HALF-YEAR FINANCIAL REPORT

for the six months ended June 30, 2018

This english language version of the 2018 Half-year financial report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

PUBLICIS
GROUPE

SUMMARY

MESSAGE FROM CHAIRMAN & CEO

“First half of 2018 was a busy but very productive period for Publicis Groupe. We focused on three main objectives directly in line with our three-year transformation plan, Sprint To The Future.

First, we have set the financial conditions to deliver our full year 2018 targets of organic growth and margin expansion. First half organic growth was slightly negative as in 2017, but with an improvement in North America which turned positive. This is an encouraging sign as this is where our new model is the most advanced. We saw a slowdown from our good first quarter of +1.6% to a second quarter at –2.1%, mostly due to two conjunctural challenges – tougher basis of comparison and uncertainty relating to GDPR implementation impacting our net revenue in Europe – but also to one specific operational bump with our volatile health sales representatives business in the US. This bump represents the biggest share of our negative growth as the overall impact of our Publicis Health business was around euro 30 million.

Despite the environment, we showed a 60 basis points margin improvement and 40 basis points on a comparable basis at constant restructuring charges. This 40 basis points expansion actually includes +70 basis points thanks to cost savings and investment in our game changers representing 30 basis points. These reflect two important points: first, we are making progress in delivering on our efficiency plan, demonstrating our ability to reduce costs while providing more high value products and services to our clients. Second, we are investing in our key strategic capabilities to build the growth of the future.

Overall, our first half financial results, combined with our impressive new business wins that will start ramping up in the second half, make us confident to deliver our full year objective of improving growth and margin *versus* 2017.

Our second objective was to accelerate our transformation by scaling up our new model connecting data, creativity and technology to accelerate our organic growth.

During this semester, we continued to develop our global practices and simplify our structure in the countries where we operate and the way we work with our clients. We are on track and sometimes ahead on all the KPIs we communicated during the Investor Day in March 2018.

We are actually experiencing very high growth, above 25%, in what will be the core of our offer in the future: our strategic game changers, namely data, dynamic creativity and digital business transformation.

Being at the core of our client transformation has made us win like never before with our existing clients and in new business, be it globally with Daimler, Campbell’s and Marriott, or locally with McDonald’s, Macy’s and Nestlé. The momentum is continuing in Q3, and only in July, we announced the wins of Lenovo media globally, P&G Shopper in the UK and Nestlé in the US.

I reiterate, if necessary, that our market has been facing major challenges and transformation has become a necessity for all. Initiatives we launched very early and acquisitions we made are bearing fruits: we are able to overcome unavoidable budget cuts and changes in marketing plans thanks to our assets and our organization that position us in the most competitive way possible.

Our third objective was to increase shareholder value to make sure we reward our shareholders for the trust they put in our transformation journey. During this semester, we were able to deliver strong financial results, beyond organic growth. We improved margin significantly, headline EPS went up 13% at constant currency, and our financial situation is stronger with a net debt reduction of almost 1 billion euros over the last 12 months.

No doubt, during H1, we have set the foundations to deliver our full year objectives and even more importantly our three years transformation plan. It will not be an easy journey as we must transform ourselves while facing some strong market headwinds. There could be some unexpected bumps in the road like the one we just experienced in the health sector. But we have an outstanding team, unmatched capabilities in data, creativity and technology and a proven winning model that make us very confident for the future.”

Arthur Sadoun

Chairman & CEO

CHAPTER

1
Interim management report

Publicis Groupe's Supervisory Board met on July 18, 2018, under the chairmanship of Maurice Lévy, to examine the half-year accounts at June 30, 2018, presented by Arthur Sadoun, Chairman of the Management Board and Chief Executive Officer.

KEY FIGURES

(in millions of euros, except data per share and percentages)	**H1 2018(1) after IFRS 16**	**H1 2018 before IFRS 16**	**H1 2017**	**2018 (before IFRS 16) *vs.* 2017**
Data from the Income statement:				
Net revenue(2)	4,280	4,280	4,664	–8.2%
Pass-through revenue	445	445	457	
Revenue(2)	4,725	4,725	5,121	
Operating margin before Depreciation & Amortization	882	683	719	
% of Net revenue	*20.6%*	*16.0%*	*15.4%*	
Operating margin	617	611	638	–4.2%
% of Net revenue	*14.4%*	*14.3%*	*13.7%*	
Operating income	458	452	604	
Group net income	301	313	387	–19.1%
Earnings Per Share	1.33	1.38	1.72	
Headline EPS, diluted(3)	1.89	1.94	1.89	+2.6%
Free Cash Flow before changes in working capital requirements	500	499	594	
Data from the Balance sheet	**June 30, 2018(1) after IFRS 16**	**June 30, 2018 before IFRS 16**	**December. 31, 2017**	
Total assets	24,591	22,833	23,780	
Groupe share of Shareholders' equity	6,155	6,157	5,956	
Net debt (net cash)	1,044	1,136	727	

(1) Accounts as of June 30, 2018 have been established applying IFRS 16 accounting standard (use of prospective method).
(2) Under IFRS 15 on revenue recognition, in force since January 1, 2018, comparative data from the previous period have been restated. Revenue is equal to Net revenue after reintegration of billable costs.
(3) Net income attributable to the Group after elimination of impairment charge/ real estate consolidation charge, amortization of intangibles arising on acquisitions, main capital gains (losses) on disposals and revaluation of earn-out costs, divided by the average number of shares on a diluted basis.

According to the IMF, global economic growth should accelerate very moderately to +3.9% in 2018. In general, growth rates in emerging economies continue to be twice those of advanced economies. However, the first half-year saw an economic slowdown begin in the euro zone, the UK, Japan and China. Only the USA seems to be faring well, with growth expected to reach 2.7% over the full year. This can probably be ascribed to the so-called "Trump effect", which redistributed purchasing power to households, and more importantly to corporate America, by lowering taxation. The slowdown in the euro zone was due to the rise in oil prices as well as political uncertainties (Brexit, the institutional crisis in Italy, Angela Merkel's difficulties in forming a coalition government, etc.) and the saturation of production capacity in Germany. In the UK, growth was adversely affected by the first signs of a downturn in the property market and the decline in automotive sales.

In the USA, growth is still accelerating, rising to +2.8% in Q1 2018 after +2.6% in Q4 2017. Growth should stand at +2.7% over the full year 2018, *i.e.* well above the growth rates of Europe and Japan. Consumption remains very robust and companies have benefitted from tax cuts – S&P500 companies are expected to see their profits grow by 20% in 2018 – which should encourage them to invest. The taxation of Chinese imports into the USA, and of US exports to China, should reduce trade and have a negative impact on growth.

In the euro zone, growth slowed in the first half of the year. The economy reached the top of its cycle in the last quarter of 2017. The German locomotive is running out of steam, with GDP growth slowing considerably to +2.3% in Q1 2018 after +2.9% in Q4 2017. Germany's growth was also affected by the saturation of production capacity and Chancellor Merkel's difficulties forming a coalition government. In France, the situation is similar with growth of +2.8% in Q4 2017 falling to +2.2% in Q1 2018 due to the rise in oil prices, the strengthening of the euro (over the last 12 months) and the prevailing political and geopolitical climate (Trump, Brexit, Italy's institutional crisis) that ultimately weighs on household and corporate consumption and investment decisions.

In the UK, the slowdown has been confirmed. GDP growth in the first quarter was a mere +1.2%, making it the weakest quarter in six years. The automotive market has reversed its trend and the property market is showing signs of a sharp slowdown, with prices even dropping in London. Inflation, which is higher than elsewhere in Europe, is undermining household purchasing power as salaries remain stable.

In China, the economy is also slowing. Between March and May 2018, household expenditure fell by 1.6% in China. Industrial production was also down, leading monetary authorities to reduce the percentage legal reserves in the banking sector in order to stimulate the economy.

In its forecast update of June 2018, Zenith maintained its estimation of relatively sustained annual growth of advertising media investment at +4.5% for 2018, compared with its forecast of +4.6% in March 2018. By region, it expects North America to grow by 3.3% (*versus* 3.4% in March), thanks once again to the momentum of online advertising (+13%) which it expects to account for 39% of the media spend in 2018. Television should remain virtually stable at –0.4%. Western Europe can expect slightly lower growth (+2.3%) than previously anticipated (+2.6% in March), as expectations are revised downwards due to the weakening of growth in the UK (+0.7% *versus* the previous forecast of +2.2%). The forecast for Western Europe confirms expectations of a slowdown by comparison with 2017 (when growth was +3%) despite the benefits of the soccer World Cup in Russia and because of the impact of Brexit on the UK. Advertising media investments in the UK rose by 5.0% in 2017. France is forecast to grow by 2.7%, compared with +2.5% in Germany (*versus* +2.3% previously), +1.5% in Italy and +2.5% in Spain. The Asia Pacific region is forecast at +6.1%, with notable growth levels in China (8.3%) and India (12.6%). Latin America is now forecast to grow by 4.9% (*versus* the previous forecast of 4.4%). Growth in Brazil is expected at 6.5%, after being revised upwards from 4.0%.

It should be noted that, unless otherwise specified, the following comments are based on Income statement and Balance sheet data before application of IFRS 16.

Publicis Groupe's consolidated net revenue at June 30, 2018 was euro 4,280 million, down 8.2% from 4,664 million for the corresponding period in 2017. At constant exchange rates, growth was –0.5%, while organic growth stood at –0.4% for the first half of 2018.

The digital revolution has substantially changed relationships with the media and consumers, but also brings numerous growth opportunities to Publicis Groupe and its clients. This is the context in which Publicis Groupe is accelerating its transformation and intends to be the vital partner clients need to transform their marketing and operations. The Group has taken steps to renew growth while keeping costs under strict control. In a low-growth economic environment, Publicis Groupe is more than ever focused on solid operating margins and its ability to generate cash flow. The reorganization announced in December 2015 is aimed at a more efficient cost structure that eliminates replication. A number of cost optimization programs have either been scheduled or launched with a view to simplifying structures as the Group rolls out its reorganization, achieving productivity gains, improving the margins of entities that have been under-performing, working on improving productivity, as well as the continued regionalization of the Shared Services Centers (SSCs). The ERP roll-out, which began in France in July 2014, was completed in early 2017. The purpose of these optimization programs is to boost the Group's competitiveness while freeing up the resources needed to invest in growth, especially in the fields of Data, Dynamic Creativity and Digital Business Transformation.

The Operating margin totaled euro 611 million, *i.e*. a decrease of 4.2% but a 5.6 % increase at constant exchange rates. The operating margin rate was 14.3%, up 60 basis points over 2017. At constant restructuring costs and on a comparable basis (*i.e*. 2017 with the same scope of consolidation and exchange rates as 2018), the operating margin progressed by 40 basis points.

Net income attributable to the Group stood at euro 313 million – after a euro 107 million provision for restructuring related to the real estate program "All in one" commenced in early 2018 – compared with 387 million in H1 2017.

Headline EPS (diluted) rose 2.6% to 1.94 euro. At constant exchange rates, headline EPS (diluted) increased by 12.8%.

At June 30, 2018, the balance sheet carried Net debt of euro 1,136 million after Net debt of euro 727 million at December 31, 2017. Average net debt was euro 1,405 million over the first six months of 2018, compared with average net debt of euro 1,993 million over the corresponding period in 2017.

When IFRS 16 is applied, for consolidated net revenue of euro 4,280 million (*i.e*. the same level as before application of IFRS 16), the Operating margin in H1 2018 was euro 617 million, representing a margin rate of 14.4%. Net income attributable to the Group was a profit of euro 301 million, and headline EPS (diluted) reached 1.89 euro. At June 30, 2018, the balance sheet carried Net debt of euro 1,044 million.

Sprint To The Future

On March 20, 2018, Publicis Groupe presented its strategy and execution plan named Sprint To The Future. Since 2014 and the acquisition of Sapient, Publicis Groupe has undertaken a deep transformation and is now uniquely positioned thanks to three key differentiation points:

1. The vision: the technology provided by Publicis.Sapient gives the Group the expertise to combine marketing and digital business transformation, connected with data. Thanks to its unparalleled assets, Publicis Groupe is able to engage with both Chief Marketing Officers (CMOs) and Chief Information Officers (CIOs), to help clients transform marketing and business at scale to face disruptive digital challenges.

2. The model: The Power of One gathers all the capabilities of the Group under one roof, putting clients at the core of its organization. This has led to the deployment of Global Client Leaders (GCLs) and the implementation of the country model under one leader and a unified executive team drawing from all the expertise of the Group to break down silos and improve efficiency.
3. The governance: the Group has successfully completed its management succession and has reinforced its decision-making committees, with a strong focus on the execution of strategy.

I. Bring to every client what will make them win in the future: one-to-one consumer engagement at scale

Clients are facing numerous challenges: a low-growth environment, huge pressure on costs, and a lack of trust in their brands. New consumer behavior and the disruptive impact of digital on media make it harder than ever for consumers to engage with brands. Successful new brands are adopting a direct-to-consumer strategy from the start, thus laying down a challenge to traditional market leaders. In this context, interactivity with consumers at each point along their journey continues to be the Holy Grail for advertisers, and each of the Group's clients will increasingly need to build one-to-one consumer engagement at scale. These challenges were the starting point of Publicis Groupe's transformation and the Group can now propose one-to-one consumer engagement at scale as marketing and digital business transformation converge to connect data, content and technology in a multichannel world.

To do so, Publicis Groupe has three strategic game changers:

- its new platform, the Publicis People Cloud, fed by individual IDs built by the Group thanks to its expertise in data. This platform offers clients the possibility of making better marketing and business decisions;
- dynamic creativity and the ability to generate creative new content while adapting it to each individual at every step of the consumer journey. Creative ideas can now include personalized content;
- Publicis Groupe's expertise in digital business transformation enables it to help transform its clients' business models and adapt to this new digital world.

Additionally, Publicis Groupe has the unique ability to integrate these three strategic game changers through its organization, thus making its value proposition unparalleled and truly compelling.

II. A sprint to accelerate the Group's transformation

Bringing one-to-one consumer engagement at scale to all clients requires an organizational shift to become a platform. By leveraging The Power of One, Publicis Groupe will accelerate its transformation with a six-point plan of action to be carried out by 2020.

