11/02/08

MANAGEMENT BOARD REPORT
Annual results for 2007

Main key figures:

in € million, except for percentages and per-share data (in euros)	2007	2006	2005
Income statement data			
Revenue	4,671	4,386	4,127
Operating margin before depreciation and amortization	888	820	765
As % of revenue	*19.0%*	*18.7%*	*18.5%*
Operating margin	779	713	649
As % of revenue	*16.7%*	*16.3%*	*15.7%*
Operating income	746	689	652
Net income attributable to Publicis Groupe	452	443	386
Earnings per share [(1)]	2.18	2.11	1.83
Diluted earnings per share [(2)]	2.02	1.97	1.76
Dividend per share	0.60	0.50	0.36
Balance sheet data	**December 31 2007**	**December 31 2006**	**December 31 2005**
Total assets[(3)]	12,244	11,705	11,758
Shareholders' Equity	2,198	2,080	2,056

[(1)] *The average number of shares used for calculation of net earnings per share was 210.4 million shares for 2005, 209.6 million shares for 2006 and 207.6 million shares for 2007.*

[(2)] *The average number of shares used for calculation of diluted net earnings per share was 233.8 million shares for 2005, 240.1 million shares for 2006 and 239.4 million shares for 2007. This includes Equity Warrants (BSA), stock options and convertible bonds that have a dilutive effect. On December 31 all these instruments are dilutive with the exception of those stock options which have an exercise price higher than the average share price for the period.*

[(3)] *After harmonization of classification of cost of media space delivered but not invoiced in the 2006 accounts*

2007 was a year of marked contrasts, in an economic environment dominated by growing uncertainty as the year progressed, and under the shadow of an increasingly serious financial crisis that fuelled anticipation of a slowdown in the American economy.
The most memorable aspect of 2007, however, will be the excellent results for the Groupe. While organic growth did not meet expectations. A modest 3.1%, compared with 5.6% in the previous year, results were nevertheless better than forecast, confirming the quality of management and the dynamism of Publicis Groupe teams and showing that the strategy adopted was appropriate to the situation.
Operating margin rate for the year was 16.7% compared with 16.3% in 2006 – a year ahead of the target schedule, which is remarkable in view of the weak growth achieved this year.
Net Groupe income amounted to €452 million, an increase over the net income for 2006.
Headline diluted net earnings per share increased by 5% to €2.11 as against €2.01 in 2006. Diluted net earnings per share amounted to €2.02 compared to €1.97 in 2006, an increase of almost 3%.
On December 31, 2007, net debt stood at €837 million. Free Cash Flow excluding variations in working capital requirement was €615 million, a record sum.
Despite a year of slow growth for the Groupe, we have met all our targets (and surpassed some) a year ahead of schedule. The Management Board would like to express its warmest thanks to all Groupe teams for the efforts they have made.
The dividend that will be proposed to the General Meeting of Shareholders on June 3, 2008 will be €0.60 per share, up by 20% and representing a pay-out ratio of 27.5% Subject to approval by the General Meeting, the dividend will be payable as from July 22, 2008.

Finally, 2007 was a particularly rich year for new business with the total value of accounts won during the year amounted to more than $5 billion. Alongside global budgets won during the year, the strong performance in France should be highlighted, with significant account wins including, among others, BNP Paribas and Cap Gémini.

In creative terms, Publicis Groupe matched the results of the previous year during the 54th Cannes International Advertising Festival by winning 93 Lions and coming in second after Omnicom. Publicis Groupe won practically one quarter of all prizes awarded.
Besides winning seven “Cannes Young Creatives” prizes, the networks and agencies of Publicis Groupe were nominated in all categories. The Groupe’s agencies won one Grand Prix, 17 Gold Lions, 31 Silver Lions and 37 Bronze. Saatchi & Saatchi topped the list with 33 awards and Saatchi & Saatchi New York was named “Agency of the Year”. Leo Burnett was awarded 26 Lions and Publicis, 17. It should be noted that the performance of the agencies was particularly outstanding in outdoor, radio, press and titanium and integrated media: Publicis Groupe was awarded the Festival’s highest score in these categories.

