PUBLICIS GROUPE SA
Form 20-F
June 30, 2003

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

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

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:

Publicis Groupe S.A.

(Exact name of Registrant as specified in its charter)

N/ A	133, AVENUE DES CHAMPS-ELYSÉES 75008 PARIS France	REPUBLIC OF FRANCE
(Translation of Registrant s name into English)	*(Address of principal executive offices)*	*(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:
Ordinary shares, nominal value 0.40 per share, represented by American Depositary Shares (as evidenced by American Depositary Receipts), each American Depositary Share representing one ordinary share	The New York Stock Exchange

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: None

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: 196,081,129 ordinary shares, nominal value 0.40 per share.

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 þ No o

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

FORWARD-LOOKING STATEMENTS

We make some forward-looking statements in this annual report. When we use the words aim(s), expect(s), feel(s), will, may, believe(anticipate(s) and similar expressions in this annual report, we are intending to identify those statements as forward-looking. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. Other than in connection with applicable securities laws, we undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. We urge you to review and consider the various disclosures we make concerning the factors that may affect our business carefully, including the disclosures made under Key Information Risk Factors, Operating and Financial Review and Prospects, and Quantitative and Qualitative Disclosures About Market Risk. Unless otherwise indicated, information and statistics presented in this document regarding market trends and our market share relative to our competitors are based on our own research and various publicly available sources.

EXPLANATORY NOTE

Unless otherwise indicated, all references to our competitive positions made in this annual report are in terms of revenue generated.

The term billings, as used in this annual report, represents calculated amounts determined in accordance with common industry practices to facilitate comparison with other major companies in our industry and does not represent amounts generated from our accounting systems. The commission and fee revenues that are generated directly from our accounting systems do not permit a reliable comparison with the operations of other major companies because they exclude, notably in France following the implementation of the Loi Sapin in March 1993, purchases of media space by agents on behalf of their clients. See Information on the Company Business Overview Governmental Regulation. In addition, in some foreign countries, total purchases and sales of media space are not reflected in statements of income.

Billings are determined by taking the advertising budgets of clients and applying a coefficient (typically 6.67) corresponding to the traditional agency commission of 15%. Billings therefore reflect the volume of advertising budgets managed, independent of the contractual provisions between our company and our clients.

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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 following table sets forth selected consolidated financial data of our company and should be read in conjunction with our financial statements and the information provided under Operating and Financial Review and Prospects and Risk Factors. The selected financial data presented below have been prepared on a basis consistent with that used in our financial statements. Prior years have been restated as necessary for a consistent presentation. Our financial statements have been prepared in accordance with accounting principles generally accepted in France (French GAAP), which differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP). See note 30 to our financial statements for (i) a discussion of the principal differences between French GAAP and U.S. GAAP as they relate to us and (ii) a reconciliation to U.S. GAAP of our net income and shareholders equity as calculated under French GAAP. The selected consolidated financial data for each of the five years ended December 31, 1998 to 2002 have been extracted or derived from our audited financial statements, which were translated into euros using the fixed exchange rate for French francs and euros on January 1, 1999.

Since January 1, 2000, our financial statements have been prepared in conformity with new accounting rules applicable to consolidated financial statements in France *(nouvelles règles et méthodes relatives aux comptes consolidés)*. The new rules, issued by the French accounting rules and regulation committee (the *Comité de Réglementation Comptable*), were approved on June 22, 1999 and became effective on January 1, 2000. The new rules differ from the rules previously applied in terms of accounting for business combinations, deferred income taxes, assets under capital leases, conversion of French financial statements of foreign subsidiaries and exchange rate differences on accounts receivable and payable stated in foreign currencies. In accordance with the new rules, we have elected not to restate retroactively our accounting for business combinations and disposals completed in prior years.