1. Global Client Leaders. They steer the relationship with clients through a single P&L per client and seamless access to the Group's capabilities. Publicis Groupe has already appointed 35 GCLs representing one-third of the Group's revenue. The plan is to appoint 100 GCLs representing over 50% of the Group's revenue by 2020.
2. Country model. The country model is the right organization to best serve clients by breaking down silos, while focusing on delivery and managing resources efficiently. The first results of this country model, which currently represents 36% of the Group's revenue, are very promising. Within the next three years, this model will be expanded to all regions in which the Group operates.
3. Development of the strategic game changers. Publicis Groupe has the assets to provide marketing transformation and digital business transformation at scale. These assets will be enhanced through three initiatives:
   - bringing all Group data capabilities onto the same platform,
   - creating six centers of excellence in Dynamic Creativity,
   - creating industry practices around digital business transformation based on a vertical sectoral approach.

Today, data, dynamic creativity and digital business transformation represent 16% of the revenue generated with Publicis Groupe's Top 100 clients. In 2020, they should represent 30% of this revenue and 70% of the Group's total growth.

4. Global delivery. Publicis Groupe has implemented a delivery model by grouping execution and production capabilities in India, Columbia, Costa Rica and Mauritius. This organization will be further developed by increasing the headcount of these delivery centers from 8,700 to 13,000 by 2020, and by reorganizing expertise to deliver data, analytics, technology, content and digital production seamlessly to all the Group's agencies.
5. Marcel. Publicis Groupe has already announced the creation of Marcel, a platform that will reinvent the way talent works in the future, by connecting all of its 80,000 employees. This platform is much more than a tool, it is a new way to work, share, learn and create at the service of the Group's clients and talent. By 2020, 90% of the Group's employees will be connected.
6. Investment. Last but not least, to increase the power of its new model, Publicis is investing in its strategic expertise.
   - the Group's talent will be the priority with hiring, training, development and re-skilling amounting to euro 300 million over 2018-2020,
   - dedicated capex for Marcel, People Cloud and automation totaling euro 100 million over 3 years,
   - bolt-on acquisitions in the fields of data, dynamic creativity and digital business transformation that should reach 300 to 500 million euro per year between 2018 and 2020.

III. Deliver greater shareholder value while transforming, through accelerated organic growth and higher percentage margins

The Group aims to deliver greater value to shareholders through accelerated growth of its Headline diluted EPS over 2018-2020, by the following three means:

- accelerated organic growth;
- enhanced margins;
- bolt-on acquisitions.

Stronger financial performance will position Publicis Groupe as the market leader in marketing and business transformation.

The objective is to post an accelerated organic growth rate over 2018-2020, with the aim of rising to +4% in 2020, *i.e.* an additional euro 900 million in revenue over the next three years. This acceleration is expected to come from 1) revenue generated by the three strategic game changers amounting to euro 650 million from the Top 100 clients, and 2) revenue resulting from cross-selling to existing clients as well as new business with new clients totaling euro 600 million. These two sources should more than offset the euro 350 million downturn in revenue from more mature businesses.

Publicis Groupe also aims to increase its percentage operating margin by 30 to 50 basis points every year up to 2020. This includes a euro 450 million cost savings plan that is fully aligned with the Group's strategy. These savings rigorously target specific components of the cost based:

1. rightsizing of the mature businesses;
2. capacity and planning;
3. shared services;
4. country support functions;
5. real estate;
6. external spend.

A dedicated execution plan has been set up, with a governance team, a leader for each workstream and a sponsor from the Group's Executive Committee.

This cost savings plan is aimed at financing a euro 300 million operational investment plan over 2018-2020 that will support the growth coming from the strategic game changers. These investments will be dedicated to the Group's talent through hiring, training, development and re-skilling.

For its own transformation, Publicis Groupe needs to expand its capabilities in data, dynamic creativity and digital business transformation. The Group also plans to make a number of bolt-on acquisitions that could amount to between euro 300 and 500 million per annum over 2018-2020. The contribution of these acquisitions to future earnings will enhance the Group's Headline diluted EPS growth over the period. Publicis Groupe will add further shareholder value through a share buyback program, should the amount spent on acquisitions be at the lower end of the above-mentioned investment bracket.

Publicis Groupe aims to deliver 5% to 10% annual growth of its Headline diluted EPS, ramping up over the next three years, at constant exchange rates, thanks to continuous improvement of its organic growth, margin expansion and the contributions that acquisitions will make to earnings.

Free Cash Flow generation is expected to remain strong and Publicis Groupe's balance sheet will remain solid. With a pay-out ratio of some 45%, dividend growth is due to accelerate over the next three years.

In a challenged market characterized by low growth and pressure on costs, Publicis Groupe wants to show its progress at every step of the journey with a new set of indicators that can be followed both internally and externally.

The go-to-market strategy bringing together data, content and technology, is aligned with clients' needs and will benefit from the three strategic game changers. Three KPIs have been introduced to demonstrate the strength of these game changers and the scale achieved with the Top 100 clients:

1. the revenue they generate;
2. the share they represent with the Top 100 clients; and
3. their share of the Group's growth.

To execute on this new model while managing resources better, Publicis Groupe will accelerate its transformation into a platform. The indicators will therefore be 1) the number of GCLs to strengthen the relationship with top clients, 2) the percentage of revenue coming from the country model, and 3) the headcount of the delivery platforms. The improvements this new organization will bring to resource management should be tracked by means of the six levers of the efficiency plan.

In terms of investment, the priority is to bring on Board the people and capabilities to deliver the expected growth. As a result, implementation of the investment plan to scale the game changers will be closely monitored. This will reflect the Group's ability to attract new profiles but also to enable its talent to evolve with the new strategic game changers.

With these KPIs, Publicis Groupe will be able to improve its performance while managing its resources better. These indicators will be published every six months until the end of 2020. They will also be used internally on a day-to-day basis as levers for further improvement across the Board.

The initial results are promising. Revenue generated by the strategic game changers rose above 25% over the first six months of 2018, thus confirming the relevance of the Group's strategic choices. Net revenue generated by the Top 100 clients amounted to euro 450 million, representing 18% of the Group's Net revenue.

At June 30, Publicis Groupe had appointed 46 Global Client Leaders, compared with 35 at year-end 2017 and a target of 100 by 2020. The goal of having 100% of Net revenue organized under the "country model" was reached by the end of the first half year, with an organization articulated around eight key markets, *i.e.* France, UK, DACH (Germany, Austria and Switzerland), Central & Northern Europe, Southern Europe, North America, Latin America, Asia Pacific, and Middle East and Africa. This organization will accelerate the Groupe's growth and the implementation of its productivity gains.

Headcount on the global delivery platforms reached 9,100 by the end of June, compared with 8,700 at year-end 2017.

All the Groupe's energy is focused on the execution of its strategy with a view to delivering greater value to its clients, people and shareholders. A dedicated incentive plan, fully aligned with the financial objectives of the strategic plan, will be implemented for the group of executives entrusted with the execution of this plan.

GROUPE CSR POLICY

The Group continued to be mobilized around its CSR priorities throughout the first half of 2018.

Concerning its Talents and in the area of diversity and inclusion, the Group signed up to the United Nations' Women Empowerment Principles (WEP) in early 2018. The aim is to foster equality between men and women in general and to report on progress in the workplace with regard to career paths, equal pay, promotion and access to positions of responsibility. The Group's statistics show that we have improved but still have room for improvement concerning creative and technology leadership positions.

These corporate commitments publicly reaffirm the Group's long-standing determination concerning equality, diversity and inclusion, as well as its intention to share this determination inside and outside the Group through joint undertakings alongside our clients and partners.

Our in-house affinity networks such as *VivaWomen!* (gender equality) or *Egalité* (LGBT) continued to develop with endeavors in an ever-increasing number of cities and countries.

In May 2018, the Women's Forum for the Economy and Society held a forum in Toronto that attracted several thousand participants, and then issued a seven-point manifesto for the attention of G7 governments on the necessary acceleration of gender equality. The Women's Forum will meet again in Singapore on September 12 to 14 before its Global Meeting in Paris from November 14 to 16 on the theme of "Bridging humanity for inclusive progress".

In the Group's internal strategic plan "Sprint for the future", an overview of the Group's training program was presented internally in May 2018, with various sections aimed at facilitating the Group's internal transformation and supporting programs for personnel.

Concerning its Clients, the Group's main focus is to contribute to their transformation through the threefold concept of "creation and content, data, technology". More than ever before, commitments to responsible marketing are fundamental and the objective of the "Alliance for Inclusive & Multicultural Marketing" (AIMM) – that Publicis Groupe has now joined in the USA – is to work towards a form of marketing that is more inclusive and more representative of all communities, thereby acting against discrimination and in favor of real inclusion. This comes in the wake of the Groupe's involvement in "Unstereotype Alliance" (under the auspices of UN Women) to act against gender stereotyping.

In the field of responsible purchasing, the Groupe is redeploying, as announced, its plan to assess and monitor its global and local suppliers, using various internal and external means. This is part of the plan of action drawn up subsequent to the French law on Duty of Care.

In the field of Ethics, implementation of the European General Data Protection Regulation (GDPR) is a core project. At the end of the international training program for managers and operational staff in the various Solutions Hubs and countries, project leaders and internal contact persons were appointed to implement and monitor this project at various levels. The project is managed by the Group Legal Affairs Department, by the Chief Data Privacy Officer, in conjunction with other key functions such as the Group's Chief Security Officer.

At local level, the Group takes part in inter-professional initiatives to reinforce good practices, for instance, the Digital Ad Trust in France, which is coordinated by IAB France and aims to promote the quality of advertising content and practices on responsible websites and applications.

Concerning Society, within the broader context of the international sectoral operation known as Common Ground, the UN initiative promoting Sustainable Development Goals (SDGs), Publicis Groupe continues to mobilize staff via its One Table project around SDG2 (Fight against Hunger), encouraging agencies to steer their efforts in this direction through *pro bono* campaigns and volunteer work. Despite the intensive internal transformation on-going in the Group, staff remains involved and continues to support a series of causes of public interest and local community projects.

Finally, with regard to the Environment, the "Consume Less – Consume Better" policy – which is now aligned with the goals of the EU 2030 Climate and Energy Package and has been adjusted thanks to various Group departments such as Real Estate, IT, or General Services – has begun to be shared internally in various countries, bearing in mind that this is a long-term undertaking that concerns all Group employees in their daily lives.

Everything done in the field of CSR by the Group and its agencies is publicly available via the CSR section of the Group's website, and a summary of all CSR data can be found under CSR Smart data.

ACQUISITIONS AND DISPOSALS

Publicis Groupe completed the disposal of Genedigi in the second quarter of 2018.

ANALYSIS OF THE FINANCIAL SITUATION AND RESULT

It should be noted that, unless otherwise specified, the following comments are based on Income statement and Balance sheet data before application of IFRS 16.

IFRS 15 on Revenue recognition

Publicis Groupe has applied IFRS 15, the accounting standard on revenue recognition, since it became effective on January 1, 2018. The 2017 financial statements have therefore been restated for the purposes of comparison with revenue since the standard came into force. This accounting standard increases IFRS revenue insofar as certain costs re-billed directly to clients are excluded from revenue. These costs mainly concern production activities as well as various expenses incumbent on clients.

In this context, as the items that can be re-billed to clients do not come within the scope of assessment of operations, Publicis Groupe has decided to use a different indicator, *i.e*. Net Revenue , which is a more relevant indicator to measure the operational performance of the Group's activities.

The table below provides a detailed account of revenue reported for 2017 before the impact of IFRS 15, as well as the 2017 figures restated after applying IFRS 15, *i.e*. Net revenue and Revenue.

(in millions of euros)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	**2017**
PRE-IFRS 15					
Reported revenue	2,328	2,515	2,264	2,583	9,690
POST-IFRS 15					
Net revenue	**2,267**	**2,397**	**2,185**	**2,483**	**9,332**
+ Pass-through revenue	222	235	206	251	914
= IFRS revenue	2,489	2,632	2,391	2,734	10,246

IFRS 16 on Lease accounting

Publicis has decided to early adopt IFRS 16 accounting standard as of January 1, 2018.

This accounting standard considers all lease contracts under a single model by which a lease contract is accounted for as a liability (discounted future payments), and a right of use is accounted for as an asset. The right of use asset will be amortized over the period of the lease contract.

Contracts committed by Publicis for which this accounting standard applies, are:

- mainly, real-estate leases: Publicis is a tenant of the offices in most cities where the Group operates;
- and to a lesser extent, outdoor activities: the Groupe has committed to advertising contract concessions in its advertising sales activity where minimum guarantees apply, as well as vehicles and IT hardware leases.

Publicis has retained the "prospective method" allowed by the accounting standard by which the cumulative effect of the standard will be accounted for as an adjustment to the opening equity, considering the "right-of-use" asset equals the amount of the lease commitment, adjusted for rents paid in advance. The 2017 consolidated income statement will not be restated. The Group will communicate 2018 half-year and full-year results including IFRS 16 and will provide those financial items excluding IFRS 16.

Simplified consolidated income statement

(in millions of euros)	**H1 2018[1] after IFRS 16**	H1 2018 before IFRS 16	H1 2017[2]	2018 (before IFRS 16) *vs.* 2017)
Net revenue	**4,280**	**4,280**	**4,664**	**−8.2%**
Pass-through revenue	445	445	457	
Revenue	**4,725**	**4,725**	**5,121**	
Personnel costs	(2,834)	(2,834)	(3,095)	
Other operating costs	(1,009)	(1,208)	(1,307)	
Operating margin before Depreciation & Amortization	**882**	**683**	**719**	**−5.0%**
Depreciation & Amortization	(265)	(72)	(81)	
Operating margin	**617**	**611**	**638**	**−4.2%**
Percentage operating margin (% of Net revenue)	*14.4%*	*14.3%*	*13.7%*	
Amortization of intangibles arising from acquisitions	(34)	(34)	(35)	
Impairment charge and real estate transformation expense	(107)	(107)	0	
Other non-recurring income (expense)	(18)	(18)	1	
Operating income	**458**	**452**	**604**	**−25.2%**
Financial income (expense)	(36)	(13)	(38)	
Revaluation of earn-out	(11)	(11)	(22)	
Income tax	(109)	(114)	(151)	
Share of profit of Associates	1	1	(2)	
Minority interests	(2)	(2)	(4)	
GROUP NET INCOME	**301**	**313**	**387**	**−19.1%**

(1) Accounts as of June 30, 2018 have been established applying IFRS 16 accounting standard (use of prospective method).
(2) For comparative purposes and in accordance with IFRS, 2017 figures have been restated to reflect the implementation of IFRS 15.

