**

**Provisions for**

**Payables to  
Related**

|        | <b>Related<br/>Parties</b> | <b>Doubtful<br/>Accounts</b> | <b>Parties</b> |
|--------|----------------------------|------------------------------|----------------|
|        | <b>(Millions of euros)</b> |                              |                |
| Dentsu | 9                          |                              | 9              |

Guarantees provided by the Group in the context of the financing of iSe are set out in Note 24.

**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 SA and its subsidiaries Philadelphia Merger Corp. and Philadelphia Merger LLC on one hand, and Bcom3

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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. (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.

|  | 2005                | 2004 |
|--|---------------------|------|
|  | (Millions of euros) |      |
| Overall gross remuneration(1)              | 9                   | 16   |
| Post employment benefits(2)                | (1)                 | 2    |
| Termination or end-of-contract payments(3) |                     |      |
| Other long-term benefits(4)                |                     | 2    |
| Share-based payment(5)                     | 2                   | 1    |

- (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, 2005 is 16 M (this amount was 18 M at December 31, 2004).

**30. Post-Balance Sheet Events**

In the context of continuing its program to simplify its balance sheet structure, Publicis Groupe SA initiated, on January 13, 2006, a public buyback offer in respect of its equity warrants. This offer, which closed on February 14, 2006, resulted in the buyback 22 107 049 equity warrants, representing almost 80% of outstanding equity warrants, for a total amount of 199 M. This transaction will thus enable 22 million potential shares that would have needed to be issued on exercise of the warrants to be eliminated.

In addition, in January 2006, a certain number of Oceane 2018 bondholders exercised their redemption rights, leading Publicis Groupe SA to redeem 1 149 587 bonds for a total amount of 51 M (including accrued interest). An equivalent number of potential shares (that would have needed to be issued on receipt of a request for conversion of the Océanes) are thus eliminated.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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, 2005 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 34.

**32. Effects of First Time Application of IFRS****32.1 Presentation of Standards Applied**

This note sets out, firstly, the principles retained for the preparation of the opening IFRS balance sheet at January 1, 2004 and, secondly, divergences with the French accounting standards previously applied. It also sets out their financial effects on the opening and closing balance sheets and on results for the 2004 financial year.

Financial reporting for 2004 on the transition to IFRS is prepared in accordance with the requirements of IFRS 1 First time adoption of IFRS and with the requirements of the standards and interpretations published by the IASB and adopted by the European Union which enterprises may opt to apply before January 1, 2005.

Publicis has opted for early adoption of IAS 32 and IAS 39 as from January 1, 2004. Publicis is not concerned by any of the paragraphs of IAS 39 that have not been adopted by the European Union. Publicis has thus applied IAS 39 in its entirety in its IFRS financial reporting for 2004.

While awaiting a specific decision from either the IASB or the IFRIC, commitments to purchase minority interests have been recognized, in accordance with IAS 32 Financial instruments, 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.

Comparative figures have been presented in the form of schedules reconciling the figures published under French standards and the figures resulting from the application of IAS/ IFRS to:

The transition date balance sheet at January 1, 2004, being the date at which the definitive impacts of transition to IFRS are recognized in shareholders' equity,

The balance sheet at December 31, 2004 and the income statement for the year then ended.

This 2004 financial information on the transition to IFRS was prepared by applying the IFRS standards and interpretations that Publicis applies in preparing its December 31, 2005 financial statements to the Group's 2004 figures.

The basis for preparation of this 2004 financial information is thus a result of:

IFRS standards and interpretations applicable at December 31, 2005,

Publicis' current view of the likely resolution of technical questions and drafts in the course of being examined by the IASB and the IFRIC (concerning the treatment of buyout commitments to minority shareholders), and

Options retained and exemptions used by Publicis in preparing its consolidated financial statements for 2005.

This financial information has been prepared under the responsibility of Publicis' management. It has been the subject of a presentation to the Management Board and the Audit Committee and to audit work carried out by the Statutory Auditors.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The conversion to IFRS standards document published on July 27, 2005 has, moreover, been completed as follows:

Recognition of 131 M of deferred tax liabilities through shareholders equity in the opening balance sheet in respect of the tradenames recognized on acquisition of Bcom3.

Alignment of the amount of the finance lease obligation in respect of the Chicago building with the amount at which the property is recorded in the opening balance sheet. In addition, the depreciable life of the building was reduced to the length of the lease contract. The impact on the opening balance sheet was (45) M on financial debt, (19) M on deferred tax assets, (1) M on property and equipment and 25 M on shareholders equity. The impact on 2004 results is not material,

Offset of 57 M of deferred tax assets recognized in the 2004 IFRS income statement of Publicis Groupe SA with deferred tax liabilities of the tax group of that company,

Change in the calculation of earnings per share, with a view to excluding Amortization of intangibles arising on acquisition from the calculation of headline earnings per share (EPS before impairment and certain unusual items). Earnings per share thus calculated are 1.28 euro (instead of 1.19 euro as published in June 2005) for basic EPS and 1.25 euro (instead of 1.17 euro) for diluted EPS.

All these changes taken together resulted in an impact of (106) M on opening shareholders equity. No material impact on 2004 results needed to be taken into account.

**32.2 Accounting Options Related to First-Time Application of IFRS**

IFRS financial reporting for 2004 is 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 is 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 schemes 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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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 euros, which represents an adjustment of 159 million euros 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 32.3. Impact of Conversion to IFRS Standards

## 32.3.1 Impact of First Time Application of IFRS Standards

## Impact of first time application of IFRS standards at January 1, 2004

|  | French<br>Standards<br>(1) | IFRS<br>Reclassifications | IFRS<br>Adjustments | January 1,<br>2004<br>IFRS |
|--|----------------------------|---------------------------|---------------------|----------------------------|
| (Millions of euros)                              |                            |                           |                     |                            |
| <b>Assets</b>                                    |                            |                           |                     |                            |
| Goodwill, net                                    | 2,596                      |                           | 97                  | 2,693                      |
| Intangible assets, net                           | 916                        |                           |                     | 916                        |
| Property and equipment, net                      | 463                        |                           | 172                 | 635                        |
| Deferred tax assets                              |                            | 405                       | (1)                 | 404                        |
| Investments accounted for by the equity method   | 30                         |                           |                     | 30                         |
| Other financial assets                           | 476                        | (12)                      | 49                  | 513                        |
| <b>Non-current assets</b>                        | <b>4,481</b>               | <b>393</b>                | <b>317</b>          | <b>5,191</b>               |
| Inventory and costs billable to clients          | 416                        |                           |                     | 416                        |
| Accounts receivable                              | 3,263                      |                           |                     | 3,263                      |
| Other receivables and other current assets       | 1,095                      | (393)                     | 16                  | 718                        |
| OCEANE redemption premium                        | 215                        |                           | (215)               |                            |
| Marketable securities                            | 196                        | (196)                     |                     |                            |
| Cash   | 1,219                      | (1,219)                   |                     |                            |
| Cash and cash equivalents                        |                            | 1,415                     |                     | 1,415                      |
| <b>Current assets</b>                            | <b>6,404</b>               | <b>(393)</b>              | <b>(199)</b>        | <b>5,812</b>               |
| <b>Total assets</b>                              | <b>10,885</b>              |                           | <b>118</b>          | <b>11,003</b>              |
| <b>Liabilities and equity</b>                    |                            |                           |                     |                            |
| Capital stock                                    | 78                         |                           |                     | 78                         |
| Additional paid-in capital and retained earnings | 626                        |                           | 794                 | 1,420                      |
| <b>Shareholders equity</b>                       | <b>704</b>                 |                           | <b>794</b>          | <b>1,498</b>               |
| <b>Minority interests</b>                        | <b>55</b>                  |                           | <b>(27)</b>         | <b>28</b>                  |
| <b>Total equity</b>                              | <b>759</b>                 |                           | <b>767</b>          | <b>1,526</b>               |
| <b>ORANES</b>                                    | <b>495</b>                 |                           | <b>(495)</b>        |                            |
| Long-term financial debt (more than 1 year)      | 3,188                      | (675)                     | (576)               | 1,937                      |
| Deferred tax liabilities                         |                            | 232                       | 339                 | 571                        |
| Long-term provisions                             | 1,041                      | (431)                     |                     | 610                        |
| Other non-current liabilities                    |                            | 5                         |                     | 5                          |
| <b>Non-current liabilities</b>                   | <b>4,229</b>               | <b>(869)</b>              | <b>(237)</b>        | <b>3,123</b>               |
| Accounts payable                                 | 3,590                      |                           | 2                   | 3,592                      |
| Short-term financial debt (less than 1 year)     |                            | 761                       | 81                  | 842                        |
| Income taxes payable                             |                            | 276                       |                     | 276                        |

|   |               |            |            |               |
|---|---------------|------------|------------|---------------|
| Short-term provisions                         |               | 199        |            | 199           |
| Other creditors and other current liabilities | 1,812         | (367)      |            | 1,445         |
| <b>Current liabilities</b>                    | <b>5,402</b>  | <b>869</b> | <b>83</b>  | <b>6,354</b>  |
| <b>Total liabilities and equity</b>           | <b>10,885</b> |            | <b>118</b> | <b>11,003</b> |

- (1) French standards at January 1, 2004 after taking account of changes in accounting policies related to CRC rule 04-03 related to the consolidation of special purpose entities (which applies to the entity which

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issues the Credit Linked Notes) and recommendation n° R-03-01, issued on April 1, 2003 related to rules for the recognition and measurement of commitments for pension and similar benefits.

|  |            |
|--|------------|
| <b>Shareholders equity at December 31, 2003, in accordance with CRC rule 99-02, as published</b> | <b>726</b> |
| Effects of changes in accounting policy  | (22)       |
| <b>Shareholders equity at January 1, 2004, in accordance with CRC rule 99-02</b>                 | <b>704</b> |

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Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Details of impact of IFRS adjustments on the balance sheet at January 1, 2004**

|   | Building<br>at<br>133<br>Champs-<br>Elysées | Financing<br>Instruments | Available-<br>for-sale<br>Assets | Commitments<br>to<br>Purchase<br>Minority<br>Interests | Deferred<br>Tax<br>Liabilities<br>on<br>Tradenames | Other       | Total<br>IFRS<br>Adjustments<br>January 1,<br>2004 |
|---|---|--------------------------|----------------------------------|--|--|-------------|--|
| (Millions of euros)                                 |   |                          |                                  |  |  |             |  |
| <b>Assets</b>                                       |   |                          |                                  |  |  |             |  |
| Goodwill, net                                       |   |                          |                                  | 97   |  |             | 97   |
| Intangible assets, net                              |   |                          |                                  |  |  |             |  |
| Property and equipment, net                         | 159   |                          |                                  |  |  | 13          | 172  |
| Deferred tax assets                                 |   | 18                       |                                  |  |  | (19)        | (1)  |
| Investments accounted for by<br>the equity method   |   |                          |                                  |  |  |             |  |
| Other financial assets                              |   |                          | 49                               |  |  |             | 49   |
| <b>Non-current assets</b>                           | <b>159</b>                                  | <b>18</b>                | <b>49</b>                        | <b>97</b>  |  | <b>(6)</b>  | <b>317</b>   |
| Inventory and costs billable<br>to clients          |   |                          |                                  |  |  |             |  |
| Accounts receivable                                 |   |                          |                                  |  |  |             |  |
| Other receivables and other<br>current assets       |   | 14                       |                                  |  |  | 2           | 16   |
| OCEANE redemption<br>premium                        |   | (215)                    |                                  |  |  |             | (215)  |
| Cash and cash equivalents                           |   |                          |                                  |  |  |             |  |
| <b>Current assets</b>                               |   | <b>(201)</b>             |                                  |  |  | <b>2</b>    | <b>(199)</b>                                       |
| <b>Total assets</b>                                 | <b>159</b>                                  | <b>(183)</b>             | <b>49</b>                        | <b>97</b>  |  | <b>(4)</b>  | <b>118</b>   |
| <b>Liabilities and equity</b>                       |   |                          |                                  |  |  |             |  |
| Capital stock                                       |   |                          |                                  |  |  |             |  |
| Additional paid-in capital<br>and retained earnings | 104   | 742                      | 49                               |  | (131)  | 30          | 794  |
| <b>Shareholders equity</b>                          | <b>104</b>                                  | <b>742</b>               | <b>49</b>                        |  | <b>(131)</b>                                       | <b>30</b>   | <b>794</b>   |
| <b>Minority interests</b>                           |   |                          |                                  | <b>(32)</b>  |  | <b>5</b>    | <b>(27)</b>  |
| <b>Total equity</b>                                 | <b>104</b>                                  | <b>742</b>               | <b>49</b>                        | <b>(32)</b>  | <b>(131)</b>                                       | <b>35</b>   | <b>767</b>   |
| <b>ORANEs</b>                                       |   | <b>(495)</b>             |                                  |  |  |             | <b>(495)</b>                                       |
| Long-term financial debt<br>(more than 1 year)      |   | (579)                    |                                  | 48   |  | (45)        | (576)  |
| Deferred tax liabilities                            | 55  | 149                      |                                  |  | 131  | 4           | 339  |
| Long-term provisions                                |   |                          |                                  |  |  |             |  |
| Other non-current liabilities                       |   |                          |                                  |  |  |             |  |
| <b>Non-current liabilities</b>                      | <b>55</b>                                   | <b>(430)</b>             |                                  | <b>48</b>  | <b>131</b>   | <b>(41)</b> | <b>(237)</b>                                       |
| Accounts payable                                    |   |                          |                                  |  |  | 2           | 2  |
| Short-term financial debt<br>(less than 1 year)     |   |                          |                                  | 81   |  |             | 81   |