	Year Ended December 31,				
	2002(4)	**2001**	**2000(3)**	**1999**	**1998(2)**
	(In Millions of Euros, Except Per Share Data)				
Income Statement Data					
Revenue(5)	2,926	2,434	1,770	1,042	851
Amounts in accordance with French GAAP					
Operating income	429	342	275	156	116
Group net income	147	151	128	74	47
Basic earnings per share(1)	0.99	1.09	1.18	0.85	0.59
Diluted earnings per share(1)	0.97	1.08	1.15	0.84	0.56
Dividends per share	0.24	0.22	0.20	0.17	0.12
Amounts in accordance with U.S. GAAP					
Group net income	(14)	(647)	34	73	
Operating income (loss)	352	(466)	185	138	
Basic earnings per share(1)	(0.10)	(4.76)	0.31	0.84	
Diluted earnings per share(1)	(0.10)	(4.76)	0.31	0.83	

	Year Ended December 31,				
	2002(4)	**2001**	**2000(3)**	**1999**	**1998(2)**
	(In Millions of Euros, Except Per Share Data)				
Balance Sheet Data					
Amounts in accordance with French GAAP					
Tangible and intangible assets, net	4,637	1,618	1,303	437	383
Total assets	10,978	4,896	4,130	2,077	1,604
Bank borrowings and overdrafts (short- and long-term)	2,762	1,069	901	212	124
Shareholders equity	1,501	283	299	345	314
Amounts in accordance with U.S. GAAP					
Tangible and intangible assets, net	8,253	3,813	4,273	674	
Total assets	14,367	6,955	7,100	2,323	
Bank borrowings and overdrafts (short- and long-term)	3,540	1,052	901	217	
Shareholders equity	3,846	1,890	2,622	580	

(1) Per share data have been adjusted to reflect the 10-for-1 stock split that occurred on August 29, 2000.

(2) Amounts have been restated from French francs into euros at the official exchange rate of 1 = FF 6.55957 (see Exchange Rate Information).

(3) 2000 amounts include the operations of Saatchi & Saatchi for the period between the acquisition date in September 2000 through December 31, 2000.

(4) 2002 amounts include the operations of Bcom3 Group, Inc. for the period between the acquisition date in September 2002 through December 31, 2002.

(5) Revenue under U.S. GAAP is higher by 43 million due to our adoption of EITF Issue No. 01-14, Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred effective January 1, 2002. See note 30 to our financial statements for further information.

EXCHANGE RATE INFORMATION

Under the provisions of the Treaty on European Union negotiated at Maastricht in 1991 and signed by the then 11 member states of the European Union in early 1992, a European Monetary Union, known as EMU, was implemented on January 1, 1999 and a single European currency, known as the euro, was introduced. As of December 31, 2002, the following 12 member states participated in EMU and had adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Greece. The legal rate of conversion between the French franc and the euro was fixed on December 31, 1998 at 1.00 = FF 6.55957, and we have translated French francs into euros at that rate.

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 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.

The following table shows the French franc/U.S. dollar exchange rate for 1998 based on the noon buying rate expressed in French francs per $1.00, and the euro/U.S. dollar exchange rate for 1999 through June 26, 2003 based on the noon buying rate expressed in euros per dollar. For information regarding the effect of currency fluctuations on our results of operations, see Operating and Financial Review and Prospects.

	Period End	Average Rate(1)	High	Low
Euro/U.S. Dollar				
June 2003 (through June 26)	1.16	1.17	1.19	1.15
May 2003	1.18	1.16	1.19	1.13
April 2003	1.12	1.09	1.12	1.06
March 2003	1.09	1.08	1.11	1.05
February 2003	1.08	1.08	1.09	1.07
January 2003	1.08	1.06	1.09	1.03
December 2002	1.05	0.95	1.65	0.86
2002	0.95	0.98	1.01	0.95
2001	0.89	0.89	0.95	0.84
2000	0.94	0.92	1.03	0.83
1999	1.01	1.06	1.18	1.00
French Franc/U.S. Dollar				
1998	0.18	0.17	0.18	0.16

(1) For yearly totals, the average of the noon buying rates for French francs or euros, as the case may be, on the last business day of each month during the relevant period.

RISK FACTORS

You should carefully consider the risk factors described below in addition to the other information presented in this annual report.

We may have difficulty competing in the highly competitive advertising and communications industry

The advertising and communications industry is highly competitive, and we expect it to remain so. Our competitors in the advertising and communications business run the gamut from large multinational marketing and communications companies to smaller agencies that operate only in local or regional markets. New competitors also include systems integrators, database marketing and modeling companies and telemarketers 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. Some clients require us to compete for business at mandatory periodic intervals. Client conflicts and reorganizations within our company can, from time to time, give our competitors opportunities to seek business from our clients.