Net revenue in Q2

Publicis Groupe's Net revenue in Q2 2018 was euro 2,198 million, *i.e.* an 8.3% decline from euro 2,397 million in 2017. At constant exchange rates, growth was −2.4% after inclusion of the adverse effects of exchange rates (euro 145 million negative impact, *i.e.* −6.0%). Net acquisitions contributed a negative euro 5 million to Net revenue in Q2 2018 following the deconsolidation of Genedigi from January 1, 2018.

Organic growth was −2.1% in Q2 2018. This is a slowdown by comparison with the +1.6% organic growth recorded in Q1 2018, and was due to the strong comparable period in 2017, especially in North America, which proved difficult to outperform. The Group has yet to record the benefits of accounts awarded in the first quarter, which will only contribute to organic growth from Q3 2018 onwards. Furthermore, organic growth was affected by the coming into effect of GDPR (General Data Protection Regulation) in Europe which caused several campaigns to be temporarily suspended at the initiative of clients but also at the initiative of Publicis due to uncertainties about obtaining consumer consent via the websites on which these campaigns are rolled out. Mention should also be made of the difficulties encountered in the healthcare sector, notably concerning the activities of Contract Sales Organizations (see paragraph below).

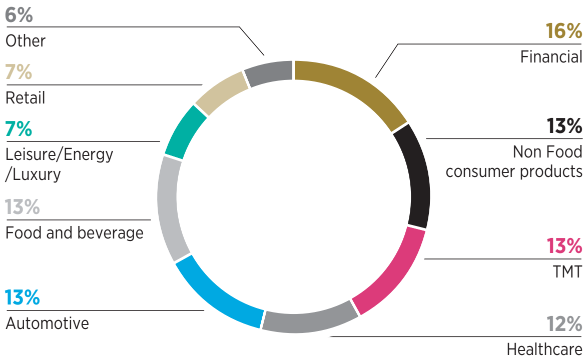
Q2 2018 Net revenue by region

(in millions of euros)	Net revenue Q2 2018	Net revenue Q2 2017	Organic growth	Reported growth
Europe	641	670	−3.6%	−4.3%
North America	1,179	1,300	−2.3%	−9.3%
Asia Pacific	224	261	−2.1%	−14.2%
Latin America	86	96	+7.2%	−10.4%
Middle East & Africa	68	70	+4.5%	−2.9%
TOTAL	**2,198**	**2,397**	**−2.1%**	**−8.3%**

Net revenue in H1

Publicis Groupe's Net revenue in H1 2018 was euro 4,280 million, down 8.2% from euro 4,664 million in H1 2017. At constant exchange rates, growth was −0.5% after inclusion of the negative impact of exchange rates (euro 362 million negative impact or −7.8%). Net acquisitions contributed a negative euro 6 million to Net revenue in H1 2018 following the deconsolidation of Genedigi from January 1, 2018, while organic growth was −0.4% in H1 2018.

BREAKDOWN OF NET REVENUE IN H1 2018 BY CLIENT SECTOR



The health sector is undergoing radical transformation everywhere in the world. At a time when medical research and sales have moved on from the blockbuster era to an era of more specialized therapies, it has become necessary to adapt the marketing and propose measures that target patients and prescribers much more specifically. In this context, Publicis Groupe's offering – which revolves around data, dynamic creativity and digital business transformation – is aligned with these needs.

Beyond creative and media activities, Publicis Health has a very distinctive positioning in the healthcare communications sector with Publicis Health Solutions (PHS), which services CSOs (Contract Sales Organization), a business that does not exist in other healthcare communications networks and whose competitors are mainly specialized in outsourcing. By its very nature, this business is highly volatile and developments in the healthcare sector have led to last-minute adjustments by clients, leading to the postponement or even the cancellation of campaigns.

Publicis Health saw its revenue fall in the first half of the year, essentially in its outsourcing business, PHS. Publicis Health is determined to provide its clients with the best possible offering. This will entail investments in consulting, data and technology in order to continue providing its clients with cutting-edge expertise for their digital transformation. The Group will continue to review all opportunities in order to generate as much value as possible from all its operations, for the benefit of all its stakeholders.

Net revenue in H1 by region

First half 2018 Net revenue by region

(in millions of euros)	Net revenue H1 2018	Net revenue H1 2017	Organic growth	Reported growth
Europe	1,255	1,289	–1.7%	–2.6%
North America	2,321	2,574	+0.1%	–9.8%
Asia Pacific	423	499	–3.3%	–15.2%
Latin America	158	173	+9.1%	–8.7%
Middle East & Africa	123	129	+4.6%	–4.7%
TOTAL	**4,280**	**4,664**	**–0.4%**	**–8.2%**

Europe posted negative growth of –2.6%. With acquisitions and exchange rates factored out, organic growth stood at –1.7%. In addition to the loss of a few accounts, this weak growth should be seen in the perspective of a difficult comparable period as growth in H1 2017 was +4.3%. Furthermore, there were the induced effects of the GDPR (General Data Protection Regulation) in Europe which caused several campaigns to be temporarily suspended at the initiative of clients but also at the initiative of Publicis due to uncertainties about obtaining consumer consent via the websites on which these campaigns are rolled out. Given this general context, among the main markets mention should be made of the good performance of the UK (+1.7%, including +2.2% in Q2) and the sharp decline in Germany (-8.3%) where the comparable period in 2017 saw particularly strong growth.

North America achieved organic growth of +0.1% in H1 2018, shored up by accounts won in 2017 (including McDonald's, Diesel, Lionsgate, Molson Coors and Southwest). The region is affected by the difficulties encountered by Publicis Health which saw its Net revenue decline by some euro 30 million during the first six months of 2018. Given the impact of exchange rates, North America's revenue fell by 9.8% compared with 2017.

Asia Pacific saw its Net revenue decline by 15.2% and its organic growth drop 3.3% over the period. This negative performance is largely attributable to Australia (-10.8%) which has been impacted by the expiry of the Qantas call center management contract. China posted satisfactory growth, returning to positive territory (+0.4%) despite the impact of accounts lost. Singapore saw its Net revenue rise by +6.3%.

Latin America reported Net revenue down 8.7% but organic growth of +9.1%. In Brazil, Net revenue progressed by 7.6% thanks to the gain of the Petrobras and Bradesco accounts. Mexico continued to record sustained growth at +9.7%.

The Middle East & Africa reported a decline of 4.7% but organic growth of +4.6% driven by South Africa (+11.1%) and the United Arab Emirates (+6.2%).

It should be noted that, unless otherwise specified, the following comments are based on Income statement and Balance sheet data before application of IFRS 16.

Operating margin & Operating income

Personnel costs totaled euro 2,834 million at June 30, 2018, down 8.4% from euro 3,095 million in 2017. Fixed personnel costs amounted to euro 2,507 million, *i.e.* 58.6% of Net revenue *versus* 58.7% in 2017. Freelancers costs were down to euro 187 million in 2018, after 199 million in 2017. Restructuring costs totaled euro 36 million in 2018 (down from euro 52 million in 2017) as the Group reorganizes around The Power of One which increasingly integrated structures and activities. Numerous investments (organization by country, development of production platforms, on-going regionalization of the Shared Services Centers, as well as various technological developments) will all help improve operational efficiency.

Other operating costs (excluding Depreciation & Amortization) amounted to euro 1,208 million, compared with euro 1,307 million in 2017. When pass-through costs are factored out, these costs stand at 17.8% of Net revenue (*versus* 18.2% in 2017).

The **Operating margin before depreciation and amortization** was euro 683 million in H1 2018, down 5.0% from euro 719 million in 2017, *i.e.* a percentage margin of 16.0% of Net revenue (vs. 15.4% in 2017).

Depreciation & Amortization for the period amounted to euro 72 million, down 11.1% by comparison with H1 2017.

The **Operating margin** totaled euro 611 million, *i.e.* a 4.2% decrease from euro 638 million in 2017. At constant exchange rates, the Operating margin rose by 5.6 %. The percentage operating margin was 14.3%, up 60 basis points over 2017. At constant exchange rates and scope of consolidation, the increase was 70 basis points. This improvement was due to the downswing in restructuring costs (for 30 basis points) and to the impact of the cost savings program over the last 18 months (for 70 basis points), though the benefits of the cost savings program were partly offset by investments made to support future growth through the game changers (for 30 basis points).

By region, the operating margin was 12.2% in Europe, 17.3% in North America, 9.7% in Asia Pacific, 8.2% in Latin America and 1.6 % in the Middle East & Africa.

Amortization of intangibles arising on acquisitions totaled euro 34 million in H1 2018, *versus* euro 35 million in 2017. Impairment – Real estate consolidation totaled euro 107 million that was mainly due to real estate restructuring costs incurred by our real estate program "All in One" commenced in early 2018. In addition, non-current income and expense was a charge of euro 18 million (compared with an income of euro 1 million in H1 2017) which corresponds to euro 17 million of capital loss for Genedigi before the sale of this entity was completed at the start of April 2018.

Operating income totaled euro 452 million in H1 2018, after 604 million in H1 2017.

Other Income statement items

Financial income (expense), comprised of the cost of net debt and Other financial income and expenses, amounted to an expense of euro 13 million in H1 2018, down from an expense of euro 38 million for the corresponding period in 2017. The cost of net debt was euro 15 million in H1 2018, after euro 32 million in 2017. Other financial income and expenses netted out at income of euro 2 million after an expense of euro 6 million in 2017.

The revaluation of earn-out payments amounted to an expense of euro 11 million in H1 2018, down from an expense of 22 million in 2017.

Income tax for the period was euro 114 million, stemming from the application of a forecast effective tax rate of 25.9% for 2018, after euro 151 million in H1 2017, corresponding to a forecast effective tax rate of 26.7%.

The Associates' share of profit was 1 million euro, compared with a loss of 2 million in H1 2017. Minority interests totaled 2 million in H1 2018 after 4 million in 2017.

Overall, Net income attributable to the Group amounted to euro 313 million at June 30, 2018, *versus* euro 387 million at June 30, 2017.

After application of IFRS 16, the Operating margin was euro 617 million and the percentage margin was 14.4%. By region, the percentage margins were 12.4% in Europe, 17.4% in North America, 9.9% in Asia Pacific, 8.2% in Latin America and 1.6% in the Middle East & Africa.

The Operating income amounted to euro 458 million in H1 2018.

Financial income (expense) netted out to an expense of euro 36 million and includes a leasing expense of euro 29 million.

Income tax amounted to euro 109 million, after application of a forecast effective tax rate of 25.9% for 2018.

Overall, Net income attributable to the Group stands at euro 301 million at June 30, 2018.

Balance sheet and cash flow statement

Simplified Balance sheet

(in millions of euros)	**June 30, 2018[(1)] after IFRS 16**	**June 30, 2018 before IFRS 16**	**December 31, 2017[(2)]**
Goodwill (net)	8,563	8,563	8,450
Other intangibles (net)	1,119	1,119	1,124
Right-of-use assets (net)	1,777	0	0
Other fixed assets (net)	823	842	824
Current and deferred taxes	(367)	(371)	(400)
Working capital requirements	(1,982)	(2,088)	(2,661)
Assets held for sale (net)	0	0	46
TOTAL ASSETS	**9,933**	**8,065**	**7,383**
Shareholders' equity	6,155	6,157	5,956
Minority interests	(1)	(1)	2
Total shareholders' equity	***6,154***	***6,156***	***5,958***
Long– and short-term provisions	704	773	698
Net debt	1,044	1,136	727
Lease obligations	2,031	0	0
TOTAL LIABILITIES	**9,933**	**8,065**	**7,383**

(1) The accounts as at June 30, 2018 are with the IFRS 16 accounting standard (use of the prospective method).
(2) For comparative purposes and in accordance with IFRS, 2017 figures have been restated to reflect the implementation of IFRS 15.

The Group's share of consolidated shareholders' equity rose from euro 5,956 million at December 31, 2017 to euro 6,157 million (before IFRS 16) at June 30, 2018. After IFRS 16, they totaled euro 6,155 million.

Minority interests totaled euro (1) million, after euro 2 million at December 31, 2017.

Net financial debt

(in millions of euros)	June 30, 2018[1] after IFRS 16	June 30, 2018 before IFRS 16	December 31, 2017
Financial debt (long– and short-term)	2,869	2,961	3,130
Fair value of derivatives hedging the 2021 et 2024 Eurobonds[2]	2	2	(10)
Impairment of derivatives hedging the medium-term syndicated loan[2]	(5)	(5)	(3)
Fair value of derivatives hedging intra-group loans and borrowings[2]	(10)	(10)	17
TOTAL FINANCIAL DEBT INCLUDING MARKET VALUE OF THE ASSOCIATED DERIVATIVES	**2,856**	**2,948**	**3,134**
Cash and cash equivalents	(1,812)	(1,812)	(2,407)
NET FINANCIAL DEBT	**1,044**	**1,136**	**727**
DEBT / EQUITY RATIO (INCL. MINORITY INTERESTS)	**0.17**	**0.18**	**0.12**

(1) The accounts as at June 30, 2018 are with the IFRS 16 accounting standard (use of the prospective method).
(2) Carried on the consolidated balance sheet under "Other receivables and current assets" and/or under "Other payables and current liabilities".

Net debt totaled euro 1,136 million at June 30, 2018 (i.e. debt / equity ratio of 0.18) compared with euro 727 million at December 31, 2017 (ratio of 0.12), before IFRS 16. The Group's average net debt was euro 1,405 million in H1 2018 before IFRS 16 compared with euro 1,993 million in H1 2017. After IFRS 16, Net debt totaled euro 1,044 million at June 30, 2018 (i.e. debt / equity ratio of 0.17) and the average net debt was euro 1,317 million.