The Groupe was also very successful at the Clio Awards 2007, one of the most prestigious international advertising competitions. In total, 418 prizes were awarded in 27 countries, of which 112 went to Omnicom, 97 to Publicis Groupe, 43 to WPP, and 16 to Interpublic – a remarkable performance considering that Publicis Groupe is half the size of WPP or Omnicom. Saatchi & Saatchi was in the lead with an impressive 52 awards and notably as “Agency Network of the Year”. Two “Grand Prix” in Television and Outdoor for Leo Burnett reflected the network’s dynamism (29 awards altogether). But Publicis, Fallon and BBH also contributed to Publicis Groupe’s position as second highest prize winner in the event.

Finally, Publicis Groupe performed well at the 2007 Effie Awards for the most effective creative ideas, ranking second in the general classification with 42 prize-winning agencies. The Groupe’s agencies were awarded a total of 24 prizes: 5 gold, 16 silver and 3 bronze.

2007 was a particularly active year for acquisitions.

On January 29, 2007, Publicis Groupe announced the success of its takeover bid for Digitas Inc. The remarkably successful integration of Digitas into Publicis Groupe has contributed to the Groupe’s accelerated growth in digital business. We are delighted with this acquisition, whose impact on the Groupe goes far beyond mere numbers. The agency and its CEO, David Kenny, bring us an entirely different view of the digital world, making our transformation real, tangible and perceptible by our clients and by the market.

On April 2, 2007, Publicis Groupe announced the acquisition of a majority stake in Yong Yang, an agency based in Chengdu in China and a leader in marketing services, operational marketing for retail groups and promotional operations. This transaction reflects the expansion of marketing services operations in China and Asia: in 2006, the Groupe had already acquired a controlling share in Shanghai-based Betterway Marketing Solutions, one of China’s largest and most innovative marketing services agencies. The acquisition of 51% of Betterway’s share capital was finally concluded on July 11, 2007.
Yong Yang, an independent agency founded in 1995, possesses in-depth knowledge of the urban markets in many Chinese regions and an understanding of different consumer profiles. Yong Yang has 29 offices across China, notably in the heartland of the country, and is the only marketing services company with a substantial presence in Chengdu, the rapidly-growing capital of Sichuan province.

On April 11, 2007, Publicis Groupe announced the acquisition of The McGinn Group, a firm based in Arlington (Virginia), specializing in corporate communications, risk management, advocacy issues and crisis management. This acquisition significantly strengthens the position of MS&L in the corporate communication sector.
The McGinn Group was re-named “McGinn MS&L”, and continues to provide strategic advice to large companies, universities, American government agencies and law firms and offer its clients solutions to complex employment, litigation, environment or product liability issues.

On June 14, 2007, Publicis Groupe announced its intention to acquire Business Interactif, a French company listed on the Eurolist of Euronext Paris. Following a successful initial takeover bid, Publicis Groupe filed the obligatory simplified offer that was finalized in November 2007. Founded in 1996, Business Interactif (renamed Digitas France) is the top independent French digital and interactive communications group, and is among the most successful companies in the industry. This acquisition is perfectly in line with the strategy of Publicis Groupe, which aims to increase its leadership in digital communications and acquire a full range of expertise in this sector.

On June 28, 2007, Publicis Groupe and Dassault Systèmes announced the signing of an agreement to launch 3dswym, a joint venture in the field of web-based 3D. The joint venture company, based in Paris, will offer a collaborative web-based platform allowing major brand marketers and consumers to jointly create and develop new products and concepts, including point-of-sale facilities, using the most advanced Web and 3D technologies.

On June 29, 2007, Publicis Groupe launched *PublicisLive*, a joint venture in the global events field. *PublicisLive* will focus exclusively on international and institutional conferences and prestige corporate events.

On July 3, 2007, Publicis Groupe announced an agreement to acquire Muraglia, Calzolari & Associati (M,C&A), the largest independent special media agency in Italy. Renamed “M,C&A MediaVest”, this company will strengthen the Groupe’s position in the media sector in Italy.

The acquisition of Pharmagistics (USA), announced on March 7, was completed on July 5.