We believe that large multinational companies will increasingly seek to consolidate their accounts with a limited number of organizations that can satisfy their marketing and communications needs worldwide. This trend is likely to require companies seeking to compete effectively in the international advertising and communications industry to provide a comprehensive range of advertising and communications services. In some markets, some of our competitors may be able to provide services more comprehensively than we can at present.

We may be adversely affected by unfavorable economic conditions in the markets in which we operate

The advertising and communications industry is subject to downturns corresponding to those in general economic conditions and changes in client business and marketing budgets. Because some clients have responded, and may respond in the future, to general economic downturns by reducing their marketing budgets in order to meet earnings goals, downturns can be more severe in the advertising and communications industry than in other industries. For this reason, our prospects, business, financial condition and results of operations may be materially adversely affected by continuing unfavorable general economic conditions, or a further downturn in those conditions, in one or more markets and related changes in clients marketing budgets.

We may not be successful in identifying appropriate acquisition candidates or investment opportunities, completing acquisitions or investments on satisfactory terms or integrating newly acquired companies

Our business strategy includes enhancing the range of our existing advertising and communications capabilities. We intend to implement this strategy in part by making acquisitions and other investments. We may not be successful in identifying appropriate acquisition candidates or investment opportunities or consummating acquisitions or investments on terms satisfactory to us. In addition, we may not succeed in integrating any newly acquired companies into our existing operations in a way that produces the synergies or other benefits we hope to achieve. Furthermore, we may use our shares as consideration in future acquisitions and investments, which could result in dilution to existing shareholders.

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

We conduct business in various 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 in many of these countries can be vague, arbitrary, contradictory, inconsistently administered and retroactively applied. It is therefore difficult for us to determine with certainty at all times the exact requirements of these laws. If we are deemed not to be in compliance with applicable laws in developing countries in which we conduct business, our prospects, business and results of operations could be harmed, and our financial condition could be weakened.

We are exposed to potential liabilities, including liabilities arising from allegations that our clients advertising claims are false or misleading or that our clients products are defective

From time to time, we may be, or may be joined as, a defendant in litigation brought against our clients by third parties, including our clients competitors, governmental or regulatory authorities or consumers. These actions could involve claims alleging that:

advertising claims made with respect to our clients products or services are false, deceptive or misleading;

our clients products are defective or injurious; or

marketing and communications materials created for our clients infringe on the proprietary rights of third parties.

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 and are not indemnified for them by clients. In addition, our contracts with clients generally require us to indemnify clients for claims brought by competitors or others claiming that our advertisements or other communications infringe upon their intellectual property rights.

Our ability to maintain our competitive position depends on retaining the services of our management and attracting and retaining other key employees

The loss of the services of key members of our management could harm our business and results of operations. In addition, our success has been, and is expected to continue to be, highly dependent upon the skills of our creative, research, media and account personnel and practice group specialists, and their relationships with our clients. If we are unable to continue to attract and retain additional key personnel, or if we are unable to retain and motivate our existing key personnel, our prospects, business, financial condition and results of operations could be materially adversely affected.

We receive a significant percentage of our revenues from large clients

A significant reduction in the advertising and communications spending by, or the loss of one or more of, our largest clients could weaken our financial condition and cause our business and results of operations to suffer. Our major clients may not continue to use our services to the same extent, or at all, in the future. Clients can typically cancel contracts with their advertising agencies on 90 to 180 days notice. In addition, clients generally are able to reduce advertising and communications spending or cancel projects at any time for any reason.

Currency exchange rate fluctuations may negatively affect our financial results, the price of our shares and the value of dividends received by holders of our American Depositary Shares

We hold assets and liabilities, earn income and pay expenses of our subsidiaries in a variety of currencies. Our 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. To the extent this has a negative effect on our financial condition as presented in our financial statements, it could cause the price of our shares to decline. Conversely, if the relative value of the euro to the U.S. dollar declines, the U.S. dollar equivalent of cash dividends paid in euros on our American Depositary Shares (ADSs) will decline as well.

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 could have anti-takeover effects

French law requires any person who acquires more than 5%, 10%, 20%, one-third, one-half or two-thirds of our outstanding shares or voting rights to inform us within 15 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 this requirement 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* provide double voting rights for shares owned by the same 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 provision of our *statuts* that gives double voting rights to shares owned by the same shareholder in registered form for at least two years, we estimate that at least 28% of the voting power of our company is held by descendants of Marcel Bleustein-Blanchet, our founder, and our directors and senior employees.