Cash Flow (after IFRS 16)

Net cash flow from operations resulted in an outflow of euro 119 million in H1 2018, after an outflow of euro 382 million for the corresponding period in 2017 (after reclassification of interest expense under Financing operations). Income tax paid amounted to euro 149 million in H1 2018, up from euro 115 million in H1 2017. Working capital requirements deteriorated by euro 890 million, after a deterioration of euro 1,013 million in 2017.

Net cash flow from investments includes acquisitions and disposals of tangible and intangible fixed assets, net acquisitions of financial assets and acquisitions and disposals of subsidiaries. Net cash flow from investing activities had used up euro 163 million at June 30, 2018, after an outflow of euro 217 million during the corresponding period in 2017. Net investments in fixed assets (tangible and intangible) totaled euro 86 million, after 37 million in 2017. Net investment in the acquisition of subsidiaries amounted to euro 66 million compared with euro 174 million in H1 2017.

Financing operations represented an outflow of euro 353 million at June 30, 2018, after an outflow of euro 312 million the previous year. The 2018 outflow was mainly due to debt redemption for euro 178 million and lease payments for euro 175 million. In H1 2017, the outflow was mainly due to the purchase of shares under the share buyback contract entered into in early 2017 for a total of five million shares.

Interest paid, net of interest received, totaled euro 10 million in the first half of 2018, compared with 0 in the first half of 2017.

Overall, the Group's cash position, net of credit balances on bank accounts, decreased by euro 600 million in H1 2018, after a decrease of euro 1,077 million in H1 2017.

Including lines of credit that can be drawn down on short notice, the Group's available liquidities amounted to euro 4,491 million at June 30, 2018 after euro 5,085 million at December 31, 2017.

Free Cash Flow

This indicator is used by the Group to measure liquidity generated by the operating activities after investments in fixed assets, but before acquisitions and disposals of equity interests and before financing (including the funding of working capital requirements).

The Group's free cash flow, before application of IFRS 16 and excluding variations in working capital requirements, decreased by 16% compared with the previous period to stand at euro 499 million. At constant exchange rates, it fell 8%. This decline was due to higher capex and the higher level of tax paid. Investments rose to euro 86 million *versus* euro 37 million in the first half of 2017. The increase in H1 2018 includes investments made under the “All in One” real estate program. Income tax paid rose from euro 115 million in H1 2017 to euro 149 million in H1 2018. Also, while the Group received a tax refund in H1 2017, the first half of 2018 marked the first payment of the toll charge (payment spread over an eight-year period). After application of IFRS 16, free cash flow amounted to euro 500 million.

The table below shows how the Group’s free cash flow was calculated (before variations in working capital requirements).

(in millions of euros)	H1 2018[1] after IFRS 16	H1 2018 before IFRS 16	H1 2017	2018 before IFRS 16 *vs.* 2017
Operating margin before Depreciation & Amortization	**882**	**683**	**719**	**(36)**
Financial interest paid	(13)	(19)	(26)	7
Financial income received	32	32	26	6
Refunding of lease commitments and related interest	(175)	0	0	0
Interest paid on lease obligations	(29)	0	0	0
Income tax paid	(149)	(149)	(115)	(34)
Other	38	38	27	11
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS	**586**	**585**	**631**	**(46)**
Investments in fixed assets (net)	(86)	(86)	(37)	(49)
FREE CASH FLOW BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS	**500**	**499**	**594**	**(95)**

(1) For comparative purposes and in accordance with IFRS, 2017 figures have been restated to reflect the implementation of IFRS 15.

Note:

In the consolidated financial statements, under IFRS 16, the refunding of lease commitments, interest paid on lease obligations and financial interest paid and received are now classified under financial flows (rather than cash flow from operating activities as had previously been the case). At this point in time, the Group does not wish to modify its definition of free cash flow.

Related party transactions

There has been no material change in related party transactions since December 31, 2017.

Publicis Groupe (Group parent company)

Publicis Groupe revenue is entirely comprised of rental income on real estate and fees for services to the Group’s subsidiaries.

Operating income totaled euro 28 million in the first half-year after 27 million for the corresponding period in 2017. Financial income amounted to euro 113 million at June 30, 2018, compared with euro 130 million for the previous period. This downturn was mainly due to the decline in dividends received from the subsidiaries (euro 54 million in H1 2018 *versus* euro 72 million in H1 2017).

Operating expenses for the period amounted to euro 31 million at June 30, 2018, up from 18 million in the first half of 2017. Financial expenses totaled euro 70 million at June 30, 2018, compared with 74 million a year beforehand.

Pre-tax profit from recurring operations was euro 40 million in H1 2018, after a profit of euro 65 million for the corresponding period in 2017.

After inclusion of a seven-million euro income tax credit resulting from tax consolidation in France, Publicis Groupe, the Group’s parent company, posted a profit of euro 47 million at June 30, 2018 after a profit of euro 69 million at June 30, 2017.

OUTLOOK

Publicis Groupe remains focused on its three priorities: to deliver the financial results announced each year, to accelerate its transformation by developing its model at scale, and to create value for its shareholders throughout this period. The first half-year 2018 produced a marked improvement of our percentage operating margin, double-digit growth (at constant exchange rates) of headline EPS and a bolstering of our financial situation. Accounts awarded in the first half-year should generate higher organic growth than in 2017. As for the Group's margin, major cost savings will be pursued and part of the savings achieved will be reinvested to pave the way for sustained future growth. Overall, the margin should progress in 2018.

In the longer term, Publicis Groupe intends to deliver greater value to shareholders by accelerating the growth of its headline diluted EPS over 2018-2020, using three levers:

- accelerated organic growth;
- improved margins;
- bolt-on acquisitions.

The objective is to accelerate organic growth in 2018-2020 with the ambition of achieving +4% by 2020.

Publicis Groupe is also aiming to increase its percentage operating margin by 30 to 50 basis points a year until 2020. This objective includes a euro 450 million cost savings plan fully aligned with the Group's strategy. This cost savings plan will serve to fund a euro 300 million operational investment plan spanning 2018-2020, a plan that is primarily dedicated to the Group's talent through hiring, training, development and re-skilling.

Publicis Groupe is targeting 5% to 10% annual growth of its headline diluted EPS, ramping up over the next three years, at constant exchange rates, through continuous enhancement of its organic growth, improved margins and the contribution of acquisitions to earnings.

Free cash flow generation is expected to remain strong and the balance sheet will remain solid. With a payout ratio in the region of 45%, dividend growth can be expected to accelerate over the next three years.

This enhanced financial performance will place Publicis Groupe at the forefront of the market in marketing and business transformation.

CHAPTER

2
Consolidated interim financial statements ended June 30, 2018

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Notes	**June 30, 2018 (6 months)[1]**	June 30, 2017 (6 months)[2]	December 31, 2017 (12 months)[2]
NET REVENUE[3]		**4,280**	**4,664**	**9,332**
Pass-through revenue		445	457	914
REVENUE	**2**	**4,725**	**5,121**	**10,246**
Personnel expenses	5	(2,834)	(3,095)	(5,977)
Other operating expenses		(1,009)	(1,307)	(2,603)
OPERATING MARGIN BEFORE DEPRECIATION AND AMORTIZATION		**882**	**719**	**1,666**
Depreciation and amortization expense (excluding intangibles from acquisitions)	6	(265)	(81)	(161)
OPERATING MARGIN		**617**	**638**	**1,505**
Amortization of intangibles from acquisitions	6	(34)	(35)	(73)
Impairment loss	6	(107)	–	(115)
Non-current income and expenses	7	(18)	1	(1)
OPERATING INCOME		**458**	**604**	**1,316**
Financial expenses		(40)	(54)	(101)
Financial income		31	22	50
COST OF NET FINANCIAL DEBT	**8**	**(9)**	**(32)**	**(51)**
Revaluation of earn-out payments on acquisitions	8	(11)	(22)	(66)
Other financial income and expenses	8	(27)	(6)	(10)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES		**411**	**544**	**1,189**
Income taxes	9	(109)	(151)	(312)
NET INCOME OF CONSOLIDATED COMPANIES		**302**	**393**	**877**
Share of profit of associates	12	1	(2)	(5)
NET INCOME		**303**	**391**	**872**
Of which:				
• Net income from non-controlling interests		2	4	10
• **Net income attributable to equity holders of the parent company**		**301**	**387**	**862**

Per share data *(in euros)* **– Net income attributable to equity holders of the parent company**	**10**			
Number of shares		*226,898,746*	*224,581,868*	*226,384,707*
Earnings per share		1.33	1.72	3.81
Number of diluted shares		*231,379,546*	*228,808,205*	*230,673,578*
Diluted earnings per share		1.30	1.69	3.74

(1) The financial statements as at June 30, 2018 have been prepared by early application of IFRS 16 (use of the prospective method without restatement of the prior financial period).
(2) In compliance with IFRS 15, applicable starting January 1, 2018, the comparative information from the year 2017 has been restated.
(3) Net revenue: Revenue less pass-through costs. Pass-through costs mainly concern production and media activities, as well as various expenses incumbent on clients. These items that can be re-billed to clients do not come within the scope of assessment of operations, net revenue is a more relevant indicator to measure the operational performance of the Group's activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euros)	June 30, 2018 (6 months)	June 30, 2017 (6 months)	December 31, 2017 (12 months) restated
PROFIT (LOSS) FOR THE PERIOD (A)	303	391	872
Comprehensive income that will not be reclassified to income statement			
• Actuarial gains (and losses) on defined benefit plans	14	6	13
• Deferred taxes on comprehensive income that will not be reclassified to income statement	(6)	(18)	28
Comprehensive income that may be reclassified to income statement			
• Revaluation of available-for-sale investments and hedging instruments	20	(20)	(9)
• Consolidation translation adjustments	17	(358)	(597)
TOTAL OTHER COMPREHENSIVE INCOME (B)	45	(390)	(565)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A) + (B)	**348**	**1**	**307**
Of which:			
• Total comprehensive income attributable to non-controlling interests	2	2	5
• Total comprehensive income attributable to equity holders of the parent company	346	(1)	302

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Notes	June 30, 2018[1]	December 31, 2017[2]
Assets			
Goodwill, net	11	8,563	8,450
Intangible assets, net		1,119	1,124
Right-of-use assets related to leases	17	1,777	–
Property, plant and equipment, net		555	590
Deferred tax assets		142	130
Investments in associates	12	64	64
Other financial assets	13	203	169
NON-CURRENT ASSETS		**12,423**	**10,527**
Inventories and work in progress		417	385
Trade receivables		8,199	8,907
Assets on contracts		1,017	843
Other current receivables and assets		723	649
Cash and cash equivalents		1,812	2,407
Assets held for sale		–	62
CURRENT ASSETS		**12,168**	**13,253**
TOTAL ASSETS		**24,591**	**23,780**
Equity and liabilities			
Share capital		94	92
Additional paid-in capital and retained earnings, Group share		6,061	5,864
Equity attributable to holders of the parent company	**14**	**6,155**	**5,956**
Non-controlling interests		(1)	2
TOTAL EQUITY		**6,154**	**5,958**
Long-term borrowings	16	2,364	2,780
Long-term lease liabilities	17	1,667	–
Deferred tax liabilities		423	419
Long-term provisions	15	587	591
NON-CURRENT LIABILITIES		**5,041**	**3,790**
Trade payables		10,497	11,541
Liabilities on contracts		366	423
Short-term borrowings	16	505	350
Short-term lease liabilities	17	364	–
Income taxes payable		172	204
Short-term provisions	15	117	107
Other creditors and current liabilities		1,375	1,391
Liabilities held for sale		–	16
CURRENT LIABILITIES		**13,396**	**14,032**
TOTAL EQUITY AND LIABILITIES		**24,591**	**23,780**

(1) The financial statements as at June 30, 2018 have been prepared by early application of IFRS 16 (use of the prospective method without restatement of the prior financial period).
(2) In compliance with IFRS 15, applicable starting January 1, 2018, the comparative information from the year 2017 has been restated.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	**June 30, 2018 (6 months)**	June 30, 2017 (6 months)[2]	December 31, 2017 (12 months)[2]
Cash flows from operating activities			
Net income	303	391	872
Neutralization of non-cash income and expenses:			
Income taxes	109	151	312
Cost of net financial debt	9	32	51
Capital (gains) losses on disposals (before tax)	18	–	–
Depreciation, amortization and impairment loss on property, plant and equipment and intangible assets	406	116	349
Share-based compensation	32	28	55
Other non-cash income and expenses	42	25	74
Non-cash expenses on stock options and similar items	(1)	2	5
Dividends received from associates	2	1	2
Taxes paid	(149)	(115)	(264)
Change in working capital requirements[1]	(890)	(1,013)	69
NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (I)	**(119)**	**(382)**	**1,525**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	(95)	(39)	(136)
Disposals of property, plant and equipment and intangible assets	9	2	5
Purchases of investments and other financial assets, net	(11)	(6)	2
Acquisitions of subsidiaries	(91)	(176)	(289)
Disposals of subsidiaries	25	2	1
NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (II)	**(163)**	**(217)**	**(417)**
Cash flows from financing activities			
Dividends paid to holders of the parent company	–	–	(170)
Dividends paid to non-controlling interests	(5)	(5)	(10)
Proceeds from borrowings	10	25	19
Repayment of borrowings	(178)	(22)	(27)
Repayment of lease liabilities	(175)	–	–
Interest paid on lease obligations	(29)	–	–
Financial interest paid[2]	(13)	(26)	(90)
Financial interest received[2]	32	26	52
Net purchases of non-controlling interests	(17)	(23)	(35)
Net (purchases)/sales of treasury shares and warrants	22	(287)	(291)
NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (III)	**(353)**	**(312)**	**(552)**
Impact of exchange rate fluctuations (IV)	**35**	**(166)**	**(379)**
CHANGE IN CONSOLIDATED CASH AND CASH EQUIVALENTS (I + II + III + IV)	**(600)**	**(1,077)**	**177**
Cash and cash equivalents on January 1	2,407	2,228	2,228
Bank overdrafts on January 1	(27)	(25)	(25)
Net cash and cash equivalents at beginning of the period (V)	**2,380**	**2,203**	**2,203**
Cash and cash equivalents at closing date	1,812	1,151	2,407
Bank overdrafts at closing date	(32)	(25)	(27)
Net cash and cash equivalents at end of the period (VI)	**1,780**	**1,126**	**2,380**
CHANGE IN CONSOLIDATED CASH AND CASH EQUIVALENTS (VI – V)	**(600)**	**(1,077)**	**177**
(1) Breakdown of change in working capital requirements			
Change in inventory and work in progress	*(14)*	*(44)*	*(17)*
Change in trade receivables and other receivables	*545*	*424*	*(693)*
Change in accounts payable, other payables and provisions	*(1,421)*	*(1,393)*	*779*
Change in working capital requirements	***(890)***	***(1,013)***	***69***