|  |            |              |           |           |          |            |            |
|--|------------|--------------|-----------|-----------|----------|------------|------------|
| Income taxes payable                             |            |              |           |           |          |            |            |
| Short-term provisions                            |            |              |           |           |          |            |            |
| Other creditors and other<br>current liabilities |            |              |           |           |          |            |            |
| <b>Current liabilities</b>                       |            |              |           | <b>81</b> |          | <b>2</b>   | <b>83</b>  |
| <b>Total liabilities and equity</b>              | <b>159</b> | <b>(183)</b> | <b>49</b> | <b>97</b> |          | <b>(4)</b> | <b>118</b> |
| <i>See Note 32.3.3</i>                           | <i>a</i>   | <i>b</i>     | <i>e</i>  | <i>f</i>  | <i>g</i> | <i>h</i>   |            |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Impact of application of IFRS standards on the income statement for 2004**

|  | French<br>Standards | IFRS<br>Reclassifications | IFRS<br>Adjustments | 2004 IFRS          |
|--|---------------------|---------------------------|---------------------|--------------------|
| (Millions of euros)  |                     |                           |                     |                    |
| <b>Revenues</b>  | <b>3,825</b>        | <b>7</b>                  |                     | <b>3,832</b>       |
| Personnel expenses   | (2,197)             | (54)                      | (20)                | (2,271)            |
| Other operating expenses   | (921)               | 59                        |                     | (862)              |
| <b>Operating margin before depreciation and amortization</b>   | <b>707</b>          | <b>12</b>                 | <b>(20)</b>         | <b>699</b>         |
| Depreciation and amortization expense (excluding intangibles arising on acquisition)   | (117)               |                           | (2)                 | (119)              |
| <b>Operating margin</b>  | <b>590</b>          | <b>12</b>                 | <b>(22)</b>         | <b>580</b>         |
| Amortization of intangibles arising on acquisition   | (29)                |                           |                     | (29)               |
| Impairment(1)  | (123)               | (88)                      | (4)                 | (215)              |
| Non-current income (expense)   | 0                   | 23                        | (33)                | (10)               |
| <b>Operating income</b>  | <b>438</b>          | <b>(53)</b>               | <b>(59)</b>         | <b>326</b>         |
| Net financial costs  | (39)                | 39                        |                     |                    |
| Interest income (expense) on net financial debt  |                     | (45)                      | (63)                | (108)              |
| Other financial income (expense)   |                     | (6)                       |                     | (6)                |
| <b>Income of consolidated companies before taxes</b>   | <b>399</b>          | <b>(65)</b>               | <b>(122)</b>        | <b>212</b>         |
| Exceptional items  | 23                  | (23)                      |                     |                    |
| Income taxes   | (134)               |                           | 22                  | (112)              |
| Net change in deferred taxes related to the OBSA/ CLN transactions and deferred tax assets related to the conversion to IFRS | 130                 |                           | 68                  | 198                |
| <b>Net income of consolidated companies</b>  | <b>418</b>          | <b>(88)</b>               | <b>(32)</b>         | <b>298</b>         |
| Equity in net income of non-consolidated companies   | 6                   |                           |                     | 6                  |
| Goodwill amortization  | (188)               | 88                        | 100                 |                    |
| <b>Net income</b>  | <b>236</b>          |                           | <b>68</b>           | <b>304</b>         |
| Net income attributable to minority interests  | 26                  |                           |                     | 26                 |
| Net income attributable to equity holders of the parent  | 210                 |                           | 68                  | 278                |
| <b>Per share data (in euros)</b>   |                     |                           |                     |                    |
| <i>Number of shares basic</i>  | <i>182,410,451</i>  |                           |                     | <i>210,535,541</i> |
| Earnings per share   | 1.15                |                           |                     | 1.32               |
| <i>Number of shares diluted</i>  | <i>251,607,849</i>  |                           |                     | <i>233,984,337</i> |
| Earnings per share diluted   | 0.97                |                           |                     | 1.29               |

(1) Under French standards this caption only includes impairment on intangibles arising from acquisitions (goodwill impairment is included in the goodwill amortization line)





**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Details of impact of IFRS adjustments on the 2004 income statement**

|   | Financing<br>Instruments | Stock<br>Options | Goodwill<br>Amortization | Other      | Total<br>Adjustments<br>to 2004 |
|---|--------------------------|------------------|--------------------------|------------|---------------------------------|
| (Millions of euros)   |                          |                  |                          |            |                                 |
| <b>Revenues</b>   |                          |                  |                          |            |                                 |
| Personnel expenses  |                          | (20)             |                          |            | (20)                            |
| Other operating expenses  |                          |                  |                          |            |                                 |
| <b>Operating margin before depreciation and amortization</b>  |                          | <b>(20)</b>      |                          |            | <b>(20)</b>                     |
| Depreciation and amortization expense (excluding intangibles arising on acquisition)  |                          |                  |                          | (2)        | (2)                             |
| <b>Operating margin</b>   |                          | <b>(20)</b>      |                          | <b>(2)</b> | <b>(22)</b>                     |
| Amortization of intangibles arising on acquisition  |                          |                  |                          |            |                                 |
| Impairment  |                          |                  | (4)                      |            | (4)                             |
| Non-current income (expense)  | (33)                     |                  |                          |            | (33)                            |
| <b>Operating income</b>   | <b>(33)</b>              | <b>(20)</b>      | <b>(4)</b>               | <b>(2)</b> | <b>(59)</b>                     |
| Interest income (expense) on net financial debt   | (63)                     |                  |                          |            | (63)                            |
| Other financial income (expense)  |                          |                  |                          |            |                                 |
| <b>Income of consolidated companies before taxes</b>  | <b>(96)</b>              | <b>(20)</b>      | <b>(4)</b>               | <b>(2)</b> | <b>(122)</b>                    |
| Income taxes  | 22                       |                  |                          |            | 22                              |
| Net change in deferred taxes related to the OBSA/CLN transactions and deferred tax assets related to the conversion to IFRS | 11                       |                  |                          | 57         | 68                              |
| <b>Net income of consolidated companies</b>   | <b>(63)</b>              | <b>(20)</b>      | <b>(4)</b>               | <b>55</b>  | <b>(32)</b>                     |
| Equity in net income of non-consolidated companies  |                          |                  |                          |            |                                 |
| Goodwill amortization   |                          |                  | 100                      |            | 100                             |
| <b>Net income</b>   | <b>(63)</b>              | <b>(20)</b>      | <b>96</b>                | <b>55</b>  | <b>68</b>                       |
| Net income attributable to minority interests   |                          |                  |                          |            |                                 |
| Net income attributable to equity holders of the parent   | (63)                     | (20)             | 96                       | 55         | 68                              |
| <i>See note 32.3.3</i>  | <i>b</i>                 | <i>c</i>         | <i>d</i>                 | <i>h</i>   |                                 |

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Impact of application of IFRS standards at December 31, 2004**

|  | French<br>Standards | IFRS<br>Reclassifications | IFRS<br>Adjustments | December 31,<br>2004<br>IFRS |
|--|---------------------|---------------------------|---------------------|------------------------------|
| (Millions of euros)                              |                     |                           |                     |                              |
| <b>Assets</b>                                    |                     |                           |                     |                              |
| Goodwill, net                                    | 2,470               |                           | 153                 | 2,623                        |
| Intangible assets, net                           | 740                 |                           |                     | 740                          |
| Property and equipment, net                      | 439                 |                           | 170                 | 609                          |
| Deferred tax assets                              |                     | 371                       | (3)                 | 368                          |
| Investments accounted for by the equity method   | 17                  |                           |                     | 17                           |
| Other financial assets                           | 106                 |                           | 37                  | 143                          |
| <b>Non-current assets</b>                        | <b>3,772</b>        | <b>371</b>                | <b>357</b>          | <b>4,500</b>                 |
| Inventory and costs billable to clients          | 437                 |                           |                     | 437                          |
| Accounts receivable                              | 3,282               |                           |                     | 3,282                        |
| Other receivables and other current assets       | 833                 | (371)                     | (12)                | 450                          |
| OCEANE redemption premium                        | 202                 |                           | (202)               |                              |
| Marketable securities                            | 67                  | (67)                      |                     |                              |
| Cash   | 1,128               | (1,128)                   |                     |                              |
| Cash and cash equivalents                        |                     | 1,195                     | (9)                 | 1,186                        |
| <b>Current assets</b>                            | <b>5,949</b>        | <b>(371)</b>              | <b>(223)</b>        | <b>5,355</b>                 |
| <b>Total assets</b>                              | <b>9,721</b>        |                           | <b>134</b>          | <b>9,855</b>                 |
| <b>Liabilities and equity</b>                    |                     |                           |                     |                              |
| Capital stock                                    | 78                  |                           |                     | 78                           |
| Additional paid-in capital and retained earnings | 803                 |                           | 748                 | 1,551                        |
| <b>Shareholders equity</b>                       | <b>881</b>          |                           | <b>748</b>          | <b>1,629</b>                 |
| <b>Minority interests</b>                        | <b>46</b>           |                           | <b>(15)</b>         | <b>31</b>                    |
| <b>Total equity</b>                              | <b>927</b>          |                           | <b>733</b>          | <b>1,660</b>                 |
| <b>ORANEs</b>                                    | <b>495</b>          |                           | <b>(495)</b>        |                              |
| Long-term financial debt (more than 1 year)      | 1,960               | (146)                     | (322)               | 1,492                        |
| Deferred tax liabilities                         |                     | 184                       | 181                 | 365                          |
| Long-term provisions                             | 827                 | (290)                     |                     | 537                          |
| Other non-current liabilities                    |                     |                           |                     |                              |
| <b>Non-current liabilities</b>                   | <b>2,787</b>        | <b>(252)</b>              | <b>(141)</b>        | <b>2,394</b>                 |
| Accounts payable                                 | 3,694               |                           |                     | 3,694                        |
| Short-term financial debt (less than 1 year)     |                     | 236                       | 37                  | 273                          |
| Income taxes payable                             |                     | 206                       |                     | 206                          |
| Short-term provisions                            |                     | 106                       |                     | 106                          |
| Other creditors and other current liabilities    | 1,818               | (296)                     |                     | 1,522                        |
| <b>Current liabilities</b>                       | <b>5,512</b>        | <b>252</b>                | <b>37</b>           | <b>5,801</b>                 |
| <b>Total liabilities and equity</b>              | <b>9,721</b>        |                           | <b>134</b>          | <b>9,855</b>                 |



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Details of impact of IFRS adjustments on the December 31, 2004 balance sheet**

|  | Building<br>at<br>133<br>Champs-Financing<br>Elysées | Instruments  | Goodwill  | Available-<br>for-sale<br>Assets | Commitments<br>to<br>Purchase<br>Minority<br>Interests | Deferred<br>Tax<br>Liabilities<br>on<br>Tradenames | Other       | Total<br>IFRS<br>Adjustments<br>Dec 31,<br>2004 |
|--|--|--------------|-----------|----------------------------------|--|--|-------------|---|
| (Millions of Euros)                                    |  |              |           |                                  |  |  |             |   |
| <b>Assets</b>  |  |              |           |                                  |  |  |             |   |
| Goodwill, net  |  |              | 94        |                                  | 59   |  |             | 153   |
| Intangible assets, net                                 |  |              |           |                                  |  |  |             |   |
| Property and<br>equipment, net                         | 158  |              |           |                                  |  |  | 12          | 170   |
| Deferred tax assets                                    |  | 15           |           |                                  |  |  | (18)        | (3)   |
| Investments accounted<br>for by the equity<br>method   |  |              |           |                                  |  |  |             |   |
| Other financial assets                                 |  |              |           | 37                               |  |  |             | 37  |
| <b>Non-current assets</b>                              | <b>158</b>   | <b>15</b>    | <b>94</b> | <b>37</b>                        | <b>59</b>  |  | <b>(6)</b>  | <b>357</b>                                      |
| Inventory and costs<br>billable to clients             |  |              |           |                                  |  |  |             |   |
| Accounts receivable                                    |  |              |           |                                  |  |  |             |   |
| Other receivables and<br>other current assets          |  | (12)         |           |                                  |  |  |             | (12)  |
| OCEANE redemption<br>premium                           |  | (202)        |           |                                  |  |  |             | (202)   |
| Cash and cash<br>equivalents                           |  |              |           |                                  |  |  | (9)         | (9)   |
| <b>Current assets</b>                                  |  | <b>(214)</b> |           |                                  |  |  | <b>(9)</b>  | <b>(223)</b>                                    |
| <b>Total assets</b>                                    | <b>158</b>   | <b>(199)</b> | <b>94</b> | <b>37</b>                        | <b>59</b>  |  | <b>(15)</b> | <b>134</b>                                      |
| <b>Liabilities and equity</b>                          |  |              |           |                                  |  |  |             |   |
| Capital stock  |  |              |           |                                  |  |  |             |   |
| Additional paid-in<br>capital and retained<br>earnings | 104  | 564          | 94        | 37                               |  | (126)  | 75          | 748   |
| <b>Shareholders equity</b>                             | <b>104</b>   | <b>564</b>   | <b>94</b> | <b>37</b>                        |  | <b>(126)</b>                                       | <b>75</b>   | <b>748</b>                                      |
| <b>Minority interests</b>                              |  |              |           |                                  | <b>(20)</b>  |  | <b>5</b>    | <b>(15)</b>                                     |
| <b>Total equity</b>                                    | <b>104</b>   | <b>564</b>   | <b>94</b> | <b>37</b>                        | <b>(20)</b>  | <b>(126)</b>                                       | <b>80</b>   | <b>733</b>                                      |
| <b>ORANes</b>  |  | <b>(495)</b> |           |                                  |  |  |             | <b>(495)</b>                                    |
| Long-term financial<br>debt (more than 1 year)         |  | (322)        |           |                                  | 42   |  | (42)        | (322)   |
| Deferred tax liabilities                               | 54   | 54           |           |                                  |  | 126  | (53)        | 181   |
| Long-term provisions                                   |  |              |           |                                  |  |  |             |   |
|  | <b>54</b>  | <b>(268)</b> |           |                                  | <b>42</b>  | <b>126</b>   | <b>(95)</b> | <b>(141)</b>                                    |