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, 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 United States.

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 1938, pursuant to the French commercial code, for a term of 99 years. Our registered office is located at 133, avenue des Champs-Elysées, 75008 Paris, France, and the phone number of that office is 33 1 44 43 70 00.

Historical Background

Our company was founded in 1926 by Marcel Bleustein-Blanchet, known as the father of modern advertising in France and the David Ogilvy of French advertising because of his drive for innovation, his creativity in developing successful campaigns for clients and the new standards of excellence he set. Among his early innovations was the use of radio for advertising: in 1934, due to a ban on advertising on France s government-owned radio stations, he created Radio Cité, the country s first private station. He launched Régie Presse, a subsidiary dedicated to the sale of advertising space in the press, in 1937.

When the Second World War began, Mr. Bleustein-Blanchet decided to shut down both our company and Radio Cité. We reopened in 1946 and won our first major post-war client, Colgate Palmolive, a year later. Through Régie Presse, we also expanded into the sale of media space in mass transit systems. Realizing the importance of monitoring consumer habits and expectations, Mr. Bleustein-Blanchet established a market research unit as part of our company. Our expansion continued in the 1940 s and 50 s in other ways as well. Nestlé became a client in 1952; Shell joined us in 1954. We moved our headquarters to its current location on the Champs-Elysées in Paris in 1957.

Our reputation for innovation was strengthened in 1968 when we created the first television advertising campaign in France. Also in 1968, we provided communications advice to Saint Gobain in its successful defense of a hostile takeover attempt by BSN, the first hostile takeover bid in French business history. Clients won in the 1960 s included Renault and L Oréal.

We became a public company in 1970. 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, purchasing the Intermarco network in the Netherlands (with offices in Belgium, Germany, Scandinavia, Italy and Spain) and Farner in Switzerland (with offices in Germany and Austria). By 1974, we were present in 14 European countries. We made our first inroads in interactive communications in this period with the founding of SGIP, since renamed Publicis Technology. Our current chief executive officer, Maurice Lévy, joined our company in 1971 and became chief operating officer of Publicis Conseil in 1976. In 1978, our European expansion continued through our acquisition of the McCormick agency, a well-known U.K. firm.

In 1981, we opened our first New York office. In 1984, we regrouped our network, then present in 23 countries, under the Publicis name. We founded our media buying subsidiary Optimedia in 1987, and it began operations in France, the United Kingdom and Switzerland. Also in 1987, Maurice Lévy became our chief executive officer and president of our management board. We entered into a major strategic alliance with U.S.-based Foote, Cone & Belding Communications (FCB) in 1988. We merged our operations in Europe with those of FCB, thus becoming the leading advertising network in Europe. We managed the combined

European operations, making substantial investments in developing them, particularly in Spain and Italy. Through FCB, we also raised our profile among corporations in the United States. In 1989, we began expanding into eastern Europe. The same year, we won Whirlpool s worldwide account and launched a European direct marketing network, since renamed Publicis Dialog.

Our expansion accelerated in the 1990 s. We created BMZ, a new network operating in Germany, France, the United Kingdom, Belgium, the Netherlands and Italy, in 1992. The next year we acquired FCA, the fourth largest communications group in France. We then merged FCA and BMZ to create FCA!BMZ, a subsidiary with operations in 12 European countries. In 1994, we merged our New York office with Bloom, a U.S. subsidiary of FCA, as part of an effort to further increase our presence in the United States. Coca-Cola became a client in 1994. We discontinued our alliance with FCB in 1995 due to strategic divergences with its parent company, True North Communications, Inc.

Mr. Bleustein-Blanchet died in 1996, and Elisabeth Badinter, Mr. Bleustein-Blanchet s daughter, succeeded him as chair of the supervisory board.

We began our expansion outside of Europe and the United States in 1996, acquiring operations in Mexico, Brazil and Canada. Over the next three years, we built an impressive international network with a string of acquisitions in eastern Europe, the Middle East, Latin America and the Asia/ Pacific region. We also expanded in the United States during this period, acquiring Hal Riney & Partners and EvansGroup in 1998 and a 49% interest in Burrell Communications in 1999. At the beginning of 2000, we had operations in 130 locations in 76 countries and ranked tenth worldwide among communications groups. (Unless otherwise indicated, all references to our competitive positions made in this annual report are in terms of revenue generated.)