(2) As explained in Note 1, financial interest has been re-classified in Net cash flows generated by (used in) financing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of outstanding shares	*(in millions of euros)*	Share capital	Additional paid-in capital
226,295,805	**DECEMBER 31, 2017**	**92**	**3,680**
	First application of IFRS 16		
226,295,805	**JANUARY 1, 2018**	**92**	**3,680**
	Net income		
	Other comprehensive income, net of tax		
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
4,323,480	Dividends	2	243
210,612	Share-based compensation, net of tax		
	Effect of acquisitions and commitments to buy-out non-controlling interests		
87,984	Equity warrant exercise		3
498,177	Purchases/sales of treasury shares		
231,416,058	**JUNE 30, 2018**	**94**	**3,926**

Number of outstanding shares	*(in millions of euros)*	Share capital	Additional paid-in capital
225,367,784	**JANUARY 1, 2017**	**90**	**3,429**
	Net income		
	Other comprehensive income, net of tax		
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
3,992,216	Dividends	2	242
383,457	Share-based compensation, net of tax		
	Effect of acquisitions and commitments to buy-out non-controlling interests		
298,085	Equity warrant exercise		9
(3,754,991)	Purchases/sales of treasury shares		
226,286,551	**JUNE 30, 2017**	**92**	**3,680**

Reserves and earnings brought forward	Translation reserve	Fair value reserve	Equity attributable to the holders of the parent company	Non-controlling interests	Total equity
2,326	**(337)**	**195**	**5,956**	**2**	**5,958**
10			10		10
2,336	**(337)**	**195**	**5,966**	**2**	**5,968**
301			301	2	303
	17	28	45		45
301	**17**	**28**	**346**	**2**	**348**
(455)			(210)	(5)	(215)
32			32		32
(1)			(1)		(1)
			3		3
19			19		19
2,232	**(320)**	**223**	**6,155**	**(1)**	**6,154**

Reserves and earnings brought forward	Translation reserve	Fair value reserve	Equity attributable to the holders of the parent company	Non-controlling interests	Total equity
2,118	**255**	**163**	**6,055**	**10**	**6,065**
387			387	4	391
	(355)	(33)	(388)	(2)	(390)
387	**(355)**	**(33)**	**(1)**	**2**	**1**
(414)			(170)	(5)	(175)
30			30		30
(9)			(9)	5	(4)
			9		9
(296)			(296)		(296)
1,816	**(100)**	**130**	**5,618**	**12**	**5,630**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements for the half-year ending June 30, 2018 and the accompanying notes were approved by the Management Board on July 17, 2018 and reviewed by the Supervisory Board on July 18, 2018.

The consolidated interim financial statements are presented in euros rounded to the nearest million.

Note 1 Accounting policies

Pursuant to European Regulation no. 1606/2002 of July 19, 2002, Publicis Groupe's consolidated financial statements as of June 30, 2018 were prepared in accordance with the IAS/IFRS international accounting standards as approved by the European Union and mandatory at that date. The international IAS/IFRS accounting standards are available on the following European Commission website:

https://ec.europa.eu/commission/index_en

The consolidated interim financial statements as of June 30, 2018 were prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies applied in the half-year financial statements are consistent with those used by the Group in the consolidated financial statements as of December 31, 2017, and presented in the Registration Document filed with the French Financial Markets Authority (Autorité des marchés financiers or AMF) on April 20, 2018 ("2017 Registration Document", pages 164 to 170), except for the standards and interpretations adopted by the European Union applicable as of January 1, 2018 and described below and the early application of IFRS 16.

New applicable standards and interpretations

Application of new standards and interpretations

The Group's application of the following standards and interpretations, adopted by the European Union and mandatory in the financial years beginning on or after January 1, 2018, had the following impacts on the Group's financial statements:

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

Publicis Groupe adopted IFRS 15 "Revenue from contracts with customers" using the full retrospective transition method, and the Group has thus restated its consolidated financial statements for the year ended December 31, 2017 and interim periods as if IFRS 15 had been effective for those periods, in accordance with IAS 8. The restatements related to the first application of IFRS 15 are presented in Note 2.

IFRS 15 introduces a prescriptive method based on a five-step model in which revenue is recognized by transferring the control of goods and/or services to the client and no longer based on the transfer of risk and rewards.

The five-step accounting model is the following:

1. Identify the contract
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The notion of control has changed the assessment of Agent and Principal and led to a significant increase in revenue by the recognition at revenue level of directly re-billable third-party costs incurred on behalf of clients, when not distinct services are provided to clients (single performance obligation). These costs essentially regard production activities as well as various expenses incumbent on clients, in particular travel expenses. These changes do not have any impact on the operating income, as the operating revenue and expenses are increased by the same amount, same applies to the net profit. Cash flows are not impacted by these changes.

In this context, as the items that can be re-billed to clients do not come within the scope of assessment of operations, Publicis Groupe has decided to use a different indicator, *i.e.* revenue less pass-through costs or net revenue, which is a more relevant indicator to measure the operational performance of the Group's activities. Net revenue is defined as revenue less pass-through costs which are the amounts paid to external suppliers engaged to perform a project and charged directly to clients. Those costs are mainly production & media costs and out of pocket expenses.

Estimates of variable consideration had no impact on revenue recognition under IFRS 15. In cases where considerations are constrained on objectives that are highly susceptible to factors outside the entity's influence, the Group believes there is a significant risk of revenue reversal, thus did not include the variable consideration into the transaction price as long as the uncertainty is not resolved. In other cases, variable considerations were already estimated and anticipated in the consolidated financial statements of Publicis Groupe under the previous standard.

IFRS 15 had no significant impact on the timing of revenue recognition since the Group mostly recognized revenue overtime.

Disaggregation of Revenue:

Publicis Groupe provides integrated communication services to its clients that combine all the skills within the Group. The Group has strengthened its geographic approach that best describes the way in which the revenue is affected by economic factors.

Disaggregation of Revenue by geographic region is similar to prior reporting periods and is presented in the Operating segment information (see Note 19).

Contract Balances (Contract Assets and Liabilities):

- *Contract Assets:* Revenues recognized overtime subject to client's approval should be recognized as contract assets rather than Trade Receivables. Therefore at December 31, 2017, euro 843 million were reclassified from Trade Receivables to Contract Assets;
- *Contract Liabilities:* Client advances to be recognized in Revenue when the control of goods and/or services will be transferred to clients are now reported into Contract Liabilities. At December 31, 2017, euro 423 million were reclassified from Other creditors and current liabilities to Contract Liabilities.

Transaction prices allocated to the remaining performance obligations:

Publicis Groupe has decided to apply the practical expedient and not disclose information about remaining performance obligations on contracts that have original expected durations of one year or less and those for which the Group has the right to payment for hours carried out to date.

Amounts related to remaining performance obligations on contracts other than those mentioned above are immaterial and are therefore not presented.

IFRS 9 "FINANCIAL INSTRUMENTS"

The main change concerns available-for-sale financial assets. From January 1, 2018, changes in fair value of these investments are accounted for in profit and loss (previously these changes were accounted for in other comprehensive income). This change has no significant impact on the Group's income statement. The change in fair value of financial assets measured at fair value through profit and loss in the first half of 2018 is less than euro 1 million.

IFRS 9 also changed the accounting of impairment losses on financial assets by introducing a prospective approach for losses on expected receivables. These impacts are not significant.

Early application

The Group decides the early application of IFRS 16 "Lease Contracts" from January 1, 2018.

The Group rents its offices in most of the cities in which it operates. In addition, as part of its advertising network activity, the Group has entered into advertising outdoor contracts. Finally, the rental agreements within the scope of application of IFRS 16 also concern vehicles and computing equipment.

Previously, each lease contract was qualified either as finance lease, or as operating lease, with accounting treatment appropriate for each category. In application of IFRS 16, all lease contracts are now recognized in right-of-use assets and in lease liabilities by a debt corresponding to the discounted value of future payments. Lease term is defined on a contract-by-contract basis and corresponds to the firm period of the commitment taking into account any optional periods that are reasonably certain to be exercised.

The transition method used consists in recognizing the cumulative effect of the initial application as an adjustment on opening equity, by considering that the right-of-use of the underlying asset is equal to the amount of the lease liability, adjusted by the amount of rents paid in advance as well as lease incentives received from the landlord. The contractual rents corresponding to low unit value assets (threshold defined at US $5,000) or to a short-term lease (less than 12 months) are recognized directly in expenses. In addition, the following practical expedients have been applied to the transition:

- contracts with residual terms of less than 12 months starting from January 1, 2018, are not accounted for as an asset and a debt;
- the discount rates applied as of the transition date are based on the Group's marginal borrowing rate plus a spread to take into account the specific economic environment of each country.

Other changes

Taking into account the application of IFRS 16 "Leases", Publicis decided to change the presentation of financial interest in the table of cash flows and present financial interest in cash flows generated by (used in) financing operations rather than in the flows generated by the activity. This presentation, specified by IAS 7 "Statement of Cash Flows", is more relevant since it allows repayments and interest on lease obligations to be presented in the same category. This presentation was applied retrospectively to each period presented, in application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This change/reclassification has no effect on the statement of cash flows of the Group in the first half of 2017 and has the effect, as of December 31, 2017, of increasing the "Net Cash Flows Generated by (Used in) Operating Activity" by euro 38 million and reducing the "Net Cash Flows Generated by (Used in) Financing Activities" by the same amount.

In addition, the IFRIC 22 interpretation "Foreign Currency Transactions and Advance Consideration" has no significant impact.

Standards published by the IASB for which application is not mandatory

The principles applied by the Group do not differ from IFRS standards as published by the IASB, since the application of the following standards and interpretations is not mandatory in financial years beginning on or after January 1, 2018:

- IFRS 17 – "Insurance Contracts";
- IFRIC 23 – "Uncertainty over income tax treatments".

Use of estimates

The Group's financial position and earnings depend on the accounting methods applied, and the assumptions, estimates and judgements made when the consolidated financial statements are prepared. The Group bases its estimates on its past experience and on a series of other assumptions considered reasonable under the circumstances to measure the amounts to be used for the Group's assets and liabilities. The assumptions on which the main estimates considered for the first half of 2018 are of the same nature as those described as at December 31, 2017 in the 2017 Registration Document. Management revises these estimates when it identifies new events to take into account or in the event of a change in the circumstances on which these assumptions were based. Actual outcomes may, however, vary significantly from these estimates.

Note 2 IFRS 15 – Restatement of the income statement and the balance sheet

The following tables present the impacts of the application of IFRS 15 on the Group's consolidated financial statements:

Impacts on the consolidated income statement

(in millions of euros)	Information June 30, 2017 (6 months) reported	Impact of IFRS 15	Information June 30, 2017 (6 months) restated	Information December 31, 2017 (12 months) reported	Impact of IFRS 15	Information December 31, 2017 (12 months) restated
Net revenue	**4,664**	**–**	**4,664**	**9,332**	**–**	**9,332**
Pass-through Revenue	179	278	457	358	556	914
REVENUE	**4,843**	**278**	**5,121**	**9,690**	**556**	**10,246**
Personnel expenses	(3,095)	–	(3,095)	(5,977)	–	(5,977)
Other operating expenses	(1,029)	(278)	(1,307)	(2,047)	(556)	(2,603)
OPERATING MARGIN BEFORE DEPRECIATION AND AMORTIZATION	**719**	**–**	**719**	**1,666**	**–**	**1,666**
Depreciation and amortization expense excluding intangibles from acquisitions	(81)	–	(81)	(161)	–	(161)
OPERATING MARGIN	**638**	**–**	**638**	**1,505**	**–**	**1,505**
OPERATING INCOME	**604**	**–**	**604**	**1,316**	**–**	**1,316**
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**387**	**–**	**387**	**862**	**–**	**862**

Impacts on the consolidated balance sheet

(in millions of euros)	Information December 31, 2017 reported	Impact IFRS 15	Information December 31, 2017 restated
Assets			
Trade receivables	9,750	(843)	8,907
Assets on contracts	–	843	843
Others	14,030	–	14,030
TOTAL ASSETS	**23,780**		**23,780**
Liabilities			
Liabilities on contracts	–	423	423
Other creditors and current liabilities	1,814	(423)	1,391
Others	21,966	–	21,966
TOTAL EQUITY AND LIABILITIES	**23,780**		**23,780**

Impacts on the consolidated statement of comprehensive income

The statement of comprehensive income is not impacted by the application of IFRS 15.

Impacts on the statement of consolidated cash flows and the statement of changes in equity

The statement of cash flows as well as the statement of changes in equity are not impacted by the application of IFRS 15.