|   |            |              |           |           |           |             |            |
|---|------------|--------------|-----------|-----------|-----------|-------------|------------|
| Other non-current liabilities                 |            |              |           |           |           |             |            |
| <b>Non-current liabilities</b>                |            |              |           |           |           |             |            |
| Accounts payable                              |            |              |           |           |           |             |            |
| Short-term financial debt (less than 1 year)  |            |              |           |           |           | 37          | 37         |
| Income taxes payable                          |            |              |           |           |           |             |            |
| Short-term provisions                         |            |              |           |           |           |             |            |
| Other creditors and other current liabilities |            |              |           |           |           |             |            |
| <b>Current liabilities</b>                    |            |              |           |           |           | <b>37</b>   | <b>37</b>  |
| <b>Total liabilities and equity</b>           | <b>158</b> | <b>(199)</b> | <b>94</b> | <b>37</b> | <b>59</b> | <b>(15)</b> | <b>134</b> |
| <i>See Note 32.3.3</i>                        | <i>a</i>   | <i>b</i>     | <i>d</i>  | <i>e</i>  | <i>f</i>  | <i>g</i>    | <i>h</i>   |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****32.3.2 Nature of Reclassifications**

The reclassifications are mainly generated by the new presentation of the Group's financial statements.

**Presentation of the Consolidated Income Statement**

On transition to IFRS, the Publicis Group has modified the presentation of its consolidated income statement. In particular, items previously presented in exceptional items have been reclassified within operating income and the net effect of unwinding of discounting on pension commitments is presented in other financial income (expense) for an amount of 5 M €. Furthermore, in order to better reflect the substance of transactions, expenses related to interim personnel and freelancers whose contracts do not exceed 90 days were reclassified from the other operating expenses caption to the personnel expenses caption.

**Presentation of the Consolidated Balance Sheet**

On transition to IFRS, the Publicis Group has adopted a balance sheet presentation which distinguishes between current items and non-current items. The changes notably concern financial debt, provisions and debt related to acquisition of investments, in respect of which liabilities are now broken down into a current portion for amounts payable in less than one year and a non-current portion for the remainder. Furthermore, liabilities related to the acquisition of investments in subsidiaries, classified under Other creditors and other liabilities under French standards, have been reclassified into financial debt.

In accordance with the revised version of IAS 1, deferred taxes have been classified as non-current items.

**Presentation of the Consolidated Cash Flow Statement**

In accordance with IAS 7, the amount of interest paid and the amount of taxes paid have been shown separately.

**32.3.3 Nature of Adjustments****a) Revaluation of the Champs Elysées Building**

Publicis opted to revalue its building situated at 133, avenue des Champs Elysées in Paris at its fair value at the date of transition to IFRS and to consider this amount to be its deemed cost at that date.

*Effect on the Transition Date Balance Sheet at January 1, 2004*

The fair value of the building at the transition date amounted to 164 M €, which represents an adjustment of 159 M € compared to its carrying amount under previous accounting standards (adjustment of 104 M € net of tax). The valuation was performed by an independent expert

*Effect on 2004 Results*

The effect on results for 2004 is not material.

**b) Financing Instruments***Treatment of 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 hybrid financial instrument is broken down into a debt component and an equity component as of the date of initial recognition.

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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 debt component is subsequently measured on an amortized cost basis.

The redemption premium on the OCEANE 2018 was fully reclassified in financial debt at January 1, 2004.

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.

Finance costs are calculated on the basis of the effective interest rate and not the contractual rate.

For the OCEANE 2018, issued in January 2002, the period retained for the evaluation of contractual cash flows is four years, representing the duration of the loan, taking account of the early reimbursement option that bondholders can exercise on January 18, 2006.

The fair value of the hybrid instruments is their value on issue, except for the instruments issued as consideration on acquisition of Bcom3 (ORANEs and OBSAs) for which the fair value at the acquisition date was estimated.

On the basis of the detailed clauses of the contract, the ORANEs were allocated between an equity component and a debt component. The debt component was estimated on the basis of the discounted minimum coupon flows.

The market rates retained, and the allocations between debt components and equity components on issue, are shown in the table below:

|                            | <b>Discount Rate<br/>Used<br/>for Calculation<br/>of<br/>the Debt<br/>(Market<br/>Rate on Issue)</b> | <b>Date of Issue</b> | <b>Fair<br/>Value<br/>of the<br/>Debt on<br/>Issue</b> | <b>Fair<br/>Value<br/>of the<br/>Conversion<br/>Option</b> | <b>Fair<br/>Value<br/>of the<br/>Instrument<br/>on Issue</b> |
|----------------------------|--|----------------------|--|--|--|
| <b>(Millions of euros)</b> |  |                      |  |  |  |
| OBSA                       | 8.5%   | September 2002       | 445  | 197  | 642  |
| OCEANE 2018                | 7.37%  | January 2002         | 580  | 110  | 690  |
| OCEANE 2008                | 6.61%  | July 2003            | 509  | 163  | 672  |
| ORANEs(1)                  | 8.5%   | September 2002       | 47   | 448  | 495  |
| <b>Total</b>               |  |                      | <b>1,581</b>   | <b>918</b>   | <b>2,499</b>   |

(1) Classified in a separate caption ORANEs, outside shareholders equity, under French standards.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Effect on the Transition Date Balance Sheet at January 1, 2004*

|                            | <b>Discount Rate Used<br/>for<br/>Calculation of the<br/>Debt<br/>(Market Rate on<br/>Issue)</b> | <b>Effect in<br/>Reducing<br/>the Amount of<br/>the<br/>Debt at<br/>January 1, 2004</b> | <b>Impact Net of<br/>Tax<br/>on Shareholders<br/>Equity at<br/>January 1, 2004</b> |
|----------------------------|--|---|--|
| <b>(Millions of euros)</b> |  |   |  |
| OBSA                       | 8.5%   | (187)   | 123(3)   |
| OCEANE 2018                | 7.37%  | (280)(2)  | 36   |
| OCEANE 2008                | 6.61%  | (155)   | 97   |
| ORANEs(1)                  | 8.5%   | 43  | 467  |
| <b>Total</b>               |  | <b>(579)</b>  | <b>723</b>   |

(1) Classified in a separate caption ORANEs, outside shareholders equity under French standards.

(2) Including (215) M resulting from the reclassification of the redemption premium into debt.

(3) Detachable equity warrants on the OBSAs.

*Effect on 2004 Results*

The pre-tax effect of the additional finance expense for 2004 can be analyzed as follows:

|                                | <b>Additional<br/>Finance Expense<br/>2004</b> |
|--------------------------------|--|
| <b>(Millions of<br/>euros)</b> |  |
| OBSA                           | 7(1)   |
| OCEANE 2018                    | 30   |
| OCEANE 2008                    | 29   |
| ORANEs                         | (3)  |
| <b>Total</b>                   | <b>63</b>                                      |

(1) Restatement of the reversal through the income statement of the detachable equity warrants recognized under French GAAP.

The effect on 2004 takes account of the early redemption of the bond component of the OBSA in September 2004. The after tax effect amounts to 41M.

*Treatment of Credit Linked Notes and the Transaction Involving the Sale of the CLNs and the Redemption of the Bond Component of the OBSA*



The consolidation of the entity which issued the CLNs, effective under French standards as of January 1, 2004, did not involve taking account of the related derivatives (an asset swap and a credit default swap). Under IFRS standards, the asset swap and the credit default swap are recognized in the balance sheet at their fair value. Changes in fair value are taken to the income statement.

*Effect on the Transition Date Balance Sheet at January 1, 2004*

The fair value of the derivatives at January 1, 2004, 28 M , was recognized in the opening balance sheet. The net effect on shareholders equity amounts to 19M .

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Effect on 2004 Results*

The capital gain on disposal of the Credit Linked Notes and the bond component of the OBSA, recognized in September 2004, is reduced by a total amount of 22 M net of tax.

*Effect on the Balance Sheet at December 31, 2004*

Because of this transaction, the detachable equity warrants were reclassified into shareholders' equity under French standards in 2004 for an amount of 118 M net of deferred taxes. This reclassification is to be cancelled in the IFRS financial statements as it has already been taken into account in the opening balance sheet.

**c) Publicis stock options**

Recognition of the fair value of options granted in expenses over the vesting period increases personnel expenses with the double entry being recognized through equity.

As the option to only restate plans subsequent to November 7, 2002 was retained, the accompanying table summarizes the main assumptions and calculations in respect of these plans:

|   | 16th Tranche |       | 17th Tranche |       | 18th Tranche |       | 19th Tranche |   |
|---|--------------|-------|--------------|-------|--------------|-------|--------------|---|
|   | a            | b     | a            | b     | a            | b     | a            | b |
| <b>(Millions of euros)</b>                  |              |       |              |       |              |       |              |   |
| Initial valuation per option granted        | 7.83         | 6.67  | 7.56         | 5.05  | 3.16         | 4.02  |              |   |
| Assumptions:                                |              |       |              |       |              |       |              |   |
| Share price at the date of grant (in euros) | 24.84        | 24.84 | 24.84        | 23.14 | 23.14        | 23.14 |              |   |
| Exercise price (in euros)                   | 24.82        | 24.82 | 24.82        | 24.82 | 24.82        | 24.82 |              |   |
| Volatility of the Publicis share            | 34%          | 34%   | 34%          | 24%   | 24%          | 24%   |              |   |
| Average duration of the option              | 5.0          | 3.7   | 4.7          | 5.0   | 2.6          | 3.6   |              |   |
| Rate of return of dividends                 | 1.12%        | 1.12% | 1.12%        | 1.12% | 1.12%        | 1.12% |              |   |

*Effect on 2004 results*

The effect on 2004 results is an expense of 20 M .

**d) Goodwill Amortization**

Under IFRS, goodwill is no longer amortized but is subject to impairment tests. The effect of cancellation of goodwill amortization previously recognized under French standards amounts to 100 M .

No additional impairment over and above that recognized under French standards needs to be recognized as the Group, under French standards, uses the discounted future cash flow method and analyses the value in use of goodwill at a level consistent with the definition of a cash generating unit.

Furthermore the Group benefited from tax gains in an amount of 4 M resulting from the loss carryforwards of the Bcom3 Group existing prior to the acquisition.

In order to neutralize the effect of these gains on the income statement, an impairment loss on goodwill is recognized for the same amount.

**e) Available-for-sale Assets**

Interpublic shares were reclassified as available-for-sale assets and measured at their fair value in the opening balance sheet with an effect of 49 M at January 1, 2004. Fair value decreased by 12 M in 2004 and this amount was recognized through equity (including 3 M of cumulative translation adjustment).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**f) Commitments to Purchase Minority Interests**

Publicis has made commitments to shareholders of fully consolidated subsidiaries to purchase their minority shareholdings.

Under French standards, these commitments to purchase minority interests were presented as off-balance sheet items. Under IFRS standards, while awaiting a specific IFRIC interpretation or IFRS standard, the following accounting treatment has been retained 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,

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.

*Effect on the Transition Date Balance Sheet at January 1, 2004 and on the Balance Sheet at December 31, 2004*

The liability amounts to 129 M in the opening balance sheet and 79 M in the balance sheet at December 31, 2004.

**g) Deferred Tax Liabilities on the Tradenames Recognized on Acquisition of Bcom3**

In accordance with IAS 12, Publicis recognized deferred tax liabilities in respect of the tradenames recognized on acquisition of Bcom3.

The impact on the opening balance sheet is 131 M on deferred tax liabilities and (131) M on shareholders equity. There is no impact on 2004 results.