The last three years have been marked by a further acceleration of our expansion strategy. We acquired all of the controlling interests in a number of major U.S. agencies in 2000, including the Fallon Group, Frankel & Company, DeWitt Media and Winner & Associates, thus becoming a major competitor in the U.S. market. We dramatically increased the size of our operations in 2000 with the acquisition of Saatchi & Saatchi plc, with its network of operations across 82 countries. In addition, in 2000 we became one of the world s leading healthcare communications companies as a result of our acquisition of Nelson Communications. Reflecting our increasingly international focus, our shares, represented by ADSs, began trading on the New York Stock Exchange in 2000.

In 2001, we created the world s third-largest media consultancy and buying group by combining our wholly owned subsidiary Optimedia with Zenith Media, a firm we held jointly with Cordiant Communications Group plc. Upon completion of the transaction, we held a 75% interest in the resulting entity, the ZenithOptimedia Group. In addition, we acquired, among others, the Triangle Group in the United Kingdom and Sanchez & Levitan in the United States.

In September 2002, we acquired Bcom3 Group, Inc., creating the fourth-largest advertising and communications firm in the world, with annual revenue in 2002 of approximately $4.8 billion (including Bcom3 for the full year) generated by some 35,700 employees. The combined company is the largest advertising and communications company in Europe and one of the largest in the United States. The merger also created the world s largest media consultancy and media buying firm in terms of billings (according to Recma), combining the ZenithOptimedia Group with Starcom MediaVest. We believe that adding Bcom3 s renowned advertising and communications agencies which include Leo Burnett, Manning Selvage & Lee, Medicus and Bartle Bogle Hegarty and its other operations to our existing networks will yield a number of significant benefits, including a substantial improvement in our ability to provide premier advertising and communications services to clients on a worldwide basis.

The merger also opened the way for a long-term strategic partnership with Dentsu, Inc., the number one communications group in Japan and Asia as a whole, and formerly a Bcom3 shareholder. The agreement with Dentsu has three components: a strategic partnership, a shareholders agreement between Dentsu and our company, and a shareholders agreement between Dentsu and Ms. Elisabeth Badinter. The unique strategic partnership between our company and Dentsu is designed to offer our clients privileged access to the Japanese market, in particular in the area of media buying and consultancy. We are today the only communications group in the world providing clients with media-purchasing services spanning the whole world including Japan. In addition, we expect to become the favored international network for the Japanese clients of Dentsu outside Asia. This strategic partnership should enable both us and Dentsu to identify added opportunities for new business, an example being the Hewlett-Packard account won in Japan at the end of 2002. Our agreement also calls for the joint development of some international operations, particularly in the area of sports marketing where Dentsu is the world leader. A sports marketing agency has also been set up jointly by Dentsu (45%), Publicis (45%) and SportsMondial (10%) and began operating under the name iSe International Sports and Entertainment AG in early 2003.

The financial terms of the agreement under which Dentsu has taken an equity interest in our group are, we believe, an added assurance of success for our partnership. Dentsu currently holds 15% of our voting rights and has undertaken to hold its interest for ten years. We thus have a common commitment and interest in the development of our business. At the same time, the shareholders agreement with Elisabeth Badinter provides a sound basis to preserve the special structure and culture of our group as a family business with worldwide reach. As a result of the agreement, Mr. Narita and Mr. Oshima of Dentsu joined our supervisory board.

Our shareholders agreement with Dentsu provides, among other things, that so long as Dentsu owns not less than 10% of our outstanding shares, we will present to our shareholders resolutions appointing two Dentsu nominees as members of our supervisory board. In addition, the agreement subjects Dentsu to a standstill provision that limits its voting power in our company to 15% until 2012. Dentsu is prohibited from transferring any of the shares of our company it holds until 2012, after which transfers will be allowed on a limited basis.

The foregoing agreements are incorporated by reference in this annual report, and qualified in their entirety by the full text of the agreements, which are attached as exhibits to this annual report.