Note 3 IFRS 16 – Impacts on the 2018 financial statements from the first application

The following tables present the impacts of the first application of IFRS 16 on the opening balance sheet:

(in millions of euros)	Information December 31, 2017 restated	First application of IFRS 16	Information January 1, 2018 with IFRS 16
Assets			
Right-of-use assets related to leases	–	1,906	1,906
Property, plant and equipment, net	590	(43)	547
Other financial assets	169	23	192
Other non-current assets	9,768	–	9,768
Other receivables and current assets	649	(4)	645
Other current assets	12,604	–	12,604
TOTAL ASSETS	**23,780**	**1,882**	**25,662**
Equity and liabilities			
Total equity	**5,958**	**10**	**5,968**
Long-term borrowings	2,780	(89)	2,691
Long-term lease liabilities	–	1,681	1,681
Long-term provisions	591	(11)	580
Others	419	–	419
NON-CURRENT LIABILITIES	**3,790**	**1,581**	**5,371**
Short-term lease liabilities	–	356	356
Short-term provisions	107	(4)	103
Other creditors and current liabilities	1,391	(61)	1,330
Others	12,534	–	12,534
CURRENT LIABILITIES	**14,032**	**291**	**14,323**
TOTAL EQUITY AND LIABILITIES	**23,780**	**1,882**	**25,662**

The impacts of the first application of IFRS 16 on the opening balance sheet are the following:

- the accounting of the right-of-use assets and lease liabilities;
- the reclassification of recognized assets and liabilities related to existing financing leases as of December 31, 2017;
- the reclassification of lease incentive benefits in addition to the right-of-use assets;
- the reclassification of provisions for vacant space provision in reduction of the right-of-use assets;
- the reclassification of rents paid in advance in addition to the right-of-use assets;
- the reclassification of right-of-use assets as financial assets in the case of sub-leases granted for the residual duration of the leases concerned. In addition, the revaluation of these receivables impacts the opening shareholders' equity, taking into consideration sub-leases for an amount greater than that of the main agreement.

The following tables present the 2018 data as though the Group had continued to apply IAS 17:

Impacts on the consolidated balance sheet

(in millions of euros)	Information June 30, 2018 with IAS 17	Application of IFRS 16	Reported June 30, 2018 information
Assets			
Right-of-use assets related to leases	–	1,777	1,777
Property, plant and equipment, net	597	(42)	555
Deferred tax assets	138	4	142
Other financial assets	180	23	203
Other receivables and current assets	727	(4)	723
Others	21,191	–	21,191
TOTAL ASSETS	**22,833**	**1,758**	**24,591**
Equity and Liabilities			
Total shareholders' equity	**6,156**	**(2)**	**6,154**
Long-term borrowings	2,456	(92)	2,364
Long-term lease liabilities	–	1,667	1,667
Long-term provisions	617	(30)	587
Others	423	–	423
NON-CURRENT LIABILITIES	**3,496**	**1,545**	**5,041**
Short-term lease liabilities	–	364	364
Short-term provisions	156	(39)	117
Other creditors and current liabilities	1,485	(110)	1,375
Others	11,540	–	11,540
CURRENT LIABILITIES	**13,181**	**215**	**13,396**
TOTAL EQUITY AND LIABILITIES	**22,833**	**1,758**	**24,591**

Impacts on the consolidated income statement

(in millions of euros)	Information June 30, 2018 with IAS 17	Application of IFRS 16	Reported June 30, 2018 information
REVENUE	**4,725**	**–**	**4,725**
Personnel expenses	(2,834)	–	(2,834)
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	(72)	(193)	(265)
Other operating expenses	(1,208)	199	(1,009)
OPERATING MARGIN	**611**	**6**	**617**
OPERATING INCOME	**452**	**6**	**458**
Cost of net financial debt	(15)	6	(9)
Revaluation of earn-out payments on acquisitions	(11)	–	(11)
Other financial income and expenses	2	(29)	(27)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	**428**	**(17)**	**411**
Income taxes	(114)	5	(109)
NET INCOME OF CONSOLIDATED COMPANIES	**314**	**(12)**	**302**
Share of profit of associates	1	–	1
NET INCOME	**315**	**(12)**	**303**
Of which:			
• Net income from non-controlling interests	2	–	2
• **Net income attributable to equity holders of the parent company**	**313**	**(12)**	**301**

Impacts on the consolidated statement of cash flows

(in millions of euros)	Information June 30, 2018 with IAS 17[1]	Application of IFRS 16	Reported June 30, 2018 information
JUNE 30, 2018			
Cash flow from operating activities			
Net income	315	(12)	303
Neutralization of non-cash income and expenses:			
Income taxes	114	(5)	109
Cost of net financial debt	15	(6)	9
Depreciation, amortization and impairment loss	126	280	406
Other non-cash income and expenses	100	(58)	42
Others	(98)	–	(98)
Change in working capital requirements	(889)	(1)	(890)
NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (I)	**(317)**	**198**	**(119)**
Cash flow from investing activities			
NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (II)	**(163)**	**–**	**(163)**
Cash flow from financing activities			
Repayment of lease liabilities	–	(175)	(175)
Interest paid on lease liabilities	–	(29)	(29)
Financial interest paid	(19)	6	(13)
Others	(136)	–	(136)
NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (III)	**(155)**	**(198)**	**(353)**
Impact of exchange rate fluctuations (IV)	**35**	**–**	**35**
CHANGE IN CONSOLIDATED CASH FLOW (I + II + III + IV)	**(600)**	**–**	**(600)**

(1) Starting from January 1, 2018, the financial interest has been reclassified to the net cash-flow from financing activities.

Note 4 Changes in the scope of consolidation

Acquisitions during the period

No material acquisitions were made over the period.

Disposals during the period

No material disposals were made during the period.

Note 5 Personnel expenses and headcount

Personnel expenses include salaries, commissions, employee profit sharing, vacation pay and bonus estimation. They also include expenses related to share-based payments (stock option and free share plans) and expenses related to pensions (excluding the net effect of unwinding the discount on benefit obligations, which is included in other financial income and expenses).

(in millions of euros)	June 30, 2018 (6 months)	June 30, 2017 (6 months)
Compensation	(2,191)	(2,414)
Social security charges	(354)	(386)
Post-employment benefits	(71)	(68)
Share-based payments	(31)	(28)
Temporary employees and freelancers	(187)	(199)
TOTAL	**(2,834)**	**(3,095)**

Breakdown of headcount at June 30 by region

	June 30, 2018	June 30, 2017
Europe	22,488	22,698
North America	23,697	24,865
Latin America	5,673	5,678
Asia Pacific	21,302	22,245
Middle East & Africa	3,558	3,409
TOTAL	**76,718**	**78,895**

Note 6 Depreciation, amortization and impairment loss

(in millions of euros)	June 30, 2018 (6 months)	June 30, 2017 (6 months)
Amortization of other intangible assets (excluding intangibles arising from acquisitions)	(11)	(10)
Depreciation of property, plant and equipment	(61)	(71)
Amortization of right-of-use assets	(193)	–
DEPRECIATION AND AMORTIZATION EXPENSE (EXCLUDING INTANGIBLES FROM ACQUISITIONS)	**(265)**	**(81)**
Impairment of right-of-use assets	(107)	–
Amortization of intangibles from acquisitions	(34)	(35)
TOTAL DEPRECIATION AND AMORTIZATION	**(406)**	**(116)**

In the first half of 2018, the Group launched a program to optimize premises aiming to group agencies at one or more sites in the main countries.

This program required vacating leased spaces, to best use the existing space at other sites, and consequently right-of-use assets concerning the empty spaces were subject to total or partial impairment losses, and likewise concerning the fixtures in these spaces. Impairment losses in the first half of 2018 reached euro 107 million, *i.e.* euro 54 million for right-of-use assets, euro 27 million for fixtures, and euro 26 million for related costs (taxes on vacant premises, rental charges, etc.).

At June 30, 2018, no indicators suggesting impairment loss have been identified.

2

Note 7 Non-current income and expenses

This covers non-recurring income and expenses. This line item mainly includes gains and losses on the disposal of assets.

(in millions of euros)	**June 30, 2018 (6 months)**	June 30, 2017 (6 months)
Capital gains (losses) on disposal of assets	(18)	–
Non-current income and (expenses)	–	1
TOTAL NON-CURRENT INCOME AND EXPENSES	**(18)**	**1**

In the first half of 2018, the disposal of Genedigi accounts for most of the losses.

Note 8 Financial income and expenses

Net financial income (expense) excluding revaluation of earn-out payments

(in millions of euros)	**June 30, 2018 (6 months)**	June 30, 2017 (6 months)
Interest expense on loans and bank overdrafts[(1)]	(40)	(48)
Interest expense on finance leases	–	(6)
Financial expenses	**(40)**	**(54)**
Financial income	31	22
COST OF NET FINANCIAL DEBT	**(9)**	**(32)**
Foreign exchange gains (losses) and change in the fair value of currency derivatives	6	(1)
Net financial expense related to the discounting of pension provisions	(3)	(4)
Interest expenses on lease liabilities	(29)	–
Change in fair value of financial assets	0	–
Others	(1)	(1)
NET FINANCIAL INCOME (EXPENSE) EXCLUDING REVALUATION OF EARN-OUT PAYMENTS	**(36)**	**(38)**

(1) Including the revaluation of interest rate swaps and bonds in respect of fair value hedges.

Revaluation of earn-out payments

(in millions of euros)	**June 30, 2018 (6 months)**	June 30, 2017 (6 months)
REVALUATION OF EARN-OUT PAYMENTS	**(11)**	**(22)**

Note 9 Income taxes

Effective tax rate

Income tax expense for the half-year to June 30, 2018 was calculated by applying the estimated effective tax rate for the full year to profit before tax for the period.

(in millions of euros)		June 30, 2018 (6 months)	June 30, 2017 (6 months)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES		**411**	**544**
Revaluation of earn-out payments on acquisitions		11	22
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	**A**	**422**	**566**
EFFECTIVE TAX RATE	**B**	**25.9%**	**26.7%**
INCOME TAX IN THE INCOME STATEMENT	**A X B**	**(109)**	**(151)**

As a reminder, the effective income tax rate for financial year 2017 (12 months) was 27.2%.

Note 10 Earnings per share

Earnings per share (basic and diluted)

(in millions of euros, except for share data)		June 30, 2018	June 30, 2017
Net income used for the calculation of earnings per share			
Group net income	**A**	**301**	**387**
Impact of dilutive instruments:			
• Savings in financial expenses related to the conversion of debt instruments, net of tax		–	–
Group net income – diluted	**B**	**301**	**387**
Number of shares used to calculate earnings per share			
Number of shares at January 1		230,627,725	225,945,387
Shares created over the period		194,528	344,728
Treasury shares to be deducted (average for the period)		(3,923,507)	(1,708,247)
Average number of shares used for the calculation	**C**	**226,898,746**	**224,581,868**
Impact of dilutive instruments:			
• Free shares and dilutive stock options[(1)]		3,936,357	3,588,145
• Equity warrants[(1)]		544,443	638,192
Number of diluted shares	**D**	**231,379,546**	**228,808,205**
(in euros)			
EARNINGS PER SHARE	**A/C**	**1.33**	**1.72**
DILUTED EARNINGS PER SHARE	**B/D**	**1.30**	**1.69**

(1) Only stock options and warrants with a dilutive impact, i.e. whose strike price is lower than the average strike price, are included in the calculation. As of June 30, 2018 and 2017, all stock options and warrants not yet exercised at the reporting date had a dilutive impact.

Headline earnings per share (basic and diluted)

(in millions of euros, except for share data)		June 30, 2018	June 30, 2017
Net income used to calculate headline earnings per share[1]			
Group net income		**301**	**387**
Items excluded:			
• Amortization of intangibles from acquisitions, net of tax		28	23
• Impairment loss[2], net of tax		81	–
• Revaluation of earn-out payments		11	22
• Main capital gains (losses) on disposal of assets, net of tax		17	–
Headline Group net income	**E**	**438**	**432**
Impact of dilutive instruments:			
• Savings in financial expenses linked to the conversion of debt instruments, net of tax		–	–
Headline Group net income, diluted	**F**	**438**	**432**
Number of shares used to calculate earnings per share			
Number of shares at January 1		230,627,725	225,945,387
Shares created over the period		194,528	344,728
Treasury shares to be deducted (average for the period)		(3,923,507)	(1,708,247)
Average number of shares used for the calculation	**C**	**226,898,746**	**224,581,868**
Impact of dilutive instruments:			
• Free shares and dilutive stock options		3,936,357	3,588,145
• Equity warrants		544,443	638,192
Number of diluted shares	**D**	**231,379,546**	**228,808,205**
(in euros)			
HEADLINE EARNINGS PER SHARE[1]	**E/C**	**1.93**	**1.92**
HEADLINE DILUTED EPS[1]	**F/D**	**1.89**	**1.89**

(1) EPS after elimination of the impairment losses, amortization of intangibles from acquisitions, the main capital gains and losses on disposal of assets and the revaluation of earn-out payments.
(2) At 30 June, 2018, this amount corresponds exclusively to impairment losses on right-of-use assets related to leases.

Note 11 Goodwill

Changes in goodwill

(in millions of euros)	Gross amount	Impairment loss	Net amount
JANUARY 1, 2018	**9,868**	**(1,418)**	**8,450**
Acquisitions	45	–	45
Changes related to the recognition of commitments to buy-out non-controlling interests	(24)	–	(24)
Translation adjustments and other	125	(33)	92
JUNE 30, 2018	**10,014**	**(1,451)**	**8,563**

Note 12 Investments in associates

Investments accounted for using the equity method amounted to euro 64 million at June 30, 2018 (same as of December 31, 2017).

(in millions of euros)	Investments in associates
AMOUNT AT JANUARY 1, 2018	**64**
Share of profit of associates	1
Dividends paid	(2)
Effect of translation and other	1
AMOUNT AT JUNE 30, 2018	**64**

The Group's main investments in associates are Matomy Media Group, Jana Mobile, Burrell Communications, Somupi and On Point. At June 30, 2018, the carrying amounts of these five companies amounted to euro 25 million, euro 14 million, euro 6 million, euro 3 million and euro 7 million.

Note 13 Other financial assets

(in millions of euros)	June 30, 2018	December 31, 2017
Other financial assets mainly include investments classified as "available-for-sale"		
• Venture Capital Funds[(1)]	81	73
• Other	21	17
Security deposits	31	31
Loans to associates and non-consolidated companies	18	16
Sub-lease receivables	23	–
Others	44	47
Gross value	**218**	**184**
Impairment	(15)	(15)
NET AMOUNT	**203**	**169**

(1) These Venture Capital Funds are dedicated to businesses that create value in the digital economy.