On September 19, Publicis Groupe acquired a majority shareholding in Capital Advertising, the leading independent advertising agency in the Indian capital Delhi and one of the most highly-reputed in India. Capital Advertising significantly increases the presence of the Publicis Worldwide network in Delhi which, is India's most dynamic economic center, with a population of 14 million,.

On October 11 Publicis Groupe acquired two healthcare communication agencies in Italy: Healthware SpA, an agency specializing in digital communications programs, and Multimedia Healthcare Communication, one of the Italy’s leading independent PR firms. These two acquisitions consolidate the position of PHCG and enable Publicis Groupe to combine the expertise it possesses in the various channels of communication with its understanding of health specialists and products in order to optimize communications programs designed for Groupe clients.

On October 31 Publicis Groupe became the majority shareholder in Hanmer & Partners, one of the largest public relations agencies in India, present in 42 cities. This operation is consistent with the determination of Publicis Groupe to develop business in the fast-growing emerging economies, and significantly strengthens the presence of the MS&L network in India.

These acquisitions and agreements fit clearly into the Groupe’s strategy and should enable it to progress rapidly in the digital sector while at the same time pursuing the growth of services (SAMS), expanding space-buying activities and reinforcing our presence in countries with high growth rates.

Finally, on December 4, 2007, the Supervisory Board, chaired by Elisabeth Badinter, examined the composition of the Management Board of Publicis Groupe, made up of five members, each serving a term of four years, in line with legal obligations. The Supervisory Board decided to renew the mandates of Kevin Roberts, Jack Klues and Maurice Lévy and to reappoint Maurice Lévy as CEO and Chairman of the Management Board. In light of their coming retirement, the mandates of Bertrand Siguier and Claudine Bienaimé were not renewed, and the Supervisory Board

appointed two new members: David Kenny, CEO, Digitas and Jean-Yves Naouri, Executive Vice President-Operations, Publicis Groupe. Jean-Michel Etienne, in his role as Executive Vice President – Finance Publicis Groupe continues to attend all Management Board meetings and will participate in all decisions.
The Supervisory Board extended its warmest thanks to Claudine Bienaimé and Bertrand Siguier for their services to the Groupe over many years.

These events show to what extent Publicis Groupe has always had a gift for bringing together some of the greatest talents in our industry. The Groupe has a will to remain faithful to its history.

PRESENTATION OF THE FINANCIAL SITUATION AND INCOME

Simplified consolidated income statement

(€ million)	**2007**	**2006**	**Variation 2007/2006**
Revenue	**4,671**	**4,386**	**6.5%**
Operating margin	**779**	**713**	**9.3%**
Amortization of intangibles arising on acquisition	(30)	(22)	
Impairment	(6)	(31)	
Other non-current income (expense)	3	29	
Operating income	**746**	**689**	
Financial earnings (charges)	(78)	(50)	
Income tax	(201)	(192)	
Associates	9	22	
Minority interests	24	26	
Net income attributable to Group	**452**	**443**	**2,0%**

Revenue

Consolidated revenues of Publicis Groupe as of December 31, 2007, amounted to €4,671 million, up by 6.5% over the €4,386 million of the 2006 financial year despite a negative impact of €180 million due to exchange rate fluctuations. At constant exchange rates the increase would be 11.1% (revenue 2006 recalculated at 2007 exchange rate).
Over the whole year this increase came mainly from organic growth, 3.1% in 2007, and variations in scope (+337 million), due essentially to the integration of Digitas over eleven months and partly to various other acquisitions made during the year.
2007 was a record year for Saatchi which benefited from new accounts (JC Penney, Wendy’s, SAB Miller) and from the growth of major clients such as P&G.