**h) Other**

**Foreign currency hedging instruments**

The fair value of hedging instruments related to receivables and payables is recognized in the balance sheet with the double entry being recognized through the income statement. This income statement effect is offset by the revaluation of the hedged item. Changes in the fair value of future cash flow hedging instruments are recognized in the balance sheet with the double entry being recognized in a specific account in shareholders equity. The amount recognized in shareholders equity is taken to the income statement when the hedged transaction occurs.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The effects on the opening balance sheet at January 1, 2004, the balance sheet at December 31, 2004 and on the 2004 income statement are not material.

**Treasury stock**

Treasury stock held in the context of a liquidity contract put in place at the end of 2004, which was classified in marketable securities under French standards, has been reclassified into shareholders' equity for an amount of 9 M at the end of 2004.

**Recognition of deferred tax assets**

As soon as the criteria for recognition were met in 2004, Publicis recognized a deferred tax asset on the loss carryforwards of Publicis Groupe S.A. up to the amount of the deferred tax liabilities generated by the IFRS adjustments, particularly recognition of the OCEANEs and the revaluation of the building on the Champs Elysées in Paris, to the extent that a timetable for reversal was determinable.

The amount of the deferred tax asset thus recognized amounts to 57 M at the end of December 2004. The offset of this deferred tax asset against the deferred tax liabilities of the Publicis Groupe SA tax group resulted in a reduction of deferred tax liabilities in the Group balance sheet.

**Depreciation of property and equipment**

In accordance with IAS 16, the periods over which items of property and equipment are depreciated must correspond to the probable period of use of these assets by the enterprise. The adjustment of the period over which certain items of property and equipment are depreciated led to an effect, net of tax, of 5 M on shareholders' equity at January 1, 2004. The effect of 2004 results is however immaterial.

**Finance lease of the Chicago building**

Financial debt relating to this finance lease arrangement was reduced to the amount at which the property is stated in the opening balance sheet.

The impact of this adjustment on the opening balance sheet was (45) M on financial debt, (19) M on deferred tax assets, (1) M on property and equipment and 25 M on shareholders' equity.

The impact on 2004 results was material.

**Pension commitments**

In the opening IFRS balance sheet, and in accordance with the option provided by IFRS 1 First time application of IFRS, existing actuarial gains and losses at January 1, 2004 are recognized directly as a reduction from shareholders' equity for an amount of 25 M before tax with, as a double entry, an increase in pension provisions. Publicis, in its consolidated accounts prepared under French standards for the year ended December 31, 2004, also retained this option in the context of its first time application of the CNC recommendation n° R603-01, issued on April 1, 2003 relating to recognition and measurement of commitments in respect of pensions and similar benefits.

The actuarial gains and losses generated as from January 1, 2004 are amortized using the corridor method over the expected average residual working lives of the beneficiaries.

In this context no adjustment needed to be recognized in the opening balance sheet at January 1, 2004.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****32.3.4 Earnings per Share and Diluted Earnings per Share****Reconciliation between 2004 earnings per share and diluted earnings per share under French standards and IFRS**

|  |   | <b>2004<br/>French<br/>Standards</b> | <b>2004 IFRS</b> |
|--|---|--------------------------------------|------------------|
| Net income used for the calculation of earnings per share<br><i>(in millions of euros)</i> |   |                                      |                  |
| Net income attributable to equity holders of the parent                                    | a | 210                                  | 278              |
| <i>Impact of dilutive instruments:</i>   |   |                                      |                  |
| Savings in financial expenses related to the conversion of debt instruments, net of tax(1) |   | 34                                   | 23               |
| Net income attributable to equity holders of the parent diluted                            | b | 244                                  | 301              |
| Number of shares used for the calculation of earnings per share                            |   |                                      |                  |
| Average number of shares in circulation  |   | 182,410,541                          | 182,410,541      |
| Shares to be issued to redeem the ORANEs   |   |                                      | 28,125,000       |
| Average number of shares used for the calculation  | c | 182,410,541                          | 210,535,541      |
| <i>Impact of dilutive instruments:(2)</i>  |   |                                      |                  |
| Shares to be issued to redeem the ORANEs   |   | 28,125,000                           |                  |
| Effect of exercise of dilutive stock options   |   | 275,374                              | 276,383          |
| Shares resulting from the conversion of the convertible bonds                              |   | 40,796,934                           | 23,172,413       |
| Number of shares diluted   | d | 251,607,849                          | 233,984,337      |

|                                   |            | <b>2004<br/>French<br/>Standards</b> | <b>2004 IFRS</b> |
|-----------------------------------|------------|--------------------------------------|------------------|
| <b>(In euros)</b>                 |            |                                      |                  |
| <b>Earnings per share</b>         | <b>a/c</b> | <b>1.15</b>                          | <b>1.32</b>      |
| <b>Earnings per share diluted</b> | <b>b/d</b> | <b>0.97</b>                          | <b>1.29</b>      |

- (1) Only the 2008 OCEANEs are taken into account for the calculation of earnings per share as the 2018 OCEANEs have an anti-dilutive effect on EPS.
- (2) Equity warrants and stock options whose exercise price is greater than the average share price for 2004, as well as the 2018 OCEANEs, are not taken into account in the calculation of diluted earnings per share because of their anti-dilutive nature.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Calculation of Headline earnings per share(1) IFRS 2004**

|  |            | <b>2004</b> |
|--|------------|-------------|
|  |            | <b>IFRS</b> |
| Net income used for the calculation of Adjusted(1) earnings per share<br>(Millions of euros) |            |             |
| Net income attributable to equity holders of the parent                                      |            | 278         |
| <i>Items excluded:</i>   |            |             |
| Amortization of intangibles arising on acquisition, net of tax                               |            | 18          |
| Impairment, net of tax   |            | 164         |
| Capital gain on 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          | 269         |
| <i>Impact of dilutive instruments:</i>   |            |             |
| Savings in financial expenses related to the conversion of debt instruments, net of tax      |            | 23          |
| Adjusted net income attributable to equity holders of the parent diluted                     | f          | 292         |
| Number of shares used for the calculation of earnings per share                              |            |             |
| Average number of shares in circulation  |            | 182,410,541 |
| Shares to be issued to redeem the ORANes   |            | 28,125,000  |
| Average number of shares used for the calculation  | c          | 210,535,541 |
| <i>Impact of dilutive instruments:</i>   |            |             |
| Effect of exercise of dilutive stock options   |            | 276,383     |
| Shares resulting from the conversion of convertible bonds                                    |            | 23,172,413  |
| Number of shares diluted   | d          | 233,984,337 |
| <i>(In euros)</i>  |            |             |
| <b>Headline earnings per share(1)</b>  | <b>e/c</b> | <b>1.28</b> |
| <b>Headline earnings per share(1) diluted</b>  | <b>f/d</b> | <b>1.25</b> |

(1) Earnings per share before amortization of intangibles arising on acquisition, impairment, capital gain on the OBSA/CLN transactions (net of tax) and the recognition of deferred tax assets related to conversion to IFRS.

**33. List of Principal Consolidated Companies at December 31, 2005**

The companies listed below are the operating companies with revenues in excess of 5 M .

**a) Fully Consolidated Companies**

| <b>Company Name</b>      | <b>Operating Name(s)</b> | <b>% Control</b> | <b>% Interest</b> | <b>Country</b> |
|--------------------------|--------------------------|------------------|-------------------|----------------|
| Publicis Conseil         | Publicis Conseil         | 99,61%           | 99,61%            | <i>France</i>  |
| Publicis Régions         | Publicis Régions         | 99,84%           | 99,45%            | <i>France</i>  |
| Global Event Management  | Global Event Management  | 100%             | 99,61%            | <i>France</i>  |
| Publicis Dialog          | Publicis Dialog          | 100%             | 99,61%            | <i>France</i>  |
| Mediasystem              | Mediasystem              | 99,96%           | 99,57%            | <i>France</i>  |
| Publicis Consultants     | Publicis Consultants     | 100%             | 100%              | <i>France</i>  |
| Carré Noir               | Carré Noir               | 100%             | 100%              | <i>France</i>  |
| Saatchi & Saatchi France | Saatchi & Saatchi France | 100%             | 100%              | <i>France</i>  |
| Leo Burnett France       | Leo Burnett France       | 100%             | 100%              | <i>France</i>  |

Mundocom

Mundocom

100%

99,61%

*France*

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| <b>Company Name</b>                            | <b>Operating Name(s)</b>            | <b>% Control</b> | <b>% Interest</b> | <b>Country</b>   |
|--|-------------------------------------|------------------|-------------------|------------------|
| Medicus Paris                                  | Medicus Paris                       | 99,97%           | 99,97%            | <i>France</i>    |
| Starcom Worldwide                              | Starcom Worldwide                   | 100%             | 100%              | <i>France</i>    |
| Groupe ZenithOptimedia France                  | Groupe ZenithOptimedia<br>France    | 100%             | 100%              | <i>France</i>    |
| Le Monde Publicité                             | Le Monde Publicité                  | 49%              | 49%               | <i>France</i>    |
| Metrobus                                       | Metrobus                            | 67%              | 67%               | <i>France</i>    |
| Mediavision                                    | Mediavision                         | 66,63%           | 66,63%            | <i>France</i>    |
| Régie I  | Régie I                             | 49%              | 49%               | <i>France</i>    |
| Drugstore Champs Elysées                       | Drugstore Champs Elysées            | 100%             | 100%              | <i>France</i>    |
| Challenger House                               | Challenger House                    | 100%             | 100%              | <i>France</i>    |
| Chow Communications                            | Chow Communications                 | 100%             | 99,61%            | <i>France</i>    |
| eventive Altenhuber Riha(b)                    | eventive                            | 100%             | 70%               | <i>Germany</i>   |
| Publicis Frankfurt                             | Publicis Frankfurt                  | 100%             | 100%              | <i>Germany</i>   |
| Publicis Hamburg                               | Publicis Hamburg                    | 100%             | 100%              | <i>Germany</i>   |
| BMZ + more Management                          | BMZ                                 | 100%             | 100%              | <i>Germany</i>   |
| Buhler and Partners                            | Buhler and Partners                 | 100%             | 100%              | <i>Germany</i>   |
| Publicis Kommunikations agentur                | Publicis Kommunikations<br>agentur  | 100%             | 100%              | <i>Germany</i>   |
| Saatchi & Saatchi                              | Saatchi & Saatchi Germany           | 100%             | 100%              | <i>Germany</i>   |
| Leo Burnett Services                           | Leo Burnett Germany                 | 100%             | 100%              | <i>Germany</i>   |
| TKM Starcom Frankfurt                          | TKM Starcom Frankfurt               | 100%             | 100%              | <i>Germany</i>   |
| Zenith More Media                              | Zenith More Media                   | 90,50%           | 90,50%            | <i>Germany</i>   |
| Optimedia Gesellschaft für<br>Media-Services   | Opimedia Germany                    | 100%             | 100%              | <i>Germany</i>   |
| Publicis Communication                         | Publicis Communication              | 100%             | 100%              | <i>Australia</i> |
| Optimedia Australia                            | Optimedia Australia                 | 100%             | 100%              | <i>Australia</i> |
| Saatchi & Saatchi<br>Communications            | Saatchi & Saatchi<br>Communications | 100%             | 100%              | <i>Australia</i> |
| Leo Burnett                                    | Leo Burnett                         | 100%             | 100%              | <i>Australia</i> |
| Starcom Worldwide Australia                    | Starcom Worldwide<br>Australia      | 100%             | 100%              | <i>Australia</i> |
| Publicis Groupe Austria                        | Publicis Austria                    | 100%             | 100%              | <i>Austria</i>   |
| Leo Burnett                                    | Leo Burnett Brussels                | 100%             | 100%              | <i>Belgium</i>   |
| Publicis Brasil Comunicaçao                    | PUBLICIS Sales Norton               | 100%             | 100%              | <i>Brazil</i>    |
| Finance Nazca Publicidade Brazil               | Finance Nazca Publicidade<br>Brazil | 51%              | 51%               | <i>Brazil</i>    |
| Leo Burnett Publicidade                        | Leo Burnett Publicidade             | 100%             | 100%              | <i>Brazil</i>    |
| Publicis Canada                                | Publicis Canada                     | 70%              | 70%               | <i>Canada</i>    |
| Saatchi & Saatchi Advertising                  | Saatchi & Saatchi Canada            | 100%             | 100%              | <i>Canada</i>    |
| Leo Burnett Company                            | Leo Burnett Company                 | 100%             | 100%              | <i>Canada</i>    |
| TMG MacManus Canada                            | Bensimon Byrne                      | 100%             | 100%              | <i>Canada</i>    |
| ZenithOptimedia Canada                         | ZenithOptimedia Canada              | 100%             | 100%              | <i>Canada</i>    |
| Saatchi & Saatchi Great Wall<br>Advertising Co | Saatchi & Saatchi China             | 70%              | 70%               | <i>China</i>     |
| Leo Burnett China                              | Leo Burnett China                   | 100%             | 100%              | <i>China</i>     |