PRINCIPAL CAPITAL EXPENDITURES AND DIVESTITURES

As a result of our strategy of global expansion, our principal capital expenditures since the beginning of 2000 have been associated with acquisitions of other advertising and communications firms. Saatchi & Saatchi was acquired in exchange for our shares, and therefore did not require any capital expenditure as such. Several of our other 2000 acquisitions, however, did involve capital expenditures, including our acquisitions of all of or controlling interests in:

Fallon, a prestigious U.S. advertising agency;

Frankel, a leader in marketing services in the United States;

DeWitt Media, an agency that specializes in consulting and media buying;

Winner & Associates, a U.S.-based public relations agency;

Nelson Communications, one of the largest healthcare advertising firms in the United States (90% of the consideration for which consisted of our treasury shares); and

Publicistas Asociados, Peru s biggest advertising agency.

We invested a total of 541 million (net of disposals and not including equity consideration) in making these acquisitions. We also invested in interactive communications by forming Publicis.Net. Other investments came to 148 million, including 106 million of investments in fixed assets and 34 million spent in repurchasing our shares.

Our capital expenditures in 2001 included our acquisitions of all of or controlling interests in:

Fisch.Maier.Direkt, Switzerland s leading direct marketing firm;

Carré Noir, one of the best design agencies in France;

FusionDM in San Francisco, a large independent customer relationship management agency since merged with Publicis Dialog;

Creative AIM, a U.S. grassroots marketing agency;

Sanchez & Levitan, among the largest agencies in the United States focused on the rapidly-growing Hispanic community; and

The Triangle Group, the largest independent sales promotion group in the United Kingdom.

We invested a total of 77 million in making these expansion-related investments. We invested an additional 102 million in other property, plant and equipment (net of disposals), and spent 120 million repurchasing our own shares.

In 2002, our largest acquisition, Bcom3, was made in exchange for shares and other securities and therefore did not require any capital expenditures as such. Excluding Bcom3, we made only a limited number of acquisitions in keeping with our strategy. Several other acquisitions did involve capital expenditures, including:

Gravitas, a Japanese relationship marketing agency specializing in marketing services and public relations;

Johnston & Associates, a U.S. lobbying firm;

Direct n More, a direct marketing agency in Austria;

Magnesium, a Belgian marketing services specialist;

Média Publics, a French firm engaged in developing sales incentives and related programs;

Sales Story and *Stella*, two relationship marketing companies;

ECA2, a French events marketing company; and

Vau Sluis Consultants, a Dutch public relations agency.

These acquisitions involved capital expenditures of approximately 75 million in total. We invested an additional 64 million in other property, plant and equipment (net of disposals), and spent 180 million repurchasing our own shares. For information concerning our level of ownership in the foregoing acquired agencies, and our other subsidiaries as of December 31, 2002, see note 29 to our financial statements. We also spent 196 million to redeem the CVRs issued in connection with our acquisition of Saatchi & Saatchi.

We have made no material divestitures since the beginning of 2000. On December 18, 2001, we issued 200 million principal amount of notes that will, in 2003, become exchangeable under certain circumstances for 4,885,950 shares of stock we own in the Interpublic Group of Companies, Inc. See Operating and Financial Review and Prospects.

There have been no public takeover offers by third parties in respect of our shares since January 1, 2002, 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

Our merger with Bcom3, which was announced on March 7, 2002, was completed on September 24, 2002. The transaction created the world s fourth largest advertising group and its largest in media buying and consultancy. In connection with the Bcom3 transaction, we entered into a long-term strategic partnership with Dentsu, the number-one communications group in Japan and Asia as whole. We believe that these transactions will allow us to offer advertisers an unprecedented range of choice through networks with highly diversified market positioning, creative styles and cultural origins.

We provide services primarily in the following areas:

Traditional advertising services. We provide traditional advertising services primarily through the Publicis Worldwide, Saatchi & Saatchi Worldwide and Leo Burnett Worldwide networks. We also

conduct our traditional advertising operations through smaller units such as Fallon Worldwide and our 49% interest in Bartle Bogle Hegarty, a U.K.-based agency. We generated approximately 56% of our 2002 revenue through these activities.

Specialized agencies and marketing services. We provide specialized communications services such as public relations, corporate and financial communications, direct marketing, sales promotion, interactive communications and design (collectively referred to as SAMS) through subsidiaries including Nelson Communications, Frankel, Publicis Dialog, Publicis Consultants, the Triangle Group, Manning Salvage & Lee, Medicus Group and ARC. Some of these businesses generally act in conjunction with one of our advertising networks while others operate independently. In 2002, approximately 25% of our revenue came from the provision of SAMS services.