PWW went through a transition period in 2007 reflected in the marked improvement visible in the second half-year with a return to growth after a difficult time in 2006. Publicis Conseil notched up remarkable progress, gaining much new business which will deliver its full impact in 2008.
Despite good growth outside the United States, and more particularly in the Middle East and Latin America, Spain and Scandinavia, Leo Burnett continued to suffer from the loss of large accounts in 2006 (US Army and Cadillac).
Publicis Groupe Media recorded exceptional growth in its three key regions: the USA, Europe and Asia. Starcom MediaVest Group gained very significant global accounts in 2007 (Samsung) and benefited from strong organic growth thanks to its large client base. ZenithOptimedia also increased its revenues significantly in the USA and Asia. All the component parts of PGM accelerated the development of digital solutions, both through collaborations with companies acquired recently by Publicis Groupe (Moxie, Pôle Nord or Phonevalley), through partnerships with the leading players in interactive media and by developing key talents in-house.
Digitas has obviously enriched the digital services offering of Publicis Groupe and played a decisive part in winning major accounts, particularly BPG and GM (excluding Europe).
2007 saw continued evolution of the consumer's mindset which became proactive and nomadic as well as the world's online advertising networks. Anticipating these challenges to more effectively and efficiently deliver global solutions to its clients, Digitas extended its global footprint through two acquisitions in Europe (Business Interactif) and Asia (CCG in China). Modem Media was merged Publicis Dialog to create Publicis Modem. In the Healthcare communication's sector, Digitas launched Digitas Health, a next generation integrated agency exclusively serving healthcare clients and providing those companies full service capabilities.
Encompassing strategy, branding, creative, content and media for digital and direct channels. As the world's online advertising networks-Google, Microsoft, Yahoo! and AOL- evolve, to work best with them, the agency needed to enhance its production. Responding to this need, Digitas launched Prodigious Worldwide, a production unit to deliver scale and cost savings. Additionally, the agency launched The Global Marketing Navigator, a proprietary dashboard providing real-time reporting to help decipher the masses of data generated by digital campaigns. Through all these actions in 2007, Digitas deepened existing client relationships and won several new clients including Absolut, Joost, Miller Brewing Company, Samsung and Sara Lee.

2007 was a challenging year for the healthcare communications sector, which experienced its most difficult period for a long time on account of the very low number of new drugs approved. Despite winning new business PHCG suffered a decline in revenue compared to the previous financial year; this drop chiefly concerned PSS which suffered from campaign cancellations in the pharmaceutical sector, as new market launches failed to obtain approval, and the expiration of a major contract in February 2007. In this sector, communication business continued to grow, with a large number of new accounts.
The different networks of PRCC enjoyed sharply differing fortunes in 2007 and overall growth was low despite the excellent performance of the MS&L network.

Consolidated revenue for the fourth quarter of 2007 was up by 4.0% at €1,301 million compared with €1,251 million for the same period in 2006 (+ 9.6% excluding forex impact with 2006 recalculated at 2007 exchange rate).

Organic growth in the fourth quarter was +4.2% (+6.3% in the fourth quarter of 2006), following growth of 4.6% in the third quarter.

Organic growth for the first half was 1.6%: 3.0% in Q1 and 0.5% in Q2.
As was explained on several occasions in 2007, this low growth rate during the first half resulted from an unfavorable comparative situation due to the loss or termination of accounts in 2006, the fact that major accounts won during the year only began to produce revenue during the second half of the year, and continuing economic difficulties in certain parts of the health sector. Excluding PHCG, organic growth for the year would have been 4.3%, with 6.1% in the fourth quarter.
The fact that organic growth improved notably during the third and fourth quarters confirms that the Group's business is holding up well, with a return to growth.

Geographical distribution

For the year 2007, the geographical distribution of revenues is as follows:

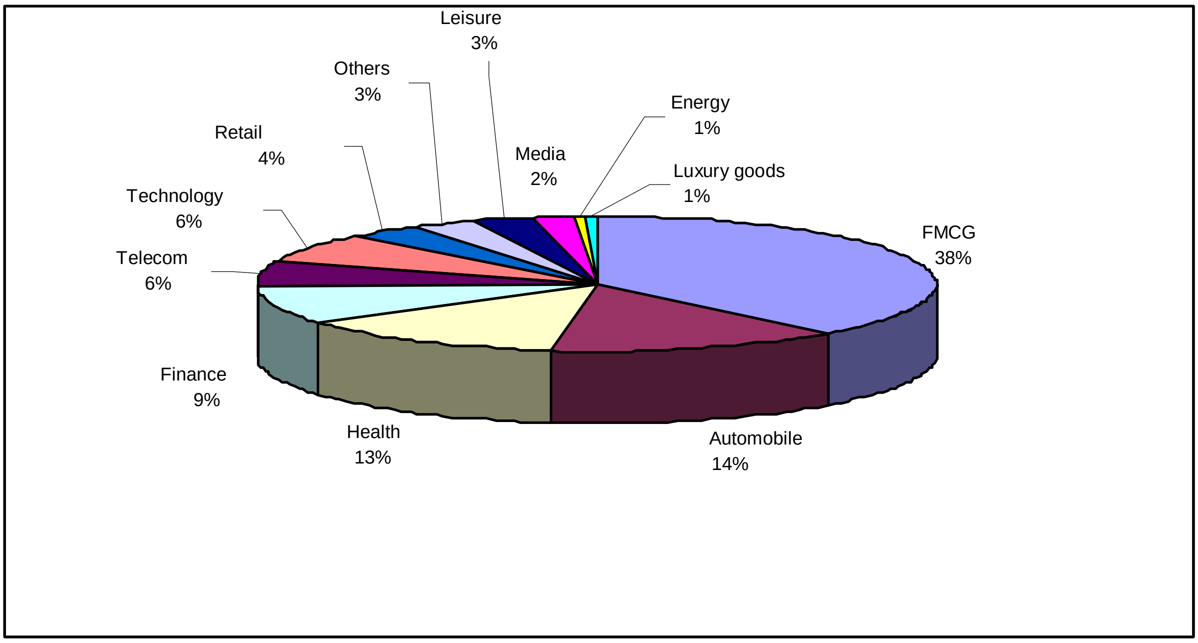
(€ million)	**Revenue**		**Growth**	
	2007	**2006**	**Global**	**Organic**
Europe	1,799	1,747	+ 3.0%	+ 1.7%
North America	2,016	1,842	+ 9.4%	+ 1.7%
Asia-Pacific	502	471	+ 6.6%	+ 8.6%
Latin America	237	214	+ 10.7%	+ 8.9%
Africa and Middle East	117	112	+ 4.5%	+ 11.1%
Total	**4,671**	**4,386**	**+ 6.5%**	**+ 3.1%**

The progress of the emerging economies is noteworthy: in 2007 they represented 21.3% of revenue against 21% in 2006, despite the acquisition of Digitas which markedly increased the revenue share of the USA (excluding Digitas, emerging economies represented 24% of revenue).
Western Europe remained weak despite the good performance of PGM which progressed strongly in Northern Europe, alongside excellent growth achieved this year by PRCC. In Southern Europe most of the Group's activities maintained good growth rates in Spain and Italy, with the exception of PGM which fell well behind expectations.
Latin America grew by 9% despite disappointing figures in Brazil (3.7%).
China delivers 15% growth rate, whereas India and Russia maintain growth rates above 20%.

The geographical distribution of revenues for the fourth quarter of 2007 is as follows:

(€ million)	**Revenue**		**Growth**	
	4th quarter 2007	**4th quarter 2006**	**Global**	**Organic**
Europe	535	530	0.9%	3.1%
North America	521	491	6.1%	1.1%
Asia-Pacific	142	134	6.0%	15.3%
Latin America	67	60	11.7%	11.1%
Africa and Middle East	36	36	-	6.7%
Total	**1,301**	**1,251**	**4.0%**	**4.2%**

The Groupe is able to considerably reduce the impact of economic cycles thanks to a balanced distribution of revenues between major client sectors combined with a solid account portfolio and greater exposure to fast-growing economies.



Operating margin

Group operating margin before depreciation and amortization was €888 million for 2007, an increase of 8.3% over the €820 million reported in 2006.
Exchange rates had a negative impact of €33 million.

Personnel expenses for 2007 were €2,829 million compared to €2,630 million in 2006, an increase of 7.6% over the full year, but significant progress in the second half of the year contained these costs to 60.6% of annual revenue. Excluding the impact of acquisitions and exchange rates, personnel costs represent less than 60% of revenue.
Other operating expenses increased from €936 million in 2006 to €954 million in 2007, an increase of only 1.9% despite the cost of integrating Digitas. Thanks to significant progress on cost control, the relative weight of general and commercial expenses decreased (20.4% of revenue in 2007 compared to 21.3% in 2006).
Tighter management of costs, occupation costs (savings of €12 million), a reduction in the costs of Sarbanes-Oxley compliance (a saving of €28 million) and the optimization of various running costs (savings of €13 million) boosted operating margin for the year by €38 million.