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|                                     |                                     |     |     |              |
|-------------------------------------|-------------------------------------|-----|-----|--------------|
| Leo Burnett Shanghai Advertising Co | Leo Burnett Shanghai Advertising Co | 70% | 70% | <i>China</i> |
| Publicis Ad Link Group              | Publicis Ad Link Group              | 96% | 96% | <i>China</i> |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| <b>Company Name</b>                 | <b>Operating Name(s)</b>   | <b>% Control</b> | <b>% Interest</b> | <b>Country</b>       |
|-------------------------------------|--|------------------|-------------------|----------------------|
| Leo Burnett Colombia                | Leo Burnett Colombia   | 100%             | 100%              | <i>Colombia</i>      |
| Welcomm Publicis Worldwide          | Publicis Welcomm   | 70%              | 70%               | <i>Korea</i>         |
| Leo Burnett Korea                   | Leo Burnett Korea  | 100%             | 100%              | <i>Korea</i>         |
| Publicis Communication Espana       | Publicis Casadevall y<br>Pedreño   | 100%             | 100%              | <i>Spain</i>         |
| Vitruvio-Leo Burnett                | Vitruvio-Leo Burnett   | 100%             | 100%              | <i>Spain</i>         |
| Grupo K/Arc                         | Grupo K/Arc  | 100%             | 100%              | <i>Spain</i>         |
| Starcom Worldwide Media             | Starcom Worldwide Media  |                  |                   |                      |
| Estrategia                          | Estrategia   | 74%              | 74%               | <i>Spain</i>         |
| Optimedia Spain                     | Optimedia Spain  | 99,73%           | 99,73%            | <i>Spain</i>         |
| Zenith Media Spain                  | Zenith Media Spain   | 100%             | 100%              | <i>Spain</i>         |
| Pharma Consult Services             | Medicus, S&S<br>Healthcare (a)   | 100%             | 100%              | <i>Spain</i>         |
| Publicis USA                        | Publicis USA   | 100%             | 100%              | <i>United States</i> |
| Publicis & Hal Riney                | Publicis & Hal Riney   | 100%             | 100%              | <i>United States</i> |
| Publicis NY                         | Publicis Dialog  | 96,69%           | 96,69%            | <i>United States</i> |
| Lionel Sosa                         | Bromley Communications   | 49%              | 49%               | <i>United States</i> |
| Saatchi & Saatchi North America     | Saatchi & Saatchi North<br>America   | 100%             | 100%              | <i>United States</i> |
| Conill Advertising                  | Saatchi & Saatchi Conill   | 100%             | 100%              | <i>United States</i> |
| Thompson Murray                     | Saatchi & Saatchi X  | 100%             | 100%              | <i>United States</i> |
| Leo Burnett USA                     | Leo Burnett USA , Lapiz,<br>Vigilante (a)  | 100%             | 100%              | <i>United States</i> |
| Leo Burnett Detroit                 | SMG Directory Marketing  | 100%             | 100%              | <i>United States</i> |
| Martin Retail Group                 | Chemistri Martin Group   | 70%              | 70%               | <i>United States</i> |
| Arc worldwide                       | Arc, Ileo, Frankel (a)   | 100%             | 100%              | <i>United States</i> |
| Fallon USA                          | Fallon USA   | 100%             | 100%              | <i>United States</i> |
| Williams Labadie                    | Williams Labadie   | 100%             | 100%              | <i>United States</i> |
| Kaplan Thaler Group                 | Kaplan Thaler Group  | 100%             | 100%              | <i>United States</i> |
| Manning Selvage & Lee               | Manning Selvage & Lee  | 100%             | 100%              | <i>United States</i> |
| Publicis Events                     | Publicis Events, CLT<br>Meetings   | 100%             | 100%              | <i>United States</i> |
| Capps Digital                       | Capps Digital  | 100%             | 100%              | <i>United States</i> |
| Nelson Communications               | Nelson Communications  | 100%             | 100%              | <i>United States</i> |
| Medicus Group International         | Medicus Group, Discovery<br>International, Lifebrands,<br>Science and Medicine (a) | 100%             | 100%              | <i>United States</i> |
| Saatchi & Saatchi Healthcare<br>Com | Saatchi & Saatchi<br>Healthcare Com  | 100%             | 100%              | <i>United States</i> |
| Publicis Selling Solutions          | Publicis Selling Solutions,<br>Arista Marketing Assoc. (a)                         | 100%             | 100%              | <i>United States</i> |
| Science Oriented Solutions          | Science Oriented Solutions   | 100%             | 100%              | <i>United States</i> |
| Starcom Media Vest Group USA        | Starcom, Planworks (a)   | 100%             | 100%              | <i>United States</i> |
| Starlink Services                   | Starlink Services  | 100%             | 100%              | <i>United States</i> |
| Media Vest Worldwide                | Media Vest Worldwide   | 100%             | 100%              | <i>United States</i> |

|       |                |      |      |                      |
|-------|----------------|------|------|----------------------|
| Relay | Relay St Louis | 100% | 100% | <i>United States</i> |
|-------|----------------|------|------|----------------------|

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| <b>Company Name</b>  | <b>Operating Name(s)</b>                    | <b>% Control</b> | <b>% Interest</b> | <b>Country</b>  |
|--|---|------------------|-------------------|---|
| Optimedia International U.S., Inc  | Optimedia International U.S.                | 100%             | 100%              | <i>United States</i>  |
| Zenith Media Services  | Zenith Media Services                       | 100%             | 100%              | <i>United States</i>  |
| Publicis Helsinki  | Publicis Finland                            | 90,39%           | 90,39%            | <i>Finland</i>  |
| European Advertising Organisation<br>SA of Advertisements<br>Promotion &<br>Publications | Leo Burnett Greece                          | 100%             | 100%              | <i>Greece</i>   |
| Leo Burnett  | Leo Burnett Hungary                         | 100%             | 100%              | <i>Hungary</i>  |
| Saatchi & Saatchi Hungary  | Saatchi & Saatchi Hungary                   | 100%             | 100%              | <i>Hungary</i>  |
| TLG India  | Leo Burnett India, Starcom<br>Wordwide (a)  | 87,57%           | 87,57%            | <i>India</i>  |
| Publicis Ariely Advertising 2000   | Publicis Ariely                             | 75%              | 75%               | <i>Israel</i>   |
| Publicis Italy   | Publicis Italy                              | 100%             | 100%              | <i>Italy</i>  |
| Saatchi & Saatchi Italy  | Saatchi & Saatchi Italy                     | 99%              | 99%               | <i>Italy</i>  |
| Leo Burnett Italy  | Leo Burnett Italy                           | 100%             | 100%              | <i>Italy</i>  |
| Starcom Mediavest Group Italy  | Starcom Mediavest Group<br>Italy            | 100%             | 100%              | <i>Italy</i>  |
| ZenithOptimedia Italy  | ZenithOptimedia Italy                       | 100%             | 100%              | <i>Italy</i>  |
| Beacon Communications  | Beacon Communications,<br>Starcom Japan (a) | 66%              | 66%               | <i>Japan</i>  |
| Medicus KK   | Medicus Tokyo                               | 100%             | 100%              | <i>Japan</i>  |
| Publicis Graphics  | Publicis Graphics                           | 60%              | 60%               | <i>Lebanon,<br/>Jordan,<br/>Bahrain,<br/>Egypt, UAE,<br/>Saudi Arabia,<br/>Kuwait, Turkey</i> |
| Leo Burnett Advertising  | Leo Burnett Malaysia                        | 100%             | 100%              | <i>Malaysia</i>   |
| Publicis Arredondo de Haro   | Publicis Arredondo de Haro                  | 68,62%           | 68,62%            | <i>Mexico</i>   |
| Leo Burnett Mexico   | Leo Burnett Mexico                          | 100%             | 100%              | <i>Mexico</i>   |
| Starcom Worldwide  | Starcom Worldwide                           | 100%             | 100%              | <i>Mexico</i>   |
| Olabuenga Chemestri  | Olabuenga Chemestri                         | 75%              | 75%               | <i>Mexico</i>   |
| JKL Oslo   | JKL Oslo                                    | 99,10%           | 99,10%            | <i>Norway</i>   |
| Publicis Mojo  | Publicis Mojo                               | 100%             | 100%              | <i>New Zealand</i>  |
| Saatchi & Saatchi  | Saatchi & Saatchi New<br>Zealand            | 100%             | 100%              | <i>New Zealand</i>  |
| Jimenez Basic Advertising  | Jimenez Basic                               | 53,09%           | 46,91%            | <i>Philippines</i>  |
| Publicis Amsterdam   | Publicis Amsterdam                          | 100%             | 100%              | <i>Netherlands</i>  |
| Leo Burnett Amsterdam  | Leo Burnett Amsterdam                       | 100%             | 100%              | <i>Netherlands</i>  |
| Saatchi & Saatchi Netherlands  | Saatchi & Saatchi<br>Netherlands            | 100%             | 100%              | <i>Netherlands</i>  |
| Publicis Dialog NL   | Publicis Dialog NL                          | 100%             | 100%              | <i>Netherlands</i>  |
| Leo Burnett Warsaw   | Leo Burnett Warsaw                          | 100%             | 100%              | <i>Poland</i>   |

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|                       |                       |      |      |                       |
|-----------------------|-----------------------|------|------|-----------------------|
| Publicis Publicidade  | Publicis Portugal     | 83%  | 83%  | <i>Portugal</i>       |
| Badillo Nazca S&S Inc | Badillo Nazca S&S Inc | 100% | 100% | <i>Puerto Rico</i>    |
| Publicis              |                       |      |      | <i>United Kingdom</i> |
| Publicis Dialog       | Publicis UK           | 100% | 100% | <i>United Kingdom</i> |
| Publicis Blue Print   | Publicis Dialog UK    | 100% | 100% | <i>United Kingdom</i> |
| Zed UK                | Publicis Blue Print   | 100% | 100% | <i>United Kingdom</i> |
|                       | Zed UK                | 100% | 100% | <i>United Kingdom</i> |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| <b>Company Name</b>                      | <b>Operating Name(s)</b>                                  | <b>% Control</b> | <b>% Interest</b> | <b>Country</b>        |
|--|---|------------------|-------------------|-----------------------|
| Creators of Multi Media Art Ltd          |   |                  |                   | <i>United Kingdom</i> |
|  | Mundocom Comma  | 100%             | 100%              | <i>United Kingdom</i> |
| Saatchi & Saatchi UK                     |   |                  |                   | <i>United Kingdom</i> |
|  | Saatchi & Saatchi UK                                      | 100%             | 100%              | <i>United Kingdom</i> |
| The Facilities Group                     |   |                  |                   | <i>United Kingdom</i> |
|  | The Facilities Group                                      | 70%              | 70%               | <i>United Kingdom</i> |
| Leo Burnett                              |   |                  |                   | <i>United Kingdom</i> |
|  | Leo Burnett   | 100%             | 100%              | <i>United Kingdom</i> |
| Arc Integrated Marketing                 |   |                  |                   | <i>United Kingdom</i> |
|  | Arc Integrated Marketing                                  | 100%             | 100%              | <i>United Kingdom</i> |
| Fallon London                            |   |                  |                   | <i>United Kingdom</i> |
|  | Fallon UK   | 100%             | 100%              | <i>United Kingdom</i> |
| The Triangle Group                       |   |                  |                   | <i>United Kingdom</i> |
|  | The Triangle Group  | 100%             | 100%              | <i>United Kingdom</i> |
| Masius UK                                |   |                  |                   | <i>United Kingdom</i> |
|  | Masius UK   | 100%             | 100%              | <i>United Kingdom</i> |
| MS&L UK                                  |   |                  |                   | <i>United Kingdom</i> |
|  | MS&L UK   | 100%             | 100%              | <i>United Kingdom</i> |
| Publicis Healthcare Communications Group | Publicis Healthcare Communications, The Medicus Group (a) |                  |                   | <i>United Kingdom</i> |
|  |   | 100%             | 100%              | <i>United Kingdom</i> |
| Starcom Motive                           |   |                  |                   | <i>United Kingdom</i> |
|  | Starcom Media Vest  | 100%             | 100%              | <i>United Kingdom</i> |
| ZenithOptimedia Group                    |   |                  |                   | <i>United Kingdom</i> |
|  | ZenithOptimedia UK  | 100%             | 100%              | <i>United Kingdom</i> |
| Freud Communications Limited (b)         | Freud Communications Limited                              | 100%             | 50,01%            | <i>United Kingdom</i> |
| Leo Burnett Moscow                       | Leo Burnett Moscow  | 100%             | 100%              | <i>Russia</i>         |
| Publicis United                          | Publicis United Russia                                    | 100%             | 100%              | <i>Russia</i>         |
| Rodnaya Rech                             | Mother Tongue   | 99%              | 99%               | <i>Russia</i>         |
| Publicis Singapore                       | Publicis Singapore, Publicis Eureka (a)                   | 98,80%           | 98,80%            | <i>Singapore</i>      |
| Saatchi & Saatchi                        | Saatchi & Saatchi Singapore                               | 100%             | 100%              | <i>Singapore</i>      |
| TLG Communications                       | Leo Burnett, Starcom Singapore (a)                        | 100%             | 100%              | <i>Singapore</i>      |
| JKL Stockholm                            | JKL Stockholm   | 100%             | 100%              | <i>Sweden</i>         |
| Starcom Sweden                           | Starcom Sweden  | 93,74%           | 93,74%            | <i>Sweden</i>         |
| Publicis Zürich                          | Publicis Zürich   | 100%             | 100%              | <i>Switzerland</i>    |
| Fisch Meier Direkt                       | Fischmeier  | 100%             | 100%              | <i>Switzerland</i>    |
| Optimedia Switzerland                    | Optimedia Switzerland                                     | 100%             | 75%               | <i>Switzerland</i>    |
| Saatchi & Saatchi Simko                  | Saatchi & Saatchi Simko                                   | 100%             | 100%              | <i>Switzerland</i>    |
| Leo Burnett Taiwan                       | Leo Burnett Taiwan, Arc Taiwan (a)                        | 100%             | 100%              | <i>Taiwan</i>         |
| Star Reachers Group                      | Star Reachers Group                                       | 100%             | 100%              | <i>Thailand</i>       |