Media Operations. We conduct media buying operations through the ZenithOptimedia Group and Starcom MediaVest Group. Our media sales activities are conducted through Médias & Régies Europe. Approximately 19% of our 2002 revenue were generated by these operations.

Clients

We provide advertising and communications services to national and multinational clients around the world. In 2002, approximately 45% of our revenue came from globally-managed accounts (i.e., those for which we provide services in five or more countries). We generated the remaining 55% from local clients of our subsidiaries around the world. This client mix, we believe, is advantageous in that locally-managed clients are often more profitable and tend to be focused on the discrete markets in which they operate, therefore diversifying our exposure to fluctuations in general market conditions. Locally-managed clients also give us an opportunity to take advantage of, and add to, our intimate knowledge of national and local cultures and business environments and to raise our profile in local markets. No one client accounted for more than 8% of our total revenue in 2002. The following chart lists our largest clients in 2002:

Publicis Worldwide	
Allied Domecq	Procter & Gamble
Carrefour	Renault
Club Med	Siemens
Coca-Cola	Roche
Ericsson	Tefal
Hewlett-Packard/ Compaq	UBS
L Oréal	Whirlpool
Nestlé	
Saatchi & Saatchi Worldwide	
AstraZeneca	Johnson & Johnson
DuPont	Procter & Gamble
Essilor	Pharmacia Upjohn
Diageo	Toyota/ Lexus
General Mills	Visa International
Leo Burnett Worldwide	
Allstate	Morgan Stanley
Bristol Myers Squibb	Nintendo
Fiat	Procter & Gamble
General Motors	Philip Morris
Hallmark	Philips
Kellogg s	U.S. Army
McDonald s	Walt Disney

ZenithOptimedia	
Allied Domecq	Nestlé
British Airways	Rover
Darden	Schering Plough
Hewlett-Packard/ Compaq	Siemens
Kingfisher	Toyota/ Lexus
General Mills	Verizon
L Oréal	

Starcom MediaVest	
Coca-Cola	McDonald s
Diageo	Procter & Gamble
Fiat	Philip Morris
General Motors	U.S. Army
Kellogg s	Walt Disney

Strategy

With our acquisition of Saatchi & Saatchi in 2000, we became a world leader in the advertising and communications industry in terms of geographical presence, array of services and flexibility. The acquisition of Bcom3 and our partnership with Dentsu increased our presence in major markets around the world even further and put us in the top tier of advertising and communications groups worldwide. Our overall priority now is to take advantage of the synergies created by our acquisitions by increasing on a country-by-country basis the scope of services we provide to clients, particularly services for which demand is growing rapidly. We also intend to continue pursuing our strategy of making selected acquisitions to round out our geographical presence and service offerings. The main components of our strategy are to:

Expand our SAMS operations specialized agencies and marketing services

We currently have a number of operations that complement our traditional advertising services by providing direct marketing, sales promotion, design, corporate communications, financial communications, interactive communications and public relations services. Demand for these services from our traditional advertising clients is growing; in addition, providing them helps us to build and maintain a holistic relationship between us and our clients. Demand is also growing rapidly for specialized communications services such as those directed at particular ethnic groups (in particular, African-American and Hispanic communities in the United States), healthcare communications and human resources communications. We intend to take advantage of these trends by growing our existing SAMS operations and by making selective acquisitions.

Make selective acquisitions to achieve critical mass in other selected markets

We rank among the top five 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. In some countries, however, we have only limited operations, and acquisitions may be required in order for us to reach a position of market leadership. In addition, we believe that our extensive international experience gives us a competitive advantage in pursuing opportunities for growth in emerging economies. For these reasons, we intend to seek acquisition candidates in selected markets around the world in order to expand into promising new markets and, where necessary, to enhance our competitive positions.

Financial Targets

We believe that pursuing the strategy outlined above, and continuing the process of integrating our operations with those of acquired companies, will allow us to enhance our profitability and maximize shareholder value significantly over the near term. Our primary financial goal is to achieve in the second half of the 2003 fiscal year a 15% margin in terms of EBITA over revenue (earnings before interest, taxes and amortization of goodwill), as calculated under French GAAP. We believe that we can achieve this goal primarily through an integration program that will include a rationalization of our headquarters and legal organizations, the development of shared admin