Depreciation and amortization for 2007 amounted to €109 million compared to €107 million in 2006.

Operating margin increased by 9.3% to €779 million, compared to €713 million in 2006.

The operating margin rate for full-year 2007 was 16.7%, further improving on an already high margin rate of 16.3% in 2006, and a year ahead of the target set by the Groupe. This remarkable performance, despite the significant costs incurred on the integration of Digitas, is due to the continued cost controls being applied throughout the Groupe and, to a lesser extent, by the rapid improvement in profitability at Digitas. On an unchanged consolidation scope, the operating margin rate would have been 17.1%.

There was an increase in amortization of intangibles arising on acquisitions as a result of the consolidation of acquisitions made during the year (€30 million in 2007 compared to €22 million in 2006).
An impairment of €6 million was reported, relating primarily to Fallon and a subsidiary of Médias & Régies Europe, compared to impairment of €31 million in 2006. Net non-current income was €3 million, resulting from the sale of capital assets and investments, compared to income of €29 million in 2006 (primarily the capital gain on the sale of the Saatchi & Saatchi building on the Ile de la Jatte in Neuilly). Operating income was €746 million in 2007 compared to €689 million in 2006, an increase of 8.3%.

<u>Other income statement items:</u>

The Groupe's net financial expense, consisting of the cost of net financial debt and other financial expense, amounted to €(78) million in 2007 compared to €(50) million in 2006. This increased expense is due mainly to the financing costs for the Digitas acquisition ($1.3 billion, paid at the end of January 2007).
The income tax charge for 2007 was €201 million, an effective tax rate of 30% that is consistent with the Group's objectives, compared to a charge of €192 million paid in 2006, for an effective tax rate of 30.2%.
The Group's share of income from equity-accounted companies was €9 million, as compared to €22 million in the previous year; the 2006 figure, however, included €7 million in respect of the Group's share in the income of iSe (sports marketing), compared to less than €1 million in 2007. Minority interests were €24 million compared to €26 million in 2006. In total, net income attributable to Publicis Groupe was €452 million, an increase of 2% over the figure of €443 million in 2006.

Balance sheet and cash

Simplified balance sheet

(in € million)	**December 31, 2007**	**December 31, 2006**
Other goodwill and intangibles	2,110	1,778
Goodwill Bcom3	1,631	1,755
Goodwill Digitas	631	-
Other fixed assets	662	673
Deferred and current tax assets	(116)	(116)
Working capital	(1,300)	(1,137)
Total assets	**3,618**	**2,953**
Shareholders' equity	2,198	2,080
Minority interests	27	27
	2,225	**2,107**
LT/ST provisions	556	625
Net financial debt	837	221
Total liabilities and equity	**3,618**	**2,953**
Net debt to equity ratio **(including minority interests)**	**0.38**	**0.10**

Consolidated shareholders' equity rose from €2,080 million euros at December 31, 2006 to €2,198 million at December 31, 2007.

The net change in shareholders' equity since the close of the previous financial year is an increase of €118 million. The increase is due essentially to net income for the year (€452 million), net of dividends paid (€92 million); this was partly offset by the negative impact on shareholders' equity of the buyback of treasury shares (net of sales) during the course of the year (€162 million) and of unfavorable movements in foreign exchange rates (€211 million). The acquisition of Digitas and Digitas France (formerly Business Interactif) also contributed to the increase in shareholders' equity as a result of the valuation of Digitas stock option plans in existence at the time of the acquisition (€65 million) and of the capital increase carried out in remuneration for the transfer of Digitas France shares (€65 million). Minority interests were €27 million, unchanged from December 31, 2006.

NET FINANCIAL DEBT

(in € million)	December 31, 2007	December 31, 2006
Financial debt (long and short term)	2,112	2,114
Fair value of derivatives covering exposure on net investments [(1)]	39	25
Fair value of derivatives covering exposure on intragroup loans/borrowings [(1)]	(1)	2
Cash and cash equivalents	(1,313)	(1,920)
Net financial debt	**837**	**221**

(1) Reported under "Other receivables and other current assets" and "Other creditors and other current liabilities" in the consolidated balance sheet.