Note 14 Equity

Share capital of the parent company

(in shares)	June 30, 2018	December 31, 2017
Share capital on January 1	230,627,725	225,945,387
Capital increase	4,622,076	4,682,338
SHARES COMPRISING THE SHARE CAPITAL AT THE END OF THE PERIOD	**235,249,801**	**230,627,725**
Treasury shares at the end of the period	(3,833,743)	(4,331,920)
SHARES OUTSTANDING AT THE END OF THE PERIOD	**231,416,058**	**226,295,805**

Publicis Groupe SA's share capital increased by euro 1,848,830 in the first half of 2018, corresponding to 4,622,076 shares with a par value of euro 0.40:

- 87,984 issued following the exercise of stock warrants by certain holders;
- 210,612 shares issued as part of free share plans;
- 4,323,480 shares issued following the exercise of options for dividend payment in shares by certain shareholders.

As of June 30, 2018, the share capital of Publicis Groupe SA totaled euro 94,099,920, divided into 235,249,801 shares each with a par value of euro 0.40.

Neutralization of the treasury shares existing on June 30, 2018

Treasury shares held at the end of the year, including those owned under the liquidity contract, are deducted from the share capital.

The portfolio of treasury shares showed the following movements in the first half of 2018:

	Number of shares
TREASURY SHARES HELD ON DECEMBER 31, 2017[1]	**4,331,920**
Disposals (exercise of stock options) and deliveries of free shares	(340,677)
Movements as part of the liquidity contract	(157,500)
TREASURY SHARES HELD ON JUNE 30, 2018[1]	**3,833,743**

(1) Including shares held as part of the liquidity contract (265,000 at December 31, 2017 and 107,500 at June 30, 2018).

Dividends

As resolved by the shareholders at the General Shareholders' Meeting held on May 30, 2018, Publicis Groupe SA, on July 4, 2018:

- issued 4,323,480 new shares for the payment of dividends in shares to shareholders who had exercised this option;
- paid euro 210 million of dividends (*i.e.* euro 2.00 per share).

Note 15 Provisions for liabilities and charges

(in millions of euros)	Restructuring	Vacant property commitments	Pensions and other long-term benefits	Risks and litigation	Other provisions	TOTAL
JANUARY 1, 2018	**38**	**16**	**294**	**269**	**81**	**698**
Increases	16	46	14	24	12	112
Releases with usage	(22)	(21)	(10)	(8)	(8)	(69)
Other release	(1)	(16)(1)	0	(3)	(8)	(28)
Changes to consolidation scope	0	0	0	0	0	0
Actuarial losses (gains)	0	0	(13)	0	0	(13)
Translation adjustments and other	0	1	0	2	1	4
JUNE 30, 2018	**31**	**26**	**285**	**284**	**78**	**704**
Of which short-term	25	16	19	39	18	117
Of which long-term	6	10	266	245	60	587

(1) Out of which, euro 15 million reclassified against right-of-use assets related to lease contracts, following first application of IFRS 16.

Vacant property commitments covered the costs of premises that remained vacant. In application of IFRS 16, these costs were reclassified minus right-of-use assets. At June 30, 2018, the provisions for real estate commitments concern the portion of related expenses (taxes, rental charges, etc.)

Actuarial assumptions (weighted average rates)

The provision for pension commitments was discounted at June 30, 2018. Discount rates are calculated using rates of long-term investment grade corporate bonds (minimum AA rating) with maturities equivalent to the length of the plans assessed. They were determined based on external indexes commonly considered to be benchmarks, namely the iBoxx in Europe and the Citigroup Index in the United States.

	Pension plans				Post-employment medical cover	
June 30, 2018	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**United States**	**United Kingdom**
Discount rate	3.72%	2.60% - 2.75%	1.50%	0.30% - 8.00%	3.72%	2.60% - 2.75%

	Pension plans				Post-employment medical cover	
December 31, 2017	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**United States**	**United Kingdom**
Discount rate	3.22%	2.40% – 2.50%	1.20%	0.30% – 7.15%	3.22%	2.40% – 2.50%

2

Note 16 Borrowings and other financial liabilities

(in millions of euros)	June 30, 2018	December 31, 2017
Bonds (excl. accrued interest)	1,793	1,792
Other debt	1,076	1,338
TOTAL BORROWINGS AND OTHER FINANCIAL LIABILITIES	**2,869**	**3,130**
Of which short-term	2,364	350
Of which long-term	505	2,780

Change in financial liabilities

			Changes excl. cash and cash equivalents				
(in millions of euros)	December 31, 2017	Cash flow	Acquisitions	Exchange rate fluctuations	Changes in fair value	Reclassification	June 30, 2018
Eurobond 1.125% – December 2021 (EIR 1.261%)[(1)]	696	–	–	–	1	–	697
Eurobond 0.5% – November 2023 (EIR 0.741%)[(1)]	493	–	–	–	–	–	493
Eurobond 1.625% – December 2024 (EIR 1.732%)[(1)]	603	–	–	–	–	–	603
Bonds (excl. accrued interest)	**1,792**	**–**	**–**	**–**	**1**	**–**	**1,793**
Medium-term syndicated loan	**909**	**(149)**	**–**	**13**	**–**	**–**	**773**
Debt related to acquisitions of shareholdings	**247**	**(81)**	**14**	**–**	**1**	**–**	**181**
Debt arising from commitments to buy-out non-controlling interests	**39**	**(5)**	**2**	**1**	**–**	**–**	**37**
Accrued interest	6	–	–	–	22	–	28
Other borrowings and credit lines	21	4	–	–	–	–	25
Bank overdrafts	27	6	(1)	–	–	–	32
Debt related to finance leases	89	–	–	–	–	(89)	0
Other financial liabilities	**143**	**10**	**(1)**	**–**	**22**	**(89)**	**85**
TOTAL BORROWINGS AND OTHER FINANCIAL LIABILITIES	**3,130**	**(225)**	**15**	**14**	**24**	**(89)**	**2,869**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds[(2)]	(10)	–	–	–	12	–	2
Fair value of hedging derivatives on medium-term syndicated loans[(2)]	(3)	–	–	–	(2)	–	(5)
Fair value of derivative hedging on intra-group loans and borrowings[(2)]	17	–	–	–	(27)	–	(10)
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,134**	**(225)**	**15**	**14**	**7**	**(89)**	**2,856**

(1) Net of issuance costs. The number of securities at June 30, 2018 is 7,000 for the Eurobonds maturing in 2021, 5,000 for those maturing in 2023 and 6,000 for those maturing in 2024. The Effective Interest Rate (EIR) is given for each Eurobond.
(2) Carried under "Other receivables and current assets" and/or under "Other debts and current liabilities" on the consolidated balance sheet.

Bonds

Publicis Groupe SA bonds are issued at a fixed rate and denominated in euros.

The tranche of euro 700 million maturing in December 2021 (Eurobond 2021) and the tranche of euro 600 million maturing in December 2024 (Eurobond 2024) were swapped into US dollars, at a fixed rate, for the purposes of financing the acquisition of Sapient Corporation.

The swaps were qualified as cash flow hedges for intercompany US dollar financing. The fair value of these swaps was booked in the balance sheet under "Other creditors and current liabilities" in the amount of euro 2 million as at June 30, 2018 (euro (10) million as at December 31, 2017). The change in the fair value of these instruments was booked in "Other comprehensive income" and transferred to the income statement as interest on debt was paid and the asset value changed in US dollars.

These financial instruments were recognized at fair value according to the level 2 measurement method that corresponds to observable data other than quoted prices for identical assets or liabilities in active markets. This observable data corresponds primarily to exchange rates and interest rates.

Analysis by date of maturity

	June 30, 2018						
		Maturity					
(in millions of euros)	Total	-1 year	1-2 years	2-3 years	3-4 years	4-5 years	+5 years
Bonds (excl. accrued interest)	1,793	–	–	–	697	–	1,096
Medium-term syndicated loan	773	310	463	–	–	–	–
Debt related to acquisitions of shareholdings	181	111	39	17	14	–	–
Debt related to commitments to purchase non-controlling interests	37	15	11	5	4	2	–
Other financial liabilities	85	69	16	–	–	–	–
TOTAL FINANCIAL LIABILITIES	**2,869**	**505**	**529**	**22**	**715**	**2**	**1,096**

Analysis by currency

(in millions of euros)	June 30, 2018	December 31, 2017
Euros[1]	2,123	2,263
US dollars	614	713
Other currencies	132	154
TOTAL	**2,869**	**3,130**

(1) Including euro 1,300 million in swapped Eurobonds in USD as of June 30, 2018 (euro 1,289 million as of December 31, 2017).

Analysis by interest rate type

Borrowings are comprised of fixed rate loans that make up 85.90% of gross borrowings (excluding borrowings for acquisitions of equity investment securities and commitments to buy-out non-controlling interests) at June 30, 2018, and variable rate loans for the remaining 14.10%.

Exposure to liquidity risk

In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) with a total of euro 1,812 million as of June 30, 2018 and unused but confirmed credit lines representing a total of euro 2,679 million as of June 30, 2018. The main component of these credit lines is a euro 2,000 million multi-currency syndicated facility, maturing in 2020. These immediately or almost immediately available sums allow the Group to meet its general funding requirements.

Apart from bank overdrafts, most of the Group's debt is comprised of bonds and the medium-term syndicated loan, none of which are subject to financial covenants. They only include standard credit default event clauses (liquidation, cessation of payment, default on the debt itself or on the repayment of another debt above a given threshold) which are generally applicable above a threshold of euro 25 million.

The Group has not established any credit derivatives to date.

Note 17 Leases

Analysis of right-of-use assets by category of underlying property

(in millions of euros)	Real Estate	Concession agreements	Other assets	Total
DECEMBER 31, 2017	**–**	**–**	**–**	**–**
First application of IFRS 16	1,616	248	42	1,906
Addition of assets	173	–	–	173
Impairment and lease inducements	(101)	–	–	(101)
Amortization expense	(133)	(53)	(7)	(193)
Terminations	(8)	–	–	(8)
JUNE 30, 2018	**1,547**	**195**	**35**	**1,777**

Analysis of lease obligation by category of underlying asset

(in millions of euros)	Real Estate	Concession agreements	Other assets	Total
DECEMBER 31, 2017	**–**	**–**	**–**	**–**
First application of IFRS 16	1,747	248	42	2,037
Addition of assets	172	–	–	172
Repayments	(138)	(53)	(7)	(198)
Interest expense	29	0	0	29
Terminations	(9)	–	–	(9)
JUNE 30, 2018	**1,801**	**195**	**35**	**2,031**

Note 18 Commitments

Other commitments

	June 30, 2018			
		Maturity		
(in millions of euros)	Total	– 1 year	1-5 years	+5 years
Commitments given				
Guarantees[1]	182	38	35	109
Other commitments	10	9	1	–
TOTAL	**192**	**47**	**36**	**109**
Commitments received				
Undrawn confirmed credit lines	2,679	279	2,400	–
Undrawn unconfirmed credit lines	232	232	–	–
Other commitments	19	6	9	4
TOTAL	**2,930**	**517**	**2,409**	**4**

(1) *At June 30, 2018, deposits and guarantees included undertakings to pay euro 60 million into innovation mutual funds by 2027. They also included guarantees of approximately euro 12 million relating to media-buying operations.*

Obligations related to warrants

The exercise of warrants, which can occur at any time from September 24, 2013 to September 24, 2022, will lead to an increase in the Publicis Groupe's capital stock. The conversion ratio was adjusted by a factor of 1.028 so as to reflect those distributions drawn from the Company's reserves and premiums. Following the cancellation of the warrants acquired in previous years or exercised since September 24, 2013, Publicis Groupe was, as of June 30, 2018, committed to issuing (in the event that the 1,074,821 outstanding stock warrants are exercised) 1,104,916 shares with a euro 0.40 par value and a euro 30.10 premium.

Other commitments

As at June 30, 2018, there were no significant commitments such as pledges, guarantees or collateral, or any other significant off-balance sheet commitments in accordance with currently applicable standards.

Note 19 Operating segment information

Information by business sector

The Publicis Groupe structure has been developed to provide the Group's clients with comprehensive, holistic communication services involving all disciplines.

The Group has, therefore, identified operating segments which correspond to hubs and which may be categorized together since they share similar economic features (similar margins across the various operating segments) and provide similar services (a full range of advertising and communications services) and do so for similar types of clients (the vast majority of the Group's top 50 clients are clients of several operating segments). The operating segments are thus pooled into a single sector, in accordance with IFRS 8.

Reporting by region

Given the importance of geographic location in the analysis of the business and the new organization implemented in 2018, detailed information has been provided by geographic region.

Data are established on the basis of the location of the agency.