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|                            |                            |      |      |                  |
|----------------------------|----------------------------|------|------|------------------|
| Saatchi & Saatchi Thailand | Saatchi & Saatchi Thailand | 100% | 100% | <i>Thailand</i>  |
| Markom Leo Burnett Reklam  | Leo Burnett Istanbul       |      |      |                  |
| Hizmetleri                 | Markom                     | 100% | 100% | <i>Turkey</i>    |
| Leo Burnett                | Leo Burnett United Arab    |      |      |                  |
|                            | Emirates                   | 100% | 100% | <i>UAE</i>       |
| Starcom Media Vest Group   | Starcom United Arab        |      |      |                  |
|                            | Emirates                   | 100% | 100% | <i>UAE</i>       |
| Publicis Venezuela         | Publicis Venezuela         | 60%  | 60%  | <i>Venezuela</i> |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****b) Equity Accounted Companies***

| <b>Company Name</b>                    | <b>Operating Name</b> | <b>% Control</b> | <b>% Interest</b> | <b>Country</b>        |
|--|-----------------------|------------------|-------------------|-----------------------|
| Bartle Bogle Hegarty                   | BBH                   | 49%              | 49%               | <i>United Kingdom</i> |
| International Sports and Entertainment | iSe                   | 45%              | 45%               | <i>Switzerland</i>    |
| Burrell Communications                 | Burrell (c)           | 49%              | 49%               | <i>United States</i>  |

(a) These entities bring together several tradenames or businesses

(b) Acquisitions in the year

(c) Burrell Communications is henceforth 49% owned and is accounted for under the equity method

*Companies included in the list in 2004 which are no longer included in the list in 2005:*

*Mergers: Publicis Koufra, Publicis Cachemire, Paname Communication, Guillaume Tell (France) Disposals: JC Decaux Netherlands*

*Entities which have fallen below the threshold for publication:*

*Publicis Meetings, Publicis Events, ECA 2, Médias & Régies Europe, Publicis Johannesburg, Saatchi & Saatchi Austria, Publicis Belgium, Saatchi & Saatchi Belgium, Mediavest Toronto, Starcom Toronto, Publicis Denmark, Saatchi & Saatchi Denmark, Saatchi & Saatchi Spain, Winner & Associates, Johnston & Associates, Semaphore Partners, Rowland, New World Health, Publicis Hellas, Publicis Hungary, Publicis Ambiance Advertising, Adverbox (Mundocom Italy), MS&L Italy, Saatchi & Saatchi Japon, Publicis Japon, Publicis Wet Desert, Saatchi & Saatchi Malaysia, ZenithOptimedia Netherlands, Publicis Pologne, BMZ/Park, Leo Burnett Lisbon, Leo Burnett Prague, Starcom Russia, Leo Burnett Annonbyra, Publicis Taiwan, Saatchi & Saatchi Taiwan, Publicis Thailand, Leo Burnett Venezuela, Saatchi & Saatchi Vietnam.*

### **34. Summary of Differences Between International Financial Reporting Standards and Generally Accepted Accounting Principles in the United States of America.**

#### **Restatement of Prior Period**

In January 2006, Publicis Groupe became aware that, under U.S. GAAP, deferred tax liabilities had not been recorded with respect to the trade names recognized in conjunction with the Bcom3 acquisition. Accordingly, the Group computed the effect on goodwill, deferred tax liabilities and cumulative translation adjustments as if the deferred tax liabilities had been properly recorded upon the acquisition of Bcom3 in 2002. For U.S. GAAP purposes, the recognition of the deferred tax liabilities (for an amount of 131 million, before cumulative translation adjustments, as at December 31, 2003) and corresponding increase in goodwill caused the Group to re-calculate its historical goodwill impairments and to record an additional goodwill impairment charge related to Leo Burnett for the year ended December 31, 2003 in the amount of 87 million.

**As of December 31, 2004  
(and for year then ended)**

| <b>As Previously Reported</b> | <b>Impact of Restatement</b> | <b>Restated</b> |
|-------------------------------|------------------------------|-----------------|
|-------------------------------|------------------------------|-----------------|

|  | <b>(In millions of euros)</b> |      |       |
|--|-------------------------------|------|-------|
| Goodwill                               | 4,281                         | 44   | 4,325 |
| Deferred tax liabilities (non-current) | 542                           | 126  | 668   |
| Total shareholders equity              | 2,484                         | (82) | 2,402 |
| Net income                             | 346                           |      | 346   |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Reconciliation of Consolidated Net Income and Shareholders' Equity**

Publicis Groupe's (the Group's) consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable at December 31, 2005 as approved by the European Union, which differ in certain significant respects from generally accepted accounting principles in the United States of America (U.S. GAAP).

The effects of the application of U.S. GAAP on consolidated net income for each of the years ended December 31, 2005 and 2004 are set out in the table below:

|   |              | <b>December 31,</b>           |             |
|---|--------------|-------------------------------|-------------|
|   | <b>Notes</b> | <b>2005</b>                   | <b>2004</b> |
|   |              | <b>(In millions of euros)</b> |             |
| <b>Net income as determined under IFRS</b>      |              | <b>386</b>                    | <b>278</b>  |
| <b>U.S. GAAP adjustments:</b>                   |              |                               |             |
| OCEANEs 2008                                    | 1            | 31                            | 29          |
| OCEANEs 2018                                    | 1            | 21                            | 30          |
| ORANEs  | 2            | (4)                           | (3)         |
| Stock-based compensation                        | 3            | (12)                          | 20          |
| Pensions and postretirement benefits            | 4            | (2)                           | (2)         |
| Revaluation of tangible fixed assets            | 5            | 1                             | 1           |
| Sale-leaseback transaction                      | 6            | 2                             | 2           |
| Business combinations: Saatchi & Saatchi        | 7.1          | (44)                          | (46)        |
| Business combinations: Bcom3                    | 7.2          |                               | 24          |
| Business combinations: Other                    | 7.3          |                               |             |
| Goodwill  | 8            | 1                             | 88          |
| Other   |              | 9                             |             |
| Deferred income taxes on above adjustments      | 15           | 6                             | (75)        |
| <b>Net income as determined under U.S. GAAP</b> |              | <b>395</b>                    | <b>346</b>  |

|   |              | <b>December 31,</b>                         |             |
|---|--------------|---|-------------|
|   | <b>Notes</b> | <b>2005</b>                                 | <b>2004</b> |
|   |              | <b>(In millions, except per share data)</b> |             |
| <b>Earnings Per Share</b>                                       |              |   |             |
| <b>Earnings per share as determined under U.S. GAAP</b>         | <b>9</b>     |   |             |
| Basic   |              | 2.16  | 1.90        |
| Diluted   |              | 1.63  | 1.51        |
| <b>Weighted average common shares outstanding (in millions)</b> |              |   |             |
| Basic   |              | 183   | 182         |
| Diluted   |              | 249   | 251         |



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The effects of the application of U.S. GAAP on consolidated shareholders' equity as of December 31, 2005 and 2004 are set out in the table below:

|   | Notes | December 31,           |                 |
|---|-------|------------------------|-----------------|
|   |       | 2005                   | 2004            |
|   |       | (In millions of euros) |                 |
| <b>Shareholders equity as determined under IFRS</b>       |       | <b>2,085</b>           | <b>1,629</b>    |
| <b>U.S. GAAP adjustments:</b>                             |       |                        |                 |
| OCEANEs 2008  | 1     | (88)                   | (120)           |
| OCEANEs 2018  | 1     | 2                      | (28)            |
| ORANEs  | 2     | (402)                  | (455)           |
| Stock-based compensation                                  | 3     |                        |                 |
| Pensions and postretirement benefits                      | 4     | (23)                   | (7)             |
| Revaluation of tangible fixed assets                      | 5     | (157)                  | (158)           |
| Sale-leaseback transaction                                | 6     | (25)                   | (23)            |
| Business combinations: Saatchi & Saatchi                  | 7.1   | 1,480                  | 1,430           |
| Business combinations: Bcom3                              | 7.2   | 389                    | 325             |
| Business combinations: Other                              | 7.3   | (154)                  | (154)           |
| Goodwill  | 8     | 277                    | 276             |
| Other   |       | 5                      | (4)             |
| Deferred income taxes on above adjustments                | 15    | (315)                  | (309)           |
| <b>Shareholders' equity as determined under U.S. GAAP</b> |       | <b>3,074</b>           | <b>2,402(*)</b> |

(\*) As restated (See above)

**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 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

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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 for an amount equal to the amount received from investors of 690 million and 672 million, respectively. 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 OCEANE 2008 and OCEANE 2018 ( 164 million and 109 million respectively at the issuance date) and the related issuance costs have been reclassified from additional paid-in capital (APIC) within 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, 2005 and 2004, the excess interest expense recognized under IFRS amounted to 31 million and 29 million before income tax, respectively for the OCEANEs 2008 and 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.

**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 a 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 without conversion option. The debt component is subsequently accounted for at amortized cost.

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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 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 4 million before income tax for each of the twelve-month periods ended December 31, 2005 and 2004.

The redemption of the first tranche of the ORANEs, in September 2005, led Publicis Groupe to recognize an increase of its total shareholders' equity for 57 million under U.S. GAAP. 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, Publicis 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 related to stock options for each of the years ended December 31, 2005 and 2004 amounted to 20 million.

Under U.S. GAAP, Publicis accounts for its stock-based compensation plans using the intrinsic value method under the guidelines of APB Opinion No. 25, which requires 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 amounting to 32 million and zero, respectively, which relates principally to stock option plans with performance requirements that are considered variable plans under U.S. GAAP, was recognized for each of the years ended December 31, 2005 and 2004.



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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<br>(For the<br>Year Ended<br>December 31) |      | Shareholders<br>Equity<br>(As of<br>December 31) |      |
|--|--|------|--|------|
|  | 2005   | 2004 | 2005   | 2004 |
| (In millions of euros)                       |  |      |  |      |
| <b>U.S. GAAP adjustments:</b>                |  |      |  |      |
| Unrecognized actuarial gains and losses      | (2)  | (2)  | 21   | 23   |
| Minimum pension liabilities                  |  |      | (44)   | (30) |
| <b>Total adjustment, before income taxes</b> | (2)  | (2)  | (23)   | (7)  |

***Unrecognized actuarial gains and losses***

In accordance with the option provided by IFRS 1, the Group's unrecognized 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 are amortized using the corridor method over the expected average residual working lives of the beneficiaries.

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.

As of December 31, 2005 and 2004, the unamortized balance of unrecognized actuarial gains and losses recorded as a reduction of shareholders' equity under IFRS amounted to 21 million and 23 million, respectively. Incremental amortization of these unrecognized actuarial gains and losses resulted in additional pension expense under U.S. GAAP of 2 million and 2 million for each of the years ended December 31, 2005 and 2004, respectively.

***Minimum pension liabilities***

Under U.S. GAAP, a minimum pension liability is required to be recognized when the accumulated benefit obligation exceeds 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 is offset by an intangible asset up to the amount of any unrecognized prior service cost, and the excess is 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, respectively.

**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  
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of the revaluation related to the corporate headquarters buildings was 0.5 million for each of the years ended 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 Company's assets was not adjusted upon adoption of IFRS. Accordingly, the amount of revaluation adjustment, net of accumulated amortization, is reversed under U.S. GAAP. As of December 31, 2005 and 2004, the adjustment before tax effect, net of accumulated amortization, amounted to 157 million and 158 million, respectively.

**6. Sale-leaseback Transaction**

Under IFRS, Bcom3's sale-leaseback transaction related to the Leo Burnett office building in Chicago is treated as a finance lease. The assets leased-back are capitalized at their fair value at the acquisition date, with an offset to financial debt. Under U.S. GAAP, this transaction is accounted for as a financing, since Leo Burnett has a continued involvement in the transaction. The building and the related financing obligation are reflected in the Group's consolidated 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.

As such, no goodwill or revaluation of intangible assets were recorded under French GAAP.

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.

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The aggregate adjustment included as Business combinations: Saatchi & Saatchi in the reconciliations of consolidated net income and shareholders equity consists of:

|  | Net Income<br>(For the<br>Year Ended<br>December 31) |             | Shareholders<br>Equity<br>(As of<br>December 31) |              |
|--|--|-------------|--|--------------|
|  | 2005   | 2004        | 2005   | 2004         |
| <b>(In millions of euros)</b>                |  |             |  |              |
| <b>U.S. GAAP adjustments:</b>                |  |             |  |              |
| Goodwill and intangible assets               | (22)   | (29)        | 2,131  | 2,059        |
| Impairment of goodwill                       |  |             | (570)  | (570)        |
| Impairment of intangible assets              |  |             | (223)  | (223)        |
| Contingent value rights                      |  |             | 49   | 49           |
| Stock-based compensation                     |  |             | 148  | 148          |
| Net operating loss carry-forwards            | (22)   | (17)        | (55)   | (33)         |
| <b>Total adjustment, before income taxes</b> | <b>(44)</b>  | <b>(46)</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 tradenames with indefinite useful lives and major client relationships amortized over their estimated useful lives, which range from 7 to 40 years.

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, 2005, the carrying value of the goodwill and intangible assets balances amounted to 2,131 million, net of accumulated depreciation, amortization and after 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, 2005 and 2004, the Group recorded additional amortization expense associated with its recognized intangible assets with finite lives under U.S. GAAP of 22 million and 29 million, respectively.

**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



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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 tradenames. These tradenames 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 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 are 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. 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 2005, 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 ( 22 million and 17 million for each of the years ended December 31, 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, 2005 and 2004, the cumulative reduction of goodwill related to the use of these net operating loss carry-forwards amounted to 55 million and 33 million, respectively

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7.2 Business Combinations: Bcom3 (As Restated)**

The aggregate adjustment included as Business combinations: Bcom3 in the reconciliations of consolidated net income and shareholders' equity consists of:

|  | Net Income<br>(For the<br>Year Ended<br>December 31) |      | Shareholders<br>Equity (As of<br>December 31) |       |
|--|--|------|---|-------|
|  | 2005   | 2004 | 2005  | 2004  |
| (In millions of euros)                       |  |      |   |       |
| <b>U.S. GAAP adjustments:</b>                |  |      |   |       |
| Determination of purchase price              |  | 24   | 1,334   | 1,334 |
| Deferred tax liabilities                     |  |      | 131   | 131   |
| Goodwill impairment and amortization         |  |      | (934)   | (934) |
| Currency translation adjustments             |  |      | (142)   | (206) |
| <b>Total adjustment, before income taxes</b> |  | 24   | 389   | 325   |

**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 be 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<br>GAAP<br>(Retained<br>in<br>IFRS under<br>IFRS 1) | U.S. GAAP  | Difference in<br>Purchase<br>Price/<br>Goodwill |
|--|--|------------|---|
|  | (In millions of euros)                                     |            |   |
| <b>Value of securities issued as consideration for Bcom3:</b>          |  |            |   |
| Publicis ordinary shares   | 990  | 2,048      | 1,058   |
| ORANEs:  | 495  | 1,024      | 529   |
| OBSAs (hybrid instrument):   |  |            |   |
| Amount before tax effect   | 642  | 858        | 216   |
| Tax effect   | 73   | 133        | 60  |
| <b>Total OBSAs</b>   | <b>715</b>   | <b>991</b> | <b>276</b>                                      |
| <b>Aggregate value of securities issued as consideration for Bcom3</b> | 2,200  | 4,063      | 1,863   |

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

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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.

An additional reclassification from shareholders' equity to long-term debt (402 million and 455 million as of December 31, 2005 and 2004, respectively) related to the ORANEs, which is attributable to a difference in the accounting for these instruments between U.S. GAAP and IFRS rather than the measurement date difference described above, is described in note 2.

**7.2.2 Deferred Tax Liabilities (As Restated)**

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, with a counterpart as a reduction of equity under IFRS.

Under U.S. GAAP, and as described in the introductory note on the Restatement, the Group computed the effect on goodwill and cumulative translation adjustments as if the deferred tax liability had been properly accounted for in the purchase accounting entries upon the acquisition of Bcom3. 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 (As Restated)**

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, 2003, 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) has been impaired for a total amount of 934 million. There were no impairments for either of the years ended December 31, 2005 or 2004.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7.3 Business Combinations: Other**

The aggregate adjustment included as Business combinations: Other in the reconciliations of consolidated net income and shareholders' equity consists of:

|  | Net Income<br>(For the<br>Year Ended<br>December 31) |      | Shareholders<br>Equity<br>(As of<br>December 31) |       |
|--|--|------|--|-------|
|  | 2005   | 2004 | 2005   | 2004  |
|  | (In millions of euros)                               |      |  |       |
| <b>U.S. GAAP adjustments:</b>                |  |      |  |       |
| ZenithOptimedia Group                        |  |      | (77)   | (77)  |
| FCA Group                                    |  |      | 44   | 44    |
| Compensation arrangements                    |  |      | (15)   | (15)  |
| Restructuring costs                          |  |      | (106)  | (106) |
| <b>Total adjustment, before income taxes</b> |  |      | (154)  | (154) |

**7.3.1 ZenithOptimedia Group**

In connection with the acquisition of Saatchi & Saatchi, Publicis Groupe acquired 50% of ZenithOptimedia in 2000. Because the acquisition was made in connection with the acquisition of Saatchi & Saatchi, the ZenithOptimedia 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 ZenithOptimedia in 2001 and the formation of the ZenithOptimedia 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 ZenithOptimedia 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 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, 2005 and 2004, the remaining unamortized portion of goodwill under U.S. GAAP amounted to 44 million.

**7.3.3 Compensation Arrangements**

Under French GAAP (retained in 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, 2005 and 2004, no compensation expense was required to be recorded under U.S. GAAP pursuant to these arrangements. As of December 31, 2004 and 2005, the

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 2001, 2002 and 2003 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 188 million of amortization expense recorded, under French GAAP, from January 1, 2002 up to January 1, 2004 and the 88 million of impairment charge recorded, under French GAAP, in 2004, have been reversed.

**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 U.S. GAAP.

Accordingly, under IFRS, shares to be issued upon redemption of the ORANEs (27,597,612 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.

**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 154 million is reversed under U.S. GAAP.

**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 reconciliation of consolidated net income and shareholders equity as of and for the years ended December 31, 2005 and December 31, 2004 consist mainly of accounting difference between IFRS and U.S. GAAP relating to assets retirement obligation, and non-significant tangible assets revaluation.

Table of Contents**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Deferred Income Tax on Above Adjustments**

This adjustment reflects the tax effects of the adjustments reflected in the reconciliations of shareholders' equity and net income.

In 2005, 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 21 million.

The consolidated statement of operations prepared under U.S. GAAP reflecting all of the above reconciling items is presented as follows:

|  | <b>Period Ended<br/>December 31,</b> |              |
|--|--------------------------------------|--------------|
|  | <b>2005</b>                          | <b>2004</b>  |
|  | <b>(In millions of<br/>euros)</b>    |              |
| <b>Revenues</b>  | <b>4,127</b>                         | <b>3,825</b> |
| Salaries and related expenses                          | (2,468)                              | (2,199)      |
| Office and general expenses                            | (908)                                | (924)        |
| Depreciation and amortization(1)                       | (193)                                | (300)        |
| Other operating income (loss)                          | 86                                   |              |
| <b>Operating income (loss)</b>                         | <b>644</b>                           | <b>402</b>   |
| Net financial income (loss)                            | (61)                                 | (41)         |
| Other income (expense), net                            |                                      | 17           |
| <b>Income (loss) before income taxes</b>               | <b>583</b>                           | <b>378</b>   |
| Income taxes   | (171)                                | (12)         |
| <b>Income (loss) after income taxes</b>                | <b>412</b>                           | <b>366</b>   |
| Equity in net income of non-consolidated companies     | 11                                   | 6            |
| Minority interest                                      | (28)                                 | (26)         |
| <b>Net income (loss)</b>                               | <b>395</b>                           | <b>346</b>   |
|  | <b>December 31,</b>                  |              |
|  | <b>2005</b>                          | <b>2004</b>  |
|  | <b>(Restated)</b>                    |              |
|  | <b>(In millions of<br/>euros)</b>    |              |
| <b>Comprehensive Income under U.S. GAAP</b>            |                                      |              |
| <b>Net income (loss) as determined under U.S. GAAP</b> | <b>395</b>                           | <b>346</b>   |
| <b>Other comprehensive income (loss), net of taxes</b> |                                      |              |

|   |            |            |
|---|------------|------------|
| Unrealized gain/(loss) on available-for-sale securities | (16)       | 1          |
| Financial instruments                                   | 9          |            |
| Foreign currency translation adjustment                 | 259        | (177)      |
| Minimum pension liability adjustment                    | (14)       | (7)        |
| <b>Comprehensive income (loss)</b>                      | <b>633</b> | <b>163</b> |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Following the U.S. GAAP adjustments described above, the consolidated balance sheets as presented under U.S. GAAP at December 31, 2005 and December 31, 2004 are summarized as follows:

|  | December 31,<br>2005   | December 31,<br>2004 |
|--|------------------------|----------------------|
|  |                        | (Restated)           |
|  | (In millions of euros) |                      |
| <b>Assets</b>  |                        |                      |
| Cash and cash equivalents  | 1,980                  | 1,128                |
| Accounts receivable  | 4,014                  | 3,282                |
| Other current assets   | 1,207                  | 1,033                |
| <b>Current assets</b>  | <b>7,201</b>           | <b>5,443</b>         |
| Goodwill   | 4,624                  | 4,324                |
| Intangible assets  | 1,466                  | 1,412                |
| Property and Equipment, net  | 507                    | 511                  |
| Other non current assets   | 317                    | 498                  |
| <b>Total non current assets</b>  | <b>6,914</b>           | <b>6,745</b>         |
| <b>Total assets</b>  | <b>14,115</b>          | <b>12,188</b>        |
| <b>Liabilities and shareholders equity</b>   |                        |                      |
| Current portion of long-term debt, capital lease obligations and short-term borrowings | 292                    | 277                  |
| Accounts payable   | 4,605                  | 3,694                |
| Accrued expenses and other liabilities   | 2,102                  | 1,943                |
| <b>Current liabilities</b>   | <b>6,999</b>           | <b>5,914</b>         |
| Long-term debt and capital lease obligations, less current portion                     | 2,861                  | 2,634                |
| Other non-current liabilities  | 1,116                  | 1,192                |
| Minority interest  | 65                     | 46                   |
| <b>Non current liabilities</b>   | <b>4,042</b>           | <b>3,872</b>         |
| Capital stock  | 79                     | 78                   |
| Additional paid-in-capital   | 4,827                  | 4,752                |
| Retained earnings (deficit)  | (745)                  | (1,094)              |
| Treasury stock   | (323)                  | (332)                |
| Accumulated Comprehensive Income   | (764)                  | (1,002)              |
| <b>Shareholders equity</b>   | <b>3,074</b>           | <b>2,402</b>         |
| <b>Total liabilities and shareholders equity as adjusted for U.S. GAAP</b>             | <b>14,115</b>          | <b>12,188</b>        |





**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The components of accumulated other comprehensive income for U.S. GAAP purposes as of December 31, 2005 and 2004 are as follows:

|   | December 31,           |                |
|---|------------------------|----------------|
|   | 2005                   | 2004           |
|   | (Restated)             |                |
|   | (In millions of euros) |                |
| <b>Accumulated other comprehensive income (loss):</b> |                        |                |
| Unrealized gains on securities                        | 21                     | 36             |
| Financial instruments                                 | 9                      |                |
| Foreign currency translation adjustment               | (750)                  | (1,008)        |
| Minimum pension liability adjustment                  | (44)                   | (30)           |
| <b>Accumulated other comprehensive income (loss)</b>  | <b>(764)</b>           | <b>(1,002)</b> |

**Supplemental U.S. GAAP Disclosures*****Intangible Assets***

The gross carrying amounts and accumulated amortization of intangible assets, by major class, are as follows:

|                                      | Gross<br>Carrying<br>Amount | Accumulated<br>Depreciation* | Net<br>Carrying<br>Amount |
|--------------------------------------|-----------------------------|------------------------------|---------------------------|
|                                      | (In millions of euros)      |                              |                           |
| At December 31, 2005                 |                             |                              |                           |
| Trade names and client relationships | 2,169                       | 738                          | 1,431                     |
| Software and other                   | 121                         | 86                           | 35                        |
| <b>Total</b>                         | <b>2,290</b>                | <b>824</b>                   | <b>1,466</b>              |
| At December 31, 2004 (Restated)      |                             |                              |                           |
| Trade names and client relationships | 2,015                       | 637                          | 1,378                     |
| Software and other                   | 103                         | 69                           | 34                        |
| <b>Total</b>                         | <b>2,118</b>                | <b>706</b>                   | <b>1,412</b>              |

\* Includes impairment of 357 million, and 346 million in 2005 and 2004 respectively.

Consolidated amortization expense related to intangible assets, subject to amortization, for 2005 and 2004 was 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, 2005, for each of the next five fiscal years is as follows:

| <b>Year Ending December 31,</b> | <b>(In millions of euros)</b> |
|---------------------------------|-------------------------------|
| 2006                            | 63                            |
| 2007                            | 62                            |
| 2008                            | 44                            |
| 2009                            | 44                            |
| 2010                            | 44                            |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Pensions and Postretirement Benefits***

The pension and postretirement benefits disclosures required under IFRS are included in Note 21 to the financial statements. Additional information required for U.S. GAAP purposes is as follows:

The expected cash outflows on pensions and other post-retirement benefits over the next ten years are shown in the table below:

|   | <b>Pensions and<br/>Similar Benefits</b> |                 |
|---|--|-----------------|
|   | <b>U.S.</b>                              | <b>Non-U.S.</b> |
|   | <b>(In millions of<br/>euros)</b>        |                 |
| Estimated employer's contribution in 2006 | 13                                       | 8               |
| Estimated benefit payments:               |  |                 |
| 2006                                      | 18                                       | 10              |
| 2007                                      | 18                                       | 9               |
| 2008                                      | 19                                       | 10              |
| 2009                                      | 19                                       | 11              |
| 2010                                      | 21                                       | 11              |
| 2011 and thereafter                       | 110                                      | 61              |

***Long-Term Debt***

Future minimum payments as of December 31, 2005, on long-term debt, including capital leases, are as follows:

| <b>Year</b>              | <b>(In millions of )</b> |
|--------------------------|--------------------------|
| 2006                     | 292                      |
| 2007                     | 148                      |
| 2008                     | 669                      |
| 2009                     | 60                       |
| 2010                     | 63                       |
| Thereafter               | 1,921                    |
| <b>Subtotal</b>          | <b>3,153</b>             |
| Less: Current maturities | (292)                    |
|                          | <b>2,861</b>             |

***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:

In accordance with SFAS 123, Publicis 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 zero, respectively, which relates

principally to stock option plans with performance requirements that are considered variable plans under U.S. GAAP, was recognized for each of the years ended December 31, 2005 and 2004, respectively.

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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):

|  | 2005 | 2004 |
|--|------|------|
| <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 |

The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing mode, with the following assumptions for 2005 and 2004: dividend yields of 1.22% in 2005, and 1.12% in 2004; expected volatility of 21.0% for 2005, 24.0% for 2004; risk-free interest rate ranging between 2.17% and 2.39%, depending on the maturity date, in 2005, and between 2.63% and 3.47%, in 2004; and expected term of 1.9 for the first half of the long term incentive plan and 2.9 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 2005 and 2004 were 2.42 and 3.59, respectively.

**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:

|   | December 31,           |      |
|---|------------------------|------|
|   | 2005                   | 2004 |
|   | (In millions of euros) |      |
| Net income before taxes and minority interests: |                        |      |
| France  | 40                     | (88) |
| Foreign   | 531                    | 306  |
| Total   | 571                    | 218  |

|                     |       |       |
|---------------------|-------|-------|
| Income tax expense: |       |       |
| France              | 15    | (199) |
| Foreign             | (172) | 113   |
| Total               | (157) | (86)  |

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Expiration Dates of Net Operating Loss Carry Forwards*

In connection with the business combination with Saatchi & Saatchi, Publicis acquired 503 million in net operating loss carryforwards related to former Saatchi & Saatchi operations. At December 31, 2005, the remaining net loss carryforwards related to these operations amounted to 200 million, which will expire between 2006 and 2010. The Company has not recognized these operating loss carryforwards in the financial statements prepared under IFRS due to the uncertainty of their realizability. For U.S. GAAP purposes, the deferred tax assets acquired in connection with this business combination has been reserved.

Additionally, under IFRS, at December 31, 2005, the Group had approximately 290 million of operating loss carryforwards, of which 16 million will expire between 2006 and 2010 and 17 million will expire between 2011 and 2020. The remaining 257 million have no expiration. The Group has not recognized these operating loss carryforwards 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:

|   | 2005                                      | 2004 |
|---|---|------|
|   | (In millions<br>except per share<br>data) |      |
| <b>Numerator:</b>   |   |      |
| Earnings from continuing operations (U.S. GAAP)   | 395                                       | 346  |
| Earnings available to shareholders for basic earnings per share                                     | 395                                       | 346  |
| Earnings from continuing operations (U.S. GAAP)   | 395                                       | 346  |
| After-tax saving of OCEANEs and ORANEs interest if converted  | 11  | 34   |
| Earnings available to shareholders for diluted earnings per share                                   | 406                                       | 380  |
| <b>Denominator:</b>   |   |      |
| Denominator for basic earnings per share weighted-average shares                                    | 183                                       | 182  |
| Potential dilutive common shares employee stock options   | 9   | 1    |
| Potential dilutive common shares OCEANEs  | 30  | 40   |
| Potential dilutive common shares ORANEs   | 28  | 28   |
| Denominator for diluted earnings per share adjusted weighted-average shares and assumed conversions | 249                                       | 251  |
| Basic earnings available to shareholders per common share   | 2.16                                      | 1.90 |
| Earnings available to shareholders per common share assuming dilution                               | 1.63                                      | 1.51 |



**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Leases**

The leases disclosures required under IFRS are included in Note 24 to the financial statements. Additional information required for U.S. GAAP purposes is as follows:

The future minimum lease payments for capital and operating leases in effect at December 31, 2005 are shown in the table below:

| <b>Years Ending December 31,</b>             | <b>Capital Leases</b> | <b>Operating Leases</b> | <b>Operating Sublease Income</b> | <b>Operating Leases, Net</b> |
|--|-----------------------|-------------------------|----------------------------------|------------------------------|
| <b>(In millions of euros)</b>                |                       |                         |                                  |                              |
| 2006   | 10                    | 290                     | (10)                             | 280                          |
| 2007   | 10                    | 199                     | (10)                             | 189                          |
| 2008   | 10                    | 184                     | (9)                              | 175                          |
| 2009   | 10                    | 160                     | (8)                              | 152                          |
| 20010  | 11                    | 133                     | (7)                              | 126                          |
| Thereafter                                   | 294                   | 343                     | (14)                             | 329                          |
| <b>Total minimum lease payments</b>          | <b>345</b>            | <b>1,309</b>            | <b>(58)</b>                      | <b>1,251</b>                 |
| Less: amount representing interest           | (233)                 |                         |                                  |                              |
| <b>Total obligation under capital leases</b> | <b>112</b>            |                         |                                  |                              |
| Less: current portion                        | (10)                  |                         |                                  |                              |
| <b>Long-term portion</b>                     | <b>102</b>            |                         |                                  |                              |

**Segment Information**

As of December 31, 2005, we are organized into eight operating segments, seven of them based on brands, and the eight segment for other activities, which operate within the advertising and communications, media buying and planning services. Consistent with the fundamentals of our business strategy, our brands serve a similar class of clients, and deliver services in a similar manner. In addition, our brands have similar economic characteristics as the main economic components of each segments are salaries and service costs associated with agencies office space and occupancy. Therefore, given these similarities, we believe that each of our brands meets the criteria for aggregation in accordance with the provisions of SFAS 131, most specifically paragraph 17, and we aggregate our brands into one reporting segment.

**Subsequent Events**

In March 2006, the Group acquired a 60% majority interest in Solutions Integrated Marketing Services, the leading marketing services agency in India. The Group also announced an agreement to acquire 80% of Betterway Marketing Solutions, one of the largest marketing services agencies in China. This transaction is subject to Chinese regulatory approval.

**New Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R). FAS 123R requires that Publicis recognizes the

cost of share-based payments granted to employees measured at the grant-date fair value of the award. Publicis is required to adopt FAS 123R effective January 1, 2006 to all share-based grants made or modified after June 15, 2005 and for the unvested portion of outstanding share-based grants made prior to June 15, 2005. As permitted by FASB Statement No. 148, Accounting for Stock-Based Compensation

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**Table of Contents****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Transition and Disclosure, we have elected, effective 1 January 2005, to measure our share based payments using a fair value method under SFAS 123 using the transition provisions of SFAS 148. Accordingly, we do not expect the adoption of SFAS 123(R) to have a material impact on our financial statements.

In December 2004 the FASB issued SFAS No. 153 *Exchanges of Non-Monetary Assets* as an amendment to APB Opinion No. 29 *Accounting for Non-Monetary Transactions*. APB 29 prescribes that exchanges of non-monetary transactions should be measured based on the fair value of the assets exchanged, while providing an exception for non-monetary exchanges of similar productive assets. SFAS 153 eliminates the exception provided in APB 29 and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS 153 is to be applied prospectively and is effective for all non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Publicis does not expect there to be any material effect on the Consolidated Financial Statements upon adoption of the new standard.

In March 2005 the FASB published Interpretation 47 *Accounting for Conditional Asset Retirement Obligations* an interpretation of FASB Statement No. 143, which clarifies the term conditional asset retirement obligation used in FAS 143. It will become effective for periods beginning on or after December 15, 2005 and is not expected to have a material impact on Publicis consolidated financial statements.

In May 2005, SFAS No. 154, *Accounting Changes and Error Corrections*, was issued, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Among other changes, SFAS No. 154 requires retrospective application of a voluntary change in an accounting principle to prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires accounting for a change in method of depreciating or amortizing a long-lived non-financial asset as a change in accounting estimate (prospectively) affected by a change in accounting principle. Further, the statement requires that corrections of errors in previously issued financial statements be termed a restatement. The new standard is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In January 2006, the Emerging Issues Task Force (EITF) issued EITF 05-6 *Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination*. This pronouncement requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease should be amortized over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of acquisition of the leasehold improvement. We are required to adopt this pronouncement effective 1 January 2006 and do not expect the adoption the EITF 05-6 to have a material impact on our financial statements.

**Table of Contents****Item 19. Exhibits**

The following exhibits are included herein:

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 1                     | Statuts (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                   | Strategic Alliance Agreement, dated as of November 30, 2003, by and between Publicis Groupe S.A. and Dentsu Inc. (incorporated by reference from Exhibit 99.3 to the Schedule 13D/A filed by Dentsu Inc. on December 5, 2003).   |
| 4.2                   | Shareholders Agreement, dated as of November 30, 2003, by and between Publicis Groupe S.A. and Dentsu Inc. (incorporated by reference from Exhibit 99.4 to the Schedule 13D/A filed by Dentsu Inc. on December 5, 2003).   |
| 4.3                   | First Amendment to Shareholders Agreement, dated as of September 24, 2004, by and between Publicis Groupe S.A. and Dentsu Inc. (incorporated by reference from Exhibit 99.11 to the Schedule 13D/A filed by Dentsu Inc. on October 7, 2004).   |
| 4.4                   | Shareholders Agreement, dated as of November 30, 2003, by and between Elisabeth Badinter and Dentsu Inc. (incorporated by reference from Exhibit 99.5 to the Schedule 13D/A filed by Dentsu Inc. on December 5, 2003).   |
| 4.5                   | First Amendment to Shareholders Agreement, dated as of September 24, 2004, by and between Elisabeth Badinter and Dentsu Inc. (incorporated by reference from Exhibit 99.10 to the Schedule 13D/A filed by Dentsu Inc. on October 7, 2004).   |
| 4.6                   | CEO Employment Agreement, dated as of January 1, 2001, among Roger A. Haupt, Bcom3 Group, Inc., Leo Burnett Worldwide, Inc., and Leo Burnett USA, Inc. (Haupt Employment Agreement) (incorporated by reference from Exhibit 10.5 to the report on Form 10 of Bcom3 Group, Inc. filed on April 30, 2001). |
| 4.7                   | Amendment to Haupt Employment Agreement dated as of March 26, 2003 (incorporated by reference from Exhibit 4.5 to the Annual Report of Publicis Groupe S.A. on Form 20-F for the fiscal year ended December 31, 2003).   |
| 4.8                   | 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).                                    |
| 4.9                   | 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).

- 4.10 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).
- 4.11 Employment Agreement, dated as of September 8, 2002, by and between Saatchi & Saatchi North America, Inc. and Robert L. Seelert (incorporated by reference from Exhibit 4.5 to the Annual Report of Publicis Groupe S.A. on Form 20-F for the fiscal year ended December 31, 2003).
- 4.12 Employment Agreement, dated as of July 1, 2004, by and among Jack Klues, Publicis Groupe S.A. and Starcom Worldwide division of Leo Burnett USA, Inc. (incorporated by reference from Exhibit 4.11 to the Annual Report of Publicis S.A. on Form 20-F for the fiscal year ended December 31, 2004).

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 4.13                      | Executive Consulting Agreement, dated as of December 21, 2004, by and between Leo Burnett Worldwide, Inc. and Roger Haupt (incorporated by reference from Exhibit 4.12 to the Annual Report of Publicis S.A. on Form 20-F for the fiscal year ended December 31, 2004).                |
| 4.14                      | Consulting Services Agreement, dated as of November 8, 2004, by and between Publicis Groupe S.A. and Roger A. Haupt (incorporated by reference from Exhibit 4.13 to the Annual Report of Publicis S.A. on Form 20-F for the fiscal year ended December 31, 2004).                      |
| 4.15                      | By-Laws ( <i>statuts</i> ) of the Societe en Participation by and between Elisabeth Badinter and Dentsu Inc., adopted September 24, 2004 (unofficial English translation) (incorporated by reference from Exhibit 99.9 to the Schedule 13D/A filed by Dentsu Inc. on October 7, 2004). |
| 8                         | List of Subsidiaries. See note 33 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).   |

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**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

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Name: Maurice Lévy

Title: Chief Executive Officer and  
Chairman of the Management Board

Dated: April 21, 2006