Net debt rose from €221 million at December 31, 2006 to €837 million at December 31, 2007: the increase is due largely to the use of available cash to finance the acquisition of Digitas ($1.3 billion).

The ratio of net debt to shareholders' equity increased from 0.10 at December 31, 2006 to 0.38 at December 31, 2007. The Group's average net debt at December 31, 2007, was €1,207 million compared to €652 million at December 31, 2006. Without the impact of the Digitas acquisition, average net debt for 2007 would have been €461 million, an improvement of €175 million over the previous year.

Net cash flow from operating activities was €798 million at December 31, 2007, compared to €593 million for 2006. Working capital requirement decreased by €106 million compared to an increase of €21 million in 2006. Income taxes of €197 million were paid at December 31, 2007, compared to €229 million for the previous year, mainly as a result of a decrease in tax paid in the USA and a favorable euro/dollar exchange rate. Interest paid amounted to €87 million at December 31, 2007, compared to €85 million in the previous year, and interest received decreased to €51 million compared to €74 million in 2006.

Net cash flow from investments includes purchases and sales of tangible and intangible assets, net acquisitions of financial assets and acquisitions and sales of subsidiaries. The net amount of cash used for investment activities was €1,079 million at December 31, 2007, compared to €99 million in the previous year. Net investments in tangible assets were limited to €77 million compared to €48 million in 2006, which included the proceeds from the sale of the Saatchi & Saatchi building on the Ile de la Jatte. Acquisitions of subsidiaries, net of sales, represented an investment of €996 million, most of which corresponds to the net cash paid for the acquisition of Digitas (€779 million) and Business Interactif (€69 million). Other acquisitions (SAS UK, Pharmagistics, McGinn, Phonevalley, etc.), net of sales, involved payments amounting to €58 million, and earn-out and buy-out payments were also made for a total of €90 million.

Net cash flow from financing activities includes dividends paid, changes in borrowings, buybacks of treasury shares and redemption of equity warrants issued by the company. Financing transactions required €238 million in cash at December 31, 2007, compared to €350 million at December 31, 2006. The substantial requirement in 2006 was due largely to the €200 million redemption of equity warrants and a €50 million redemption of bonds (mainly the Oceane 2018, following a partial exercise of the put option by certain holders in January). Over the year to December 31, 2007, Publicis Groupe used €202 million on buying back treasury shares as part of its share buyback program (excluding the liquidity contract).

Acquisitions, net of sales carried out following the exercise of options and including sales and purchases under the liquidity contract, amounted to €162 million at December 31, 2007. Treasury shares represented 9.28% of share capital at December 31, 2007.

In total, the Groupe's cash position net of bank credit balances decreased by €601 million, mainly as a result of acquisitions (Digitas in particular) and share buybacks, compared to an increase of €5 million in the previous year.

FREE CASH FLOW

The Groupe's free cash flow (excluding changes in working capital requirement) increased sharply (+8.8%) from €565 million in 2006 to €615 million in 2007.

Free cash flow is an indicator used by the Groupe to measure liquidity arising from operating activities after accounting for investments in fixed assets but before acquisitions or sales of subsidiaries and before financing activities (including financing of working capital requirement). The following table shows the Groupe's free cash flow (excluding changes in working capital requirement).

(in € million)

	December 31, 2007	December 31, 2006 (1)
Cash flow from operating activities	798	593
Investments in fixed assets (net)	(77)	(49)
Free cash flow	**721**	**544**
Effect of changes in WCR	(106)	21
Free cash flow before changes in WCR	**615**	**565**

(1) Free cash flow (excluding changes in working capital requirement) published for the 2006 financial year amounted to €544 million. Due to the reclassification of restructuring costs paid as changes in working capital requirement and to the exclusion of changes in financial assets from investments in fixed assets, this amount was increased to €565 million.

PUBLICIS GROUPE (Parent Company of the Group)

Publicis Groupe revenue consists exclusively of building rentals and management fees for services rendered to subsidiaries of the Groupe. At December 31, 2007, revenue totaled €22 million, an amount equivalent to the revenue reported for 2006.