First half 2018

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items[1]						
Net revenue[2]	**1,255**	**2,321**	**423**	**158**	**123**	**4,280**
Revenue[2]	1,456	2,467	472	161	169	4,725
Depreciation and amortization expense (excluding intangibles from acquisitions and right-of-use assets)	(27)	(31)	(10)	(2)	(2)	(72)
Operating Margin before application of IFRS 16	**153**	**402**	**41**	**13**	**2**	**611**
Operating Margin after application of IFRS 16	**156**	**404**	**42**	**13**	**2**	**617**
Amortization of intangibles from acquisitions	(7)	(25)	(1)	(1)	–	(34)
Impairment	(22)	(74)	(10)	–	(1)	(107)
Non-current income and expenses	–	–	(18)	–	–	(18)
Operating income after impairment	**127**	**305**	**13**	**12**	**1**	**458**
Balance sheet items						
Goodwill, net	2,433	4,506	1,089	342	193	8,563
Intangible assets, net	100	1,009	1	7	2	1,119
Right-of-use assets related to leases	667	894	150	36	30	1,777
Property, plant and equipment, net	246	240	46	13	10	555
Other financial assets	135	31	30	5	2	203
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(20)	(61)	(9)	(2)	(3)	(95)
Purchases of investments and other financial assets, net	(10)	(1)	–	–	–	(11)
Acquisitions of subsidiaries	(18)	(43)	(25)	(5)	–	(91)

(1) In compliance with IFRS 15, applicable starting January 1, 2018, the comparative information from the year 2017 has been restated.
(2) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

Year 2017

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items[1]						
Net revenue[2]	**2,596**	**5,032**	**1,037**	**387**	**280**	**9,332**
Revenue[2]	2,970	5,375	1,131	389	381	10,246
Depreciation and amortization expense (excluding intangibles from acquisitions)	(55)	(76)	(22)	(5)	(3)	(161)
Operating Margin	**423**	**831**	**151**	**64**	**36**	**1,505**
Amortization of intangibles from acquisitions	(15)	(54)	(2)	(2)	–	(73)
Impairment	(52)	(2)	(58)	–	(3)	(115)
Non-current income and expenses	20	(15)	4	(4)	(6)	(1)
Operating income after impairment	**376**	**760**	**95**	**58**	**27**	**1,316**
Balance sheet items						
Goodwill, net	2,415	4,393	1,066	372	204	8,450
Intangible assets, net	109	1,002	1	9	3	1,124
Property, plant and equipment, net	304	213	51	14	8	590
Other financial assets	104	29	29	5	2	169
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(53)	(54)	(21)	(5)	(3)	(136)
Purchases of investments and other financial assets, net	13	(12)	1	(1)	1	2
Acquisitions of subsidiaries	(90)	(163)	(19)	(8)	(9)	(289)

(1) In accordance with IFRS 15 applicable as of January 1, 2018, the comparative information for the year 2017 has been restated.
(2) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

First half 2017

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items[1]						
Net revenue[2]	**1,289**	**2,574**	**499**	**173**	**129**	**4,664**
Revenue[2]	1,479	2,744	549	173	176	5,121
Depreciation and amortization expense (excluding intangibles from acquisitions)	(26)	(38)	(12)	(3)	(2)	(81)
Operating Margin	**189**	**372**	**61**	**10**	**6**	**638**
Amortization of intangibles from acquisitions	(7)	(26)	(1)	(1)	0	(35)
Balance sheet items						
Goodwill, net	2,468	4,517	1,140	389	204	8,718
Intangible assets, net	119	1,081	1	10	2	1,213
Property, plant and equipment, net	291	220	47	15	8	581
Other financial assets	108	33	35	5	2	183
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(20)	(11)	(5)	(2)	(1)	(39)
Purchases of investments and other financial assets, net	(4)	2	(5)	–	1	(6)
Acquisitions of subsidiaries	(41)	(119)	(12)	(4)	–	(176)

(1) In accordance with IFRS 15 applicable as of January 1, 2018, the comparative information for the year 2017 has been restated.
(2) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

Note 20 Publicis Groupe SA stock option and free share plans

Three types of free share plans were created in the first half of 2018, with the following features:

- Long-Term Incentive Plan "LTIP 2018" (April 2018)

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares delivered will depend on the overall growth and profitability targets attained in 2018. The shares, awarded in April 2018, will vest in April 2021.

- Long-Term Incentive Plan "Sapient 2018 Plan" (April 2018)

In parallel with the LTIP 2018 and for the fourth consecutive year following the acquisition of Sapient, a plan with two tranches was put in place in 2018 exclusively for managers and employees of Publicis.Sapient. The first tranche is conditional only upon continued employment and gives rise to the delivery of one-fourth of the shares awarded on the dates of the first four anniversaries of the plan (*i.e.* in April 2019, 2020, 2021 and 2022). In addition to the condition of continued employment, the second tranche is conditional upon performance criteria, such that the total number of shares delivered shall depend on the level of targets attained in respect of 2018, 2019 and 2020. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, *i.e.* in April 2021.

- The long-term incentive plan "Sprint to the future" (May 18, 2018 for beneficiaries excluding the Executive Board and June 1, 2018 for the Executive Board)

To support the 2018-2020 strategic plan announced by the Group on March 20, 2018, during an Investor Day, the top managers of the Group, including the Executive Board, were granted free performance shares under a double condition (in addition to the three-year continued employment condition):

  - average 2018-2020 performance: the average annual rate of organic growth of consolidated net revenue over three years must be at least equal to 2.5% and the annual consolidated operating margin over the three years (calculated with respect to net revenue) at least equal to 17.1%;
  - 2020 performance: the 2020 organic growth rate of consolidated net revenue must be at least equal to 3.5% and the 2020 consolidated operating margin (calculated with respect to net revenue) at least equal to 17.5%.

If the two conditions are met, the number of shares that can be acquired will then be determined based on the combined rate of each of the two performance criteria (organic growth and operating margin rate) for 2020, until reaching the maximum allocated if 2020 growth reaches 4% and the operating margin reaches 17.8%. Delivery will occur, for all participants, on June 2, 2021.

It should be noted that the numbers mentioned above concerning objectives include the expected impacts of IFRS 15 and IFRS 16 applied by the Group starting in 2018.

In addition, the performance of the following plans was assessed in 2018:

- LTIP 2017: the performance targets set for 2017 were 50% achieved;
- Sapient 2015, 2016 and 2017 plans: the objectives set for 2017 for the Publicis.Sapient managers were 100% attained, those set for the other beneficiaries were only 61.5% attained;
- Lionlead3 2017-2018 Plan: the targets set for 2016 were 75% achieved.

Publicis Groupe share subscription or purchase option plans

Characteristics of Publicis Groupe stock option plans as of June 30, 2018

Plans	Type[(1)]	Date of grant	Exercise price options *(in euros)*	Options outstanding at January 1, 2018	Options canceled, lapsed or transferred[(2)] in first half 2018	Options exercised in first half 2018	Options outstanding at June 30, 2018	Of which exercisable at June 30, 2018	Expiry date	Remaining contract life *(in years)*
Co-investment 2013 France – options	A	04/30/2013	52.76	284,013	0	(14,085)	269,928	269,928	04/30/2023	4.84
Co-investment 2013 Outside France – options	A	04/30/2013	52.76	1,103,524	0	(85,604)	1,017,920	1,017,920	04/30/2023	4.84
TOTAL OF ALL TRANCHES				**1,387,537**	**0**	**(99,689)**	**1,287,848**	**1,287,848**		

(1) A = stock options; S = share subscription options.
(2) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.

Movements in Publicis Groupe stock option plans in first half 2018

	First half 2018	
	Number of options	Average exercise price *(in euros)*
Options at January 1, 2018	1,387,537	52.76
Options exercised[(1)] in first half	(99,689)	52.76
Cancelled or lapsed options in first half	0	–
OPTIONS OUTSTANDING AT JUNE 30, 2018	**1,287,848**	**52.76**
Of which exercisable	1,287,848	52.76
(1) Average share price on exercise (in euros).		*58.49*

Publicis Groupe free share plans

Characteristics of Publicis Groupe free share plans outstanding at June 30, 2018

Plans	Date of grant initial	Shares yet to vest as of January 1, 2018 or shares granted during the first half 2018	Shares canceled, lapsed or transferred[1] in first half 2018	Shares vesting in first half 2018[2]	Shares yet to vest at June 30, 2018	Vesting date of shares	Remaining contract life *(in years)*
LTIP 2014 Plan – Outside France	3/20/2014	212,858	(19,786)	(176,605)	16,467	3/20/2018	–
LTIP 2015 Plan – France	4/17/2015	35,282	(5,063)	(30,219)	0	4/17/2018	–
LTIP 2015 Plan – Outside France	4/17/2015	228,563	(3,113)	0	225,450	4/17/2019	0.80
Sapient 2015 Plan (4 yrs)	4/17/2015	112,950	3,098	(75,607)	40,441	4/17//2019	0.80
Sapient 2015 Plan (3 yrs)	4/17/2015	6,263	0	(6,263)	0	4/17/2018	–
LTIP 2016 Plan	6/23/2016	317,500	(3,425)	0	314,075	6/23/2019	0.98
LTIP 2016-2018 Plan “Directoire” & “Directoire +”	6/23/2016	120,000	0	0	120,000	6/23/2019	0.98
LionLead3 2016-2018 Plan – France	6/16/2016	550,474	(94,876)	0	455,598	6/16/2019	0.96
LionLead3 2016-2018 Plan – International	6/16/2016	2,810,202	(273,525)	0	2,536,677	6/16/2020	1.96
LionLead3 2016-2018 Plan – “Directoire” & “Directoire +”	6/16/2016	660,231	0	0	660,231	6/23/2019	0.98
Sapient 2016 Plan (4 yrs)	4/15/2016	226,782	(5,742)	(83,464)	137,576	4/15/2020	1.79
Sapient 2016 Plan (3 yrs)	4/15/2016	7,980	17,690	(11,056)	14,614	4/15/2019	0.79
LTIP 2017 Plan	5/18/2017	666,900	(343,650)	0	323,250	5/18/2020	1.88
Sapient 2017 Plan (4 yrs)	6/15/2017	227,910	(17,121)	(52,229)	158,560	6/15/2021	2.96
Sapient 2017 Plan (3 yrs)	6/15/2017	262,350	(44,574)	0	217,776	6/15/2020	1.96
LTIP 2018 Plan	4/17/2018	746,800	0	0	746,800	4/17/2021	2.80
Sapient 2018 Plan (4 yrs)	4/17/2018	230,201	0	0	230,201	4/17/2022	3.80
Sapient 2018 Plan (3 yrs)	4/17/2018	286,171	0	0	286,171	4/17/2021	2.80
Sprint to the Future 2018-2020 – Excluding “Directoire”	5/18/2018	773,440	0	0	773,440	6/01/2021	2.92
Sprint to the Future 2018-2020 – “Directoire”	6/01/2018	306,156	0	0	306,156	6/01/2021	2.92
TOTAL FREE SHARE PLANS		**8,789,013**	**(790,087)**	**(435,443)**	**7,563,483**		

(1) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.
(2) In exceptional cases, as described in the plan regulations, shares may be delivered prior to the end of the vesting period.

The vesting of free shares under the above plans is conditional on continued employment throughout the vesting period. Vesting is also subject to non-market performance conditions for plans LTIP 2012 to 2018, for the LionLead3 Plan, for the Sprint to the Future 2018-2020 plan, and for the Sapient 2015 to 2018 Plans, for which the vesting period is three years. In addition, the Lionlead3 Plan is subject to market performance conditions (Publicis Groupe stock price).

Movements in Publicis Groupe free share plans in first half 2018

	First half 2018
Shares yet to vest as of January 1, 2018	6,446,245
New grants made during first half 2018	2,342,768
Grants vesting (deliveries)	(435,443)
Grants lapsed	(790,087)
SHARES YET TO VEST AS OF JUNE 30, 2018	**7,563,483**

Fair value of free Publicis Groupe shares granted in first half 2018

Free shares	LTIP 2018[1]	Sprint to the future 2018-2020[2] excl. Supervisory Board	Sprint to the Future 2018-2020[2] Supervisory Board	Sapient 2018 (3 years)[2]	Sapient 2018 (4 years)[2]
Date of Management Board Meeting	04/17/2018	05/18/2018	06/01/2018	04/17/2018	04/17/2018
Number of shares originally granted	746,800	773,440	306,156	286,171	230,201
Initial valuation of shares granted *(weighted average, in euros)*	48.90	55.60	53.44	48.90	49.97
Share price on the grant date *(in euros)*	55.36	62.06	59.90	55.36	55.36
Lock-in period *(in years)*	3	3	3	3	4

(1) Conditional shares whose vesting is subject to the achievement of targets set for the year 2018.
(2) Conditional shares whose vesting is subject to the achievement of targets set for the years 2018 to 2020.

Effect of share subscription or stock option plans and free share plans on profit (loss)

The total impact of these plans on the interim income statement for first half 2018 was euro 31 million (excluding taxes and social security charges) compared to euro 28 million for first half 2017.

With regard to the free share plans granted subject to non-market performance conditions, and for which performances have not yet been definitively measured as of June 30, 2018, the probability of the targets set in respect of the financial statements for the first half of 2018 being met has been estimated as follows:

- performance plans measured over one year (LTIP 2018 Plan, LionLead3 2016-2018 Plan Excl. "Directoire" & "Directoire +", Sapient Performance 2016, 2017 and 2018 plans, Sprint to the Future 2018-2020 plans);

  Performance for the year 2018: 100%;
- performance plans measured over three years, for the period 2016-2018:
  - LTIP 2016-2018 Plan Supervisory Board: 50%,
  - LionLead3 Plan ("*Directoire*" & "*Directoire +*"): 75% (for the 3 years).

Note 21 Related party transactions disclosures

None.

Note 22 Subsequent events

None.

CHAPTER

3

Statutory auditors' review report on interim financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying consolidated condensed interim financial statements of Publicis Groupe S.A., for the period from January 1 to June 30, 2018;
- the verification of the information presented in the half-yearly management report.

These consolidated condensed interim financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the Financial Statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the IAS 34 from IFRS standards as adopted by the European Union applicable to interim financial information.

Without prejudice to the conclusion of our limited review, as expressed above, we draw your attention on Note "New applicable standards and interpretations" of the consolidated condensed interim financial statements which shows the first application of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers", but also the early application of IFRS 16 "Lease Contracts", as well as the presentation of financial interests in the statement of cash flows in connection with the application of IFRS 16.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the consolidated condensed interim financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the consolidated condensed interim financial statements.

Courbevoie and Paris La Défense, July 19, 2018

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Philippe Castagnac	Ariane Mignon	Vincent de La Bachelerie	Valérie Desclève

CHAPTER

4

Certificate of the person responsible for the first half-year financial report

As Chairman of the Management Board of Publicis Groupe, I hereby certify that, to the best of my knowledge, the consolidated interim financial statements for the six months ended on June 30, 2018 were prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company as well as the entities consolidated by Publicis Groupe and that the here enclosed interim management report provides a true and fair schedule of the highlights of the first half of the financial year and of their impact on the financial statements, of the main transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the financial year.

Arthur Sadoun

Chairman & CEO of Publicis Groupe

Designed & published by LABRADOR +33 (0)1 53 06 30 80

PUBLICIS
GROUPE

Publicis Groupe SA

French limited liability company (*société anonyme*) with a Management Board and a Supervisory Board, with a share capital of euro 94,099,920

Registered office: 133, avenue des Champs-Élysées, 75008 Paris – Paris Trade and Companies Registry no. 542,080,601