Financial income was €235 million at December 31, 2007, compared to €229 million in 2006.

Operating expenses were €26 million compared to €24 million in the previous year. Financial expense increased from €107 million in 2006 to €251 million in 2007. The increase is primarily due to foreign exchange losses incurred (€90 million), which were partially offset by foreign exchange gains (€56 million).
The net foreign exchange loss is thus €34 million, arising mainly from the unrealized foreign exchange loss on the loan of $977,250,000 made to MMS USA Holdings; this loss has no impact upon the Group's consolidated income statement. As of November 28, 2007, this loss is hedged by a borrowing in dollars of an equivalent amount, so that there is no further requirement to recognize a currency translation adjustment.

As a result of the above, current income before tax was (€17) million in 2007 compared to current income before tax of €123 million in 2006.
Net non-current income in 2007 was €160 million, consisting for the most part of the capital gain on the transfer of securities in Publicis USA Holdings and MMS USA Holdings to Publicis Groupe Investments (€159 million).
2006 resulted in an extraordinary net loss of €180 million, consisting of a capital loss of €200 million arising from the purchase of almost 80% of the equity warrants issued at the time of the acquisition of BCom3, partially offset by a capital gain of €20 million on the sale of the Ile de la Jatte building in Neuilly.
After accounting for a "positive" tax impact (tax credit) of €20 million arising from tax consolidation of the Group in France (compared to €17 million in 2006), net income for Publicis Groupe, the Group's parent company, was €164 million at December 31, 2007 compared to a loss of €39 million at December 31, 2006.

Recent events

2008 is off to a promising start. The Groupe has won $1.3 billion in new business since the start of the year. Leading account wins include Yoplait, L’Oréal (media buying France), Slendertone, BT, EADS and Crest.

On January 22, Publicis Groupe and Google announced their partnership project, which has been under way for over a year and is based on a shared vision of how new technologies can be used to improve advertising in a digital world. This collaboration, agreed by both partners to be non-exclusive, is a further addition to partnerships already established with leaders in the interactive media field. This pioneering approach opens the way to remarkable progress in identifying and measuring the impact of advertising campaigns, and to providing precise solutions to the specific needs of advertisers, in particular through the creation of increasingly sophisticated consumer profiles.

On January 31, Publicis Groupe announced the acquisition of leading sustainability consultancy Act Now providing an expertise allowing companies to better understand the crucial issue of sustainability across all dimensions: economic, environmental, social and cultural.

On February 7, the Groupe announced the acquisition of La Vie est Belle, a communication agency whose offer includes advertising, public relations, events marketing and online communication. La Vie est Belle will merge with Paname, and the resulting new entity will be named Publicis Full Player.

Through Zed Digital, SMG and ZenithOptimedia Group were ranked tenth and third respectively in the 2007 classification of the 450 major interactive agencies worldwide compiled by RECMA.

OUTLOOK

At the end of 2007, a year marked by the Groupe's decisive offensive into the digital world and a strengthening of its positions in China and India, the most significant factor has been a change in Groupe organization designed to maintain the flexibility increasingly necessary in a fast-changing world: consumer behavior, media landscape, technology and, of course, advertisers themselves, who are facing new challenges. And new challenges for advertisers mean new opportunities for those of us who have prepared to take on this new world.
New organizations have been introduced in support of the strategy adopted by Publicis Groupe, which is to meet advertisers' every need in a changing world, whether by enhancing the value of brands or by building upon the privileged link with consumers. What makes this possible is partly the Publicis Groupe's long history in advertising, in the art of creating the content that forges the link, but also now its ability to remain one step ahead of client needs and consumer expectations.

We move forward with confidence into a near future that is uncertain and perhaps more challenging, and at least into a period which could see certain major economies slowing down in the short term. The results for 2007 emphasize the solid basis on which the Group stands, its ability to improve on its results while winning new accounts in a turbulent climate and thereby demonstrating its resilience.
On the strength of these excellent results, Publicis Groupe feels justified in maintaining its short-term and medium-term growth targets and in looking forward to a year of significant improvements in 